West Virginia State University Research and Development Corporation

Financial Statements as of and for the

Year Ended June 30, 2023

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION

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CliftonLarsonAllen LLP
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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 unit of West Virginia State University), as of and for the year ended June 30, 2023, 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, 2023, and the changes in financial position, and its cash flows 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.

Adoption of Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2022, the Corporation adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires SBITA's to recognize a right-to-use SBITA asset and corresponding SBITA liability for all SBITA's with terms greater than twelve months. Our opinion is not modified with respect to this matter.

Correction of Error
As discussed in Note 3, unrestricted net position was decreased as of June 30, 2022, due to an error in reporting West Virginia State University Research and Development Corporation's beginning grant revenues. Our opinion is not modified with respect to this matter.

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 twelve 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 13, 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

King of Prussia, Pennsylvania
October 13, 2023

West Virginia State University
Research and Development Corporation
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

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 West Virginia State University's (WVSU or the University) 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 only been 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, 2023. 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 2023 and 2022 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, 2023). 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.

	FY 2023	Restated FY 2022
Assets		
Cash and cash equivalents	**$ 424,821**	$ 1,399,607
Other current assets	**2,087,761**	1,052,049
Capital assets, net	**2,256,797**	1,665,937
Total Assets	**4,769,379**	4,117,593
Deferred Outflows of Resources	**98,556**	60,872
Total	**4,867,935**	4,178,465
Liabilities		
Current liabilities	**1,758,490**	1,959,911
Non-current liabilities	**119,930**	(12,065)
Total Liabilities	**1,878,420**	1,947,846
Deferred Inflows of Resources	**291,370**	658,233
Total	**2,169,790**	2,606,079
Net Position		
Net investment in capital assets	**2,037,022**	1,665,936
Restricted: other postemployment benefit	**-**	16,605
Unrestricted	**661,123**	(110,155)
Total Net Position	**2,698,145**	1,572,386
Total Liabilities and Net Position	**$ 4,867,935**	$ 4,178,465

Assets and Deferred Outflows of Resources: In fiscal year 2023, the Corporation's total assets and deferred outflows of resources increased by $689,470 which represents a 17 percent improvement in contrast to the previous year. The deferred outflow of resources that resulted from the implementation of GASB 75-Other Postemployment Benefits added $98,556 to total assets and deferred outflows of resources of $4,867,935. The overall increase in total assets this fiscal year is the result of equipment replacement and additional equipment purchases. Non-current assets also experienced an increase of $590,860 when compared to the previous year. Current assets this year represented 52 percent of the total assets and deferred outflows of resources; 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. Fiscal year 2022 beginning balances were restated due a change in deferred revenues of $334,778.

Liabilities and Deferred Inflows of Resources: The balance of total liabilities and deferred inflows of resources during the current fiscal year decreased by nearly 16 percent ($436,289). The overall reduction effect was the result of a decrease in the current liabilities portion, which contracted by 10 percent ($201,421). The decrease in non-current liabilities balance is the result of a decrease in SBITA liability. Current liabilities and deferred inflows of resources decreased this year as a result of a decrease in decrease in unearned revenue. Deferred inflows of resources did decrease by $366,863 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. The current ratio suggests the Corporation operates with more current assets than current liabilities.

Net Position: The value of total net position this year improved by $1,125,759. The current value of total net position changed from $1,572,386 to $2,698,145. This change in net position was impacted by a change in unrestricted net position of $771,278 (changed from ($110,155) to $661,123). The total depreciation expense of $666,549 this year was offset by additions in capital assets of $952,236, resulted in an increase in capital assets, net of $590,860. 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 $2,037,022 and unrestricted net position $661,123 resulted in a total net position this year of $2,698,145, compared to $1,572,386 the previous year.

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 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.

	FY 2023	Restated FY 2022
Operating revenues	**$ 13,685,376**	$ 11,586,926
Operating expenses	**12,554,887**	11,611,260
Operating Income/Losses	**1,130,489**	(24,334)
Non-operating revenues and expenses:	**(49,689)**	8,995
Capital Grants & Gifts	**536,139**	1,284,843
Transfer of Assets to the University	**(491,180)**	(783,360)
Increase (Decrease) in Net Position	**1,125,759**	486,144
Net Position — Beginning of Year	**1,572,386**	1,086,242
Net Position — End Year	**$ 2,698,145**	$ 1,572,386

The sources of operating revenues for the Corporation commonly derive from federal, state, and private externally sponsored funding. Operating revenues this year improved by $2,098,450, compared to the previous year. The increase in operating revenues stems from an increase in federal funding of $812,598, an increase in state funding of $1,150,500, and an increase in private funding of $135,352. Total revenues were restated in 2022 $11,921,704 to $11,586,926 as result of a change in deferred revenues of federal funding. 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 8 percent. Operating expenses increased from $11,611,260 to $12,554,887. The overall increase of $943,627 in the Corporation's total operating expenses was driven by an upswing in salaries and wages.

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an operating income for the year of $1,130,489; compared to restated net loss of $24,334. There was an increase in the non-operating expenses and a decrease in capital grants and gifts in 2023. The amount of contributions to the University ($491,180) decreased compared to the previous year ($783,360). 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. Revenues were also impacted by the restated balances for fiscal year 2022 to reflect an adjustment to unearned revenues.

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. This year's operating income ($1,130,489) was impacted by capital grants and gifts contributions ($536,139) received by the institution. The capital grants and gifts were reduced by the contributions to the University ($491,180).

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.

	FY 2023	Restated FY 2022
Cash provided (used) by:		
Operating activities	**$ 5,513**	$ 865,255
Investing activities	**1,862**	90
Non-capital financing	**(491,180)**	(783,360)
Capital and related financing activities	**(490,981)**	783,359
Net Increase (Decrease) in Cash and Cash Equivalents	**(974,786)**	771,214
Cash, beginning of year	**1,399,607**	628,393
Cash, end of year	**$ 424,821**	$ 1,399,607

The cash and cash equivalents value of as of June 30, 2023 was $424,821. This year's lower value can be attributed to capital and related financing activities $(490,981) compared to last year's use of funds of $783,359. Cash flow provided by investing activities is normally inconspicuous and represented only $1,862, 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, 2023 and 2022 was $829,612 and $1,868,618, 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.

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 2023, the Corporation experienced costs incurred at various University owned property which tracked with a Transfer to Assets to the University line as stated previously. New purchase of capital assets, derived from capital grants and gifts received, totaled $536,139 compared to the $1,284,343 reported the previous year. The level of total depreciation expense this year was $666,549 compared to $427,682 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.

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. In spite of recent economic challenges, the Corporation continues to maintain a strong financial position as detailed above.

The USDA NIFA Administered Agricultural Research and Extension Capacity funding continues to be a significant portion of the WVSURDC funding portfolio. Over the past five years the Corporation has seen, on average, an 8% increase in this funding which provides support of research and educational programing related to STEAM (Science, Technology, Engineering, Agriculture and Mathematics, disciplines). 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 ($3.95 M) from the WV Legislature in support of its 1890 land-grant research and extension programs. This fiscal year, the Legislature appropriated an additional $800,000 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 COVID-19 pandemic. 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 has nearly completed 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, and now has new Bachelors in Science in Nursing (BSN) degree available. The University is leveraged 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
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$	424,821
Grants and contracts receivable		1,893,370
Other receivables		3,560
Due from West Virginia State University		17,475
Prepaid expense		173,356
Total current assets		2,512,582
NONCURRENT ASSETS - Capital assets - net		2,256,797
TOTAL ASSETS		4,769,379
DEFERRED OUTFLOWS OF RESOURCES		98,556
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	4,867,935
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	818,723
Unearned revenue		581,604
Lease liability - current portion		6,664
SBITA liability - current portion		149,865
Compensated absences - current portion		201,634
Total current liabilities		1,758,490
NONCURRENT LIABILITIES		
Compensated absences - noncurrent portion		393
Lease liability - noncurrent portion		5,414
SBITA liability - noncurrent portion		57,832
Other post employment benefits liability		56,291
Total noncurrent liabilities		119,930
Total liabilities		1,878,420
DEFERRED INFLOWS OF RESOURCES		291,370
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		2,169,790
NET POSITION:		
Net investment in capital assets		2,037,022
Unrestricted		661,123
Total net position		2,698,145
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	4,867,935

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:	
Contracts and grants:	
Federal	$ 8,781,825
State	4,625,245
Private	278,306
Total operating revenues	13,685,376
OPERATING EXPENSES:	
Salaries and wages	5,360,967
Supplies and other services	4,892,464
Benefits	1,396,170
Depreciation and amortization	666,549
Utilities	238,737
Total operating expenses	12,554,887
OPERATING INCOME (LOSS)	1,130,489
NONOPERATING REVENUES (EXPENSES):	
Investment income	1,862
Interest expense	(18,789)
Refunds on behalf of the Corporation	(62,065)
Gain on disposal of capital assets	29,303
Net nonoperating revenues	(49,689)
INCOME BEFORE CAPITAL GRANTS AND GIFTS	1,080,800
CAPITAL GRANTS AND GIFTS	536,139
INCREASE IN NET POSITION BEFORE TRANSFERS	1,616,939
CONTRIBUTIONS TO THE UNIVERSITY	(491,180)
INCREASE (DECREASE) IN NET POSITION	1,125,759
NET POSITION — Beginning of year, As Restated	1,572,386
NET POSITION — End of year	$ 2,698,145

The Accompanying Notes Are An Integral Part of These Financial Statements

WEST VIRGINIA STATE UNIVERSITY
RESEARCH AND DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS PROVIDED BY (USED IN)	
OPERATING ACTIVITIES:	
Contracts and grants	$ 11,983,730
Payments to and on behalf of employees	(7,152,504)
Payments to suppliers	(4,586,976)
Payments to utilities	(238,737)
Net cash provided by operating activities	5,513
CASH FLOWS USED IN NON-CAPITAL FINANCING ACTIVITIES:	
Contributions to the University	(491,180)
Net cash used by non-capital financing activities	(491,180)
CASH FLOWS PROVIDED BY CAPITAL FINANCING ACTIVITIES:	
Capital grants and gifts received	536,139
Lease payments	(1,061)
SBITA payments	(146,504)
Purchases of capital assets	(879,555)
Net cash used by capital financing activities	(490,981)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Investment income	1,862
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(974,786)
CASH AND CASH EQUIVALENTS — Beginning of year	1,399,607
CASH AND CASH EQUIVALENTS — End of year	$ 424,821
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income (loss)	$ 1,130,489
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	666,549
Changes in assets and liabilities:	
Grants/contracts receivable	(1,051,837)
Other receivable	6,276
Due from West Virginia State University	(9,380)
Prepaid expenses	19,229
Accounts payable and due to other	286,259
Unearned Revenue	(646,705)
Payments on behalf of Corporation	(62,065)
Compensated absences and other post employment benefits liability	(333,302)
NET CASH PROVIDED BY (USED 1N) OPERATING ACTIVITIES	$ 5,513
NONCASH TRANSACTIONS —	
Refunds on behalf of the Corporation	$ (62,065)
Right-to-use assets acquired through outstanding SBITAs	$ 393,236
Right-to-use assets acquired through outstanding leases	$ 13,738

The Accompanying Notes Are An Integral Part of These 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 annual comprehensive 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted, Expendable — This includes resources in which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Corporation did not have any restricted, expendable components of net position at June 30, 2023.

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, 2023.

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 statement 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, 2023, 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.

Capital assets also include intangible right-to-use lease assets, initially measured at the present value of payments expected to be made during the lease term, plus certain other costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the estimated useful life of the underlying assets, unless the lease contains a purchase option. The Corporation’s agreements meeting the definition of a lease do not contain purchase options.

Additionally, capital assets include intangible right-to-use subscription-based information technology arrangement (“SBITA”) assets, initially measured at the present value of payments expected to be made during the term of the agreement. SBITA assets are amortized on a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

straight-line basis over the term of the agreement.

Unearned Revenue – Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue.

Compensated Absences and Other Post-Employment Benefits (OPEB) — GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The 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), 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

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 6).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) – The Corporation implemented GASB Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement eliminate the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity or inconsistency. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The adoption of GASB Statement No. 91 did not have a significant impact on the financial statements.

The Corporation implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions, but are outside of the scope of Lease or Service Concession Arrangement Guidance. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will require governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The adoption of GASB Statement No. 9 did not have a significant impact on the financial statements.

The Corporation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA),* which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish a definition for SBITA, which is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Generally, this Statement will require a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Statement also establishes guidance for the treatment of costs related to SBITA activities other than subscription payments. Those activities are: Preliminary Project Stage, Initial Implementation Stage, and Operation and Additional Implementation Stage. This Statement also requires a government to disclose essential information about the arrangement such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability. The adoption of GASB Statement No. 96 resulted in the recognition of a SBITA liability and an intangible right-to-use SBITA asset. See additional information in notes 3, 5, and 13.

The Corporation implemented GASB Statement No. 99, *Omnibus 2022*, with varying effective dates based upon each provision ranging from being effective immediately to fiscal years beginning after June 15, 2023. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) guidance and terminology updates on reporting derivative instruments that do not meet the definition of either an investment derivative or hedging derivative, but are within the scope of GASB Statement No. 53; (2)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

clarification of provisions of GASB Statement Nos. 87, 94, and 96; (3) extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate; (4) accounting for Supplemental Nutrition Assistance Program (SNAP) benefits; (5) non-monetary transactions; (6) clarification related to the focus of government-wide financial statements under GASB Statement No. 34; and (7) terminology updates related to GASB Statement No. 63. The adoption of GASB Statement No. 99 did not have a significant impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board (GASB)- GASB has issued Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62*, which is effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. Those changes include things like: certain changes in accounting principles, certain changes in estimates that result from a justified or preferable change in measurement or new methodology. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods; changes to or within the reporting entity be reported by adjusting beginning balances of the current period; and changes in accounting estimates be reported prospectively by recognizing the change in the current period. If the change in accounting principle is the result of a new pronouncement the requirements only apply absent specific transition guidance in the pronouncement. Under this standard it is also necessary to display the total adjustment to beginning net position, fund balance, or fund net position on the face of the financial statements, by reporting unit. This statement also specifies both qualitative and quantitative disclosure requirements. Lastly, this statement provides guidance for if and how these changes should be reflected in required supplementary information and supplementary information. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 100 may have on its financial statements.

GASB has issued Statement No. 101, *Compensated Absences,* which is effective for fiscal years beginning after December 15, 2023. This statement modifies the criteria requiring a liability for compensated absences to be recognized. Under this statement a liability must be recognized for leave that has not been used, or leave that has been used but not yet paid in cash or settled through noncash means. Furthermore, the liability for leave that has not been used is recognized if the leave is attributed to services already rendered, that accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. If the leave is considered more likely than not to be settled through conversion to a defined benefit post-employment benefit it should not be included in the liability for compensated absences. This statement also specifies certain types of benefits where the liability is not recognized until leave commences or where the liability is not recognized until the leave is used. The statement also provides guidance for measuring the liability and modifies the disclosure requirements allowing for disclosure of only the net change in the liability, and no longer requiring disclosure of which governmental funds have been used to liquidate the liabilities. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE, CORRECTION OF AN ERROR AND RESTATEMENT

During fiscal year 2023, the Corporation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA).* It establishes requirements for SBITA accounting based on the principle that SBITAs are financing of the right to use IT software. The lessee in the arrangement is required to recognize a SBITA liability and an intangible right-to-use SBITA asset. The implementation of this standard increased capital assets and liabilities, but did not have a significant impact on beginning net position.

For the year ended June 30, 2023, the Corporation has restated beginning net position for the correction of an error in previously issued financial statements related to unearned revenue and federal grants and contracts revenue. This resulted in the following change to the beginning balance:

Net position at July 1, 2022, as restated for adoption of GASB 96	$1,907,164
Prior period adjustment	(334,778)
Net position at July 1, 2022, as restated	$1,572,386

4. CASH AND CASH EQUIVALENTS

The carrying amount of cash in bank at June 30, 2023 was $424,821, compared with the bank balance of $829,612. The difference is primarily caused by outstanding checks and items in transit. Of the bank balances at June 30, 2023, $330,091 was covered by Federal Deposit Insurance Corporation, while $499,521, 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.

5. CAPITAL ASSETS

A summary of capital asset transactions for the years ended June 30, 2023, is as follows:

2023	Beginning Balance (Restated)	Additions	Reductions	Ending Balance
Capital assets:				
Equipment	5,932,008	650,425	(200,002)	6,382,431
Motor vehicles	718,249	124,510	(50,850)	791,909
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total capital assets	7,048,381	774,395	(250,852)	7,572,464
Right-to-use- assets being amortized				
Leased Office Space	-	13,738	-	13,738
SBITA - IT Software	305,173	163,563	-	468,736
Total right-to-use assets	305,173	177,301	-	482,474
Less accumulated depreciation for:				
Equipment	4,440,410	402,291	(200,002)	4,642,699
Motor vehicles	543,910	92,886	(50,850)	585,946
Software	192,179	-	-	192,179
Library books	205,945	-	-	205,945
Total accumulated depreciation	5,382,444	495,177	(250,852)	5,626,769
Less accumulated amortization for:				
Leased Office Space	-	1,717	-	1,717
SBITA - IT Software	-	169,655	-	169,655
Total accumulated amortization	-	171,372	-	171,372
Capital assets - net	1,971,110	285,687	-	2,256,797
Capital asset summary:				
Capital assets	7,353,554	952,236	(250,852)	8,054,938
Less accumulated depreciation and amortization	5,382,444	666,549	(250,852)	5,798,141
Capital assets - net	1,971,110	285,687	-	2,256,797

6. OTHER POST EMPLOYMENT BENEFITS

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

Following is the Corporation's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2023:

Net OPEB liability	$	56,921
Deferred outflows of resources		98,556
Deferred inflows of resources		291,370
Revenues (offset)		(62,065)
OPEB expense (offset)		(340,307)
Contributions made by the Corporation		53,393

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"). Financial activities of the Plan are accounted for in RHBT, a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of PEIA and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the PEIA 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. The Plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (“CPRB”). The plan is closed to new entrants.

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 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

6. OTHER POST EMPLOYMENT BENEFITS (continued)

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 Plan’s fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members’ contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia’s Annual Comprehensive Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2022 were:

	February 2022-June 2023 2022	July 2021-January 2022 2022
Paygo premium	$ 48	$ 116

6.OTHER POST EMPLOYMENT BENEFITS (continued)

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before 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 annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

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

The Corporation's contributions to the OPEB plan for the year ended June 30, 2023, was $53,393.

6. OTHER POST EMPLOYMENT BENEFITS (continued)

Assumptions

The June 30, 2023 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2021 and a measurement date of June 30, 2022. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.25%.
- Salary increase: Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Wage inflation: 2.75%.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
- Aging factors: Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.
- Mortality post retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females.
- Mortality pre-retirement: Pub-2010 General Employee Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 100% for females.

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 − June 30, 2020.

The actuarial valuation as of June 30, 2021, reflects updates to the following assumptions which are reviewed at each measurement date:

- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

6. OTHER POST EMPLOYMENT BENEFITS (continued)

The long-term expected 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 WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and forecast returns were provided by the Plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	55.0%	4.8%
Core plus fixed income	15.0%	2.1%
Core real estate	10.0%	4.1%
Hedge fund	10.0%	2.4%
Private equity	10.0%	6.8%

Single discount rate. A single discount rate of 6.65% was used to measure the total OPEB liability (asset). This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Based on these assumptions, 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.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Corporation's proportionate share of the net OPEB liability as of June 30, 2023 calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

6. **OTHER POST EMPLOYMENT BENEFITS (continued)**

Net OPEB liability (asset)	1% Decrease (5.65%)		Current Discount Rate (6.65%)		1% Increase (7.65%)	
2023	$	144,689	$	56,291	$	(19,545)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Corporation's proportionate share of the net OPEB liability as of June 30, 2023 calculated using the healthcare cost trend rate, as well as what the Corporation's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

Net OPEB liability (asset)	1% Decrease		Current Healthcare Cost Trend Rate		1% Increase	
2023	$	(32,003)	$	56,291	$	160,766

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

The June 30, 2023 net OPEB liability was measured as of June 30, 2022, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

At June 30, 2023, the Corporation's proportionate share of the net OPEB liability was $75,574. Of this amount, the Corporation recognized $56,291 as its proportionate share on the statement of net position. The remainder of $19,283 denotes the Corporation's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for the fiscal year ended June 30, 2022. Employer contributions are recognized when due. At the June 30, 2022 measurement date, the Corporation's proportion was 0.0506%, a decrease of 0.0052% from its proportion of 0.0558% calculated as of June 30, 2021.

For the year ended June 30, 2023, the Corporation recognized OPEB expense of $(340,307). Of this amount, $(278,242) was recognized as the Corporation's proportionate share of OPEB expense and $(62,065) as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Corporation also recognized revenue of $(62,065) for support provided by the State.

6. OTHER POST EMPLOYMENT BENEFITS (continued)

At June 30, 2023 deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 325	$ 76,186
Net difference between projected and actual investment earnings	8,738	-
Changes in assumptions	36,100	143,026
Differences between expected and actual non-investment experience	-	71,810
Reallocation of opt-out employer change in proportionate share	-	348
Contributions after the measurement date	53,393	-
Total	$ 98,556	$ 291,370

The Corporation will recognize the $53,393 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2024	$ (217,907)
2025	(30,628)
2026	(21,643)
2027	23,971
	$ (246,207)

Payables to the OPEB Plan

The Corporation did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2023.

7. 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 are not matched by the Corporation.

Total contributions to the TIAA-CREF for the year ended June 30, 2023, were $273,770, which consisted of equal contributions from the Corporation and covered employees of $117,004, and employees contributed non matched amounts of $39,762.

The Corporation's total payroll for the year ended June 30, 2023 was $5,095,755; total covered employees' salaries for TIAA-CREF were $4,028,975.

8. 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.

9. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2023, the Corporation has no designated unrestricted components of net position.

10. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Operating expenses within both natural and functional classifications for the year ended June 30, 2023, are as follows:

2023	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Depreciation and Amortization	Total
Research	$2,143,743	$436,430	$1,315,700	$162,527	$ -	$4,058,400
Public service	2,114,410	560,635	1,758,344	76,210	-	4,479,599
General institutional					-	-
support	1,102,814	399,105	1,818,420	-	-	3,320,339
Depreciation and amortization	-	-	-	-	666,549	666,549
Total	$5,360,967	$1,396,170	$4,892,464	$238,737	$666,549	$12,554,887

11. LONG-TERM LIABILITIES

The summary of long-term obligation transactions for the Corporation for the years ended June 30, 2023, are as follows:

2023	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 203,678	$ 315,157	$ (316,808)	$ 202,027	$ 201,634
Lease liability	-	13,139	(1,061)	12,078	6,664
SBITA liability	305,173	49,028	(146,504)	207,697	149,865
	$ 508,851	$ 377,324	$ (464,373)	$ 421,802	$ 358,163

12. LEASES

The Corporation leases office space under a long-term, noncancelable lease agreement. The lease has monthly installments of $600 plus interest at 6.5% with a due date of March 2025.

Future annual minimum lease payments on leases for years subsequent to June 30, 2023, are as follows:

Maturity Analysis	Principal	Interest	Total Payments
2024	$ 6,664	$590	$7,254
2025	5,414	148	5,562
	$12,078	$738	$12,816

13. SBITAs

The Corporation has agreements for various terms under long-term, noncancelable subscription-based information technology agreements (SBITAs). The SBITAs have annual payments ranging from $4,750 to $70,155 plus interest at 6.5% with due dates ranging from February 2025 to December 2025.

Future annual minimum lease payments on leases for years subsequent to June 30, 2023, are as follows:

Maturity Analysis	Principal	Interest	Total Payments
2024	$149,865	12,745	$162,610
2025	57,832	3,873	61,705
	$207,697	16,618	$224,315

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, 2023

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Corporation's proportion of the net OPEB liability (asset) (percentage)	0.050576494%	0.055844135%	0.059117180%	0.061021257%	0.060808047%	0.063187947%
Corporation's proportionate share of the net OPEB liability (asset)	$ 56,291	$ (16,605)	$ 261,357	$ 1,012,423	$ 1,304,525	$ 1,553,786
Corporation's proportionate share of the net OPEB liability (asset)	19,283	(3,270)	57,790	207,187	267,187	319,149
Total proportionate share of the net OPEB liability (asset)	$ 75,574	$ (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	$ 1,389,541
Corporation's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-6.06%	0.42%	19.17%	81.19%	93.88%	111.82%
Plan fiduciary net position as a percentage of the total OPEB liability	93.59%	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.

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2023

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 53,393	$ 59,466	$ 101,836	$ 125,721	$ 124,254	$ 129,787
Contributions in relation to the statutorily required contributior	(53,393)	(59,466)	(101,836)	(125,721)	(124,254)	(129,787)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 3,793,093	$ 928,434	$ 3,928,923	$ 1,363,196	$ 1,246,918	$ 1,389,541
Contributions as a percentage of covered-employee payrol	1.41%	6.40%	2.59%	9.22%	9.96%	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 availabl

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability (asset) calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
2022	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2021	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years then 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 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
2021	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2020, decreasing by 0.50% for one year then 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 plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
2020	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females; Pre-Retirement: Pub-2010 General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% 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 plan 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.
2019	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
2018	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
2017	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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 unit of West Virginia State University), as of and for the year ended June 30, 2023, 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 13, 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 opinion 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 responses as item 2023-001 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 findings identified in our audit and described in the accompanying schedule of findings and responses. 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

King of Prussia, Pennsylvania
October 13, 2023

WEST VIRGINIA STATE UNIVERSITY RESEARCH AND DEVELOPEMNT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

Finding Number: 2023-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, management identified an additional $334,778 related to incorrectly recording federal grant revenues on a cash basis.

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 a required restatement of $334,778 to reduce beginning unrestricted net position.

Cause: The Corporation received grants 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, 2023, we noted Federal grant revenues of approximately $243,000 had been recorded in advance of the expenditure of the funds. Upon further review and discussion with management, the Corporation was recording grant revenue on a cash basis rather than when the eligibility requirement of expending the funds for their intended purpose was met.

Repeat Finding: Yes, 2022-001

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.