

**WEST VIRGINIA UNIVERSITY
RESEARCH CORPORATION**
(A BLENDED COMPONENT UNIT OF
WEST VIRGINIA UNIVERSITY)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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RESEARCH CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
West Virginia University Research Corporation
Morgantown, West Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the West Virginia University Research Corporation, a blended component unit of West Virginia University, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the West Virginia University Research 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 the West Virginia University Research Corporation, as of June 30, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the West Virginia University Research 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 opinions.

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 the West Virginia University Research 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 opinions. 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 University Research 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 University Research Corporation's ability to continue as a going concern for a reasonable period of time.

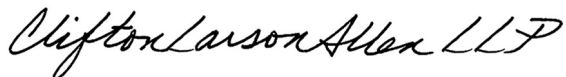
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2025, on our consideration of the West Virginia University Research Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the West Virginia University Research 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 University Research Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 13, 2025

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2025

Overview

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of the Governmental Accounting Standards Board ("GASB"). This section of the West Virginia University Research Corporation's (the "Corporation") annual financial report provides an overview of the Corporation's financial performance during the fiscal year ended June 30, 2025, as compared to the previous fiscal year. Comparative analysis is also presented for fiscal year 2024 compared to fiscal year 2023.

The Corporation's annual report consists of three basic financial statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. These statements focus on the financial condition, the results of operations, and cash flows of the Corporation as a whole. Each of these statements is discussed below.

Net Position

The statements of net position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the Corporation as of the end of the fiscal years. Assets denote the resources available to continue the operations of the Corporation. Deferred outflows of resources represent consumption of resources by the Corporation that is applicable to a future reporting period. Liabilities indicate how much the Corporation owes vendors, employees and West Virginia University (the "University"). Deferred inflows of resources are the acquisition of net position by the Corporation that is applicable to a future reporting period. Net position measures the equity or the availability of funds of the Corporation for future periods.

The components of Net Position are displayed in three major categories:

Net investment in capital assets. This category represents the Corporation's total investment in capital assets, net of accumulated depreciation, amortization, 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.

Restricted net position. This category includes resources, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components - nonexpendable and expendable. Nonexpendable includes endowment and similar type funds for 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. Expendable includes resources for which the Corporation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted. This category includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from facilities and administrative earnings and revenues from royalties and investments. Unrestricted 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 Corporation's Board of Directors.

Condensed Statements of Net Position (in thousands)

	As of June 30		
	2025	2024	2023
Assets			
Current Assets	\$ 106,665	\$ 93,528	\$ 98,107
Noncurrent Assets	1,529	192	192
Capital and Intangible right to use Assets	70,269	68,211	65,488
Noncurrent Investments	1,197	1,376	1,308
Noncurrent Accounts Receivable	15	15	16
Total Assets	\$ 179,675	\$ 163,322	\$ 165,111
Liabilities and Deferred Inflow of Resources			
Current Liabilities	\$ 65,329	\$ 55,996	\$ 68,394
Noncurrent Liabilities	53,576	53,764	54,971
Total Liabilities	\$ 118,905	\$ 109,760	\$ 123,365
Deferred Inflows of Resources	\$ 1,935	\$ 71	\$ 116
Total Liabilities and Deferred Inflows of Resources	\$ 120,840	\$ 109,831	\$ 123,481
Net Position			
Net Investment in Capital Assets	\$ 21,842	\$ 19,520	\$ 15,775
Restricted for:			
Restricted expendable	1,513	-	-
Unrestricted	35,480	33,971	25,530
Total Net Position	\$ 58,835	\$ 53,491	\$ 41,305

Total assets of the Corporation increased \$16.4 million to a total of \$179.7 million as of June 30, 2025. This change is primarily due to increases in current cash and cash equivalents, current investments, lease receivables (current and noncurrent), and other accounts receivable net of allowances for doubtful accounts. These increases were offset by decreases in grants and contracts accounts receivable net of allowances for doubtful accounts, amounts due from the Higher Education Policy Commission, and prepaid expenses. Total assets experienced a decrease from fiscal year 2023 to fiscal year 2024 of \$1.8 million due to a decrease in cash and cash equivalents and leases receivable offset by increases in accounts receivable net of allowances for doubtful accounts, investments (current and noncurrent), and capital and intangible assets, net of accumulated depreciation and amortization.

- Current cash and cash equivalents increased to a total of \$38.6 million in fiscal year 2025 compared to a total of \$27 million in fiscal year 2024. This increase is due to an increase in cash balances in sponsored awards and deans overhead funds as well as an increase in deposits with United Bank. Cash and cash equivalents decreased \$27.6 million in fiscal year 2024 due to a decrease in sponsored awards and dean's overhead accounts.
- Current investments totaled \$16.5 million in fiscal year 2025 reflecting an increase of \$1.3 million from the prior year. Held investments increased from \$15 million in fiscal year 2024 to a total of \$16.5 million in fiscal year 2025.

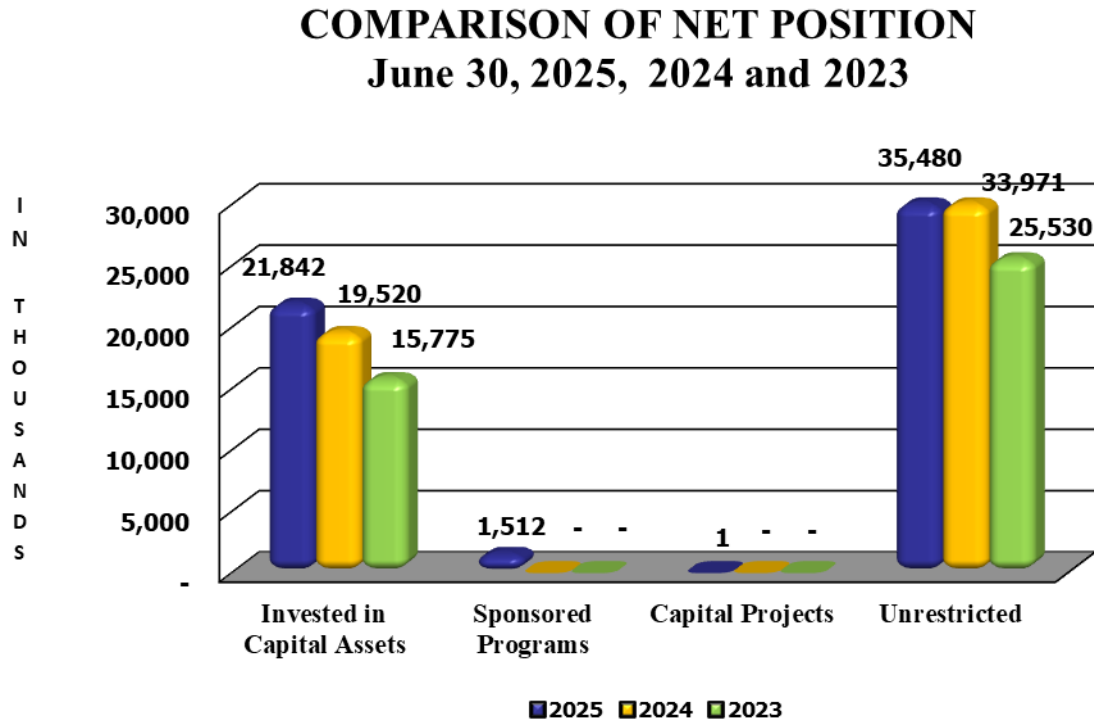
- Lease receivables (current and noncurrent) increased \$1.5 million in fiscal year 2025 due to an agreement with the National Aeronautics and Space Administration (“NASA”), effective in April 2025, for the lease of the NASA IV&V facility in Fairmont, WV. Leases receivable decreased \$339,000 in fiscal year 2024 due to the final payment of a sublease of office space in Charleston, WV to the University.
- Other accounts receivable net of allowances for doubtful accounts increased \$327,000 to a total of \$3 million in fiscal year 2025. The primary cause of this increase is due to the use of a revolving line of credit agreement between the Corporation and WVU Health Sciences and the WVU Innovation Corporation. Other accounts receivable net of allowances for doubtful accounts reflected an increase of \$1.4 million in fiscal year 2024. This increase was primarily due to payments made by the Corporation on behalf of WVU relating to WV Campus Housing LLC.
- Grants and contracts accounts receivable, net of allowances for doubtful accounts, decreased to a total of \$47 million. This decrease is directly attributed to a decrease in unbilled sponsored awards and an increase in allowance for doubtful accounts. This category increased to a total of \$50 million in fiscal year 2024 due to an increase in amounts billed on sponsored awards.
- Amounts due from the Higher Education Policy Commission decreased \$47,000 to a total of \$395,000. Total accounts receivable due from the Higher Education Policy Commission increased \$195,000 in fiscal year 2024 to a total of \$442,000. Variances occur due to the timing and activity of sponsored Higher Education Policy Commission awards.
- Prepaid expenses decreased \$60,000 in fiscal year 2025. This decrease is due to a decrease in pre-payments for association dues and professional memberships. This category experienced a decrease of \$159,000 in fiscal year 2024 for similar reasons.

Total liabilities of the Corporation as of June 30, 2025 increased \$9 million to a total of \$119 million in fiscal year 2025. This increase is primarily due to an increase in accounts payable to the University, leases payable (current and noncurrent), and unearned revenue. This increase was offset by decreases in accounts payable (nonpayroll related) and notes payable (noncurrent). Total liabilities of the Corporation reflected a decrease of \$13.6 million in fiscal year 2024. This decrease was primarily due to a decrease in other accounts payable, accounts payable to the University, notes payable, and unearned revenue.

- Accounts payable to the University totaled \$19 million; an overall increase of \$9.4 million. This increase was due to an increase of deans overhead net cash balances transferred to the University, sponsored award payments due from the Corporation to the University, and subcontracted employees of the Corporation to the University on sponsored awards. Accounts payable to the University decreased \$7.5 million in fiscal year 2024 due to a decrease in the transfer of deans overhead net cash balances transferred to the University and payroll reimbursements from the Corporation to the University.
- Leases payable (current and noncurrent) increased by \$1.6 million in fiscal year 2025 primarily due to the renewal of the Equities House lease which is a sublease to the University. This category experienced a decrease of \$234,000 in the prior year due to scheduled payments.
- Unearned revenue relating to sponsored awards decreased \$700,000 to a total of \$25 million in fiscal year 2025. This decrease is directly related to scheduled sponsored award payments. Unearned revenue relating to sponsored awards decreased \$560,000 in the prior year for similar reasons.
- Accounts payable (nonpayroll related) decreased \$1.6 million in fiscal year 2025. This decrease is directly tied to decreases in spending on sponsored awards and deans overhead accounts. In fiscal year 2024, this category experienced a decrease of \$4.3 million for similar reasons.

- Notes payable (noncurrent) decreased \$1.3 million to a total of \$52.7 million in fiscal year 2025 as a result of the debit service payments made on the Health Science Center Untied Bank loan and Beckley financing. This category also decreased \$1.2 million in fiscal year 2024 due to debt service payments.

The following is a comparative illustration of net position:



Net investment in capital assets net position increased \$2.3 million from the prior year primarily due to an increase in capital and leased assets net of accumulated depreciation and amortization, lease receivables, lease receivables from the University, and a decrease in debit service. This increase was offset by an increase in leases payable (current and non-current). Net investments in capital assets increased \$3.7 million in fiscal year 2024 due to an increase in capital assets, net of accumulated depreciation and amortization offset by debt service payments.

Restricted Sponsored Programs net position increased \$1.5 million in fiscal year 2025. This increase is due to an increase in receivables due from the University related to sponsored programs. This category showed no balance in fiscal year 2024.

Restricted Capital Projects net position increased \$1,000 in fiscal year 2025 due to transfers from unrestricted funding. This category showed no balance in fiscal year 2024.

Unrestricted net position increased \$1.5 million in fiscal year 2025. This increase is due to an increase in cash and cash equivalents, investments, and other accounts receivable. This increase is offset by an increase in accounts payable and payroll accruals and compensated absences. Unrestricted net position increased \$8.4 million in fiscal year 2024 due to decreases in accounts payable other and accounts payable due to the University and increases in investments and accounts receivable.

Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the operating revenues, operating expenses, nonoperating revenues and expenses and other revenues, expenses, gains, or losses of the Corporation. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

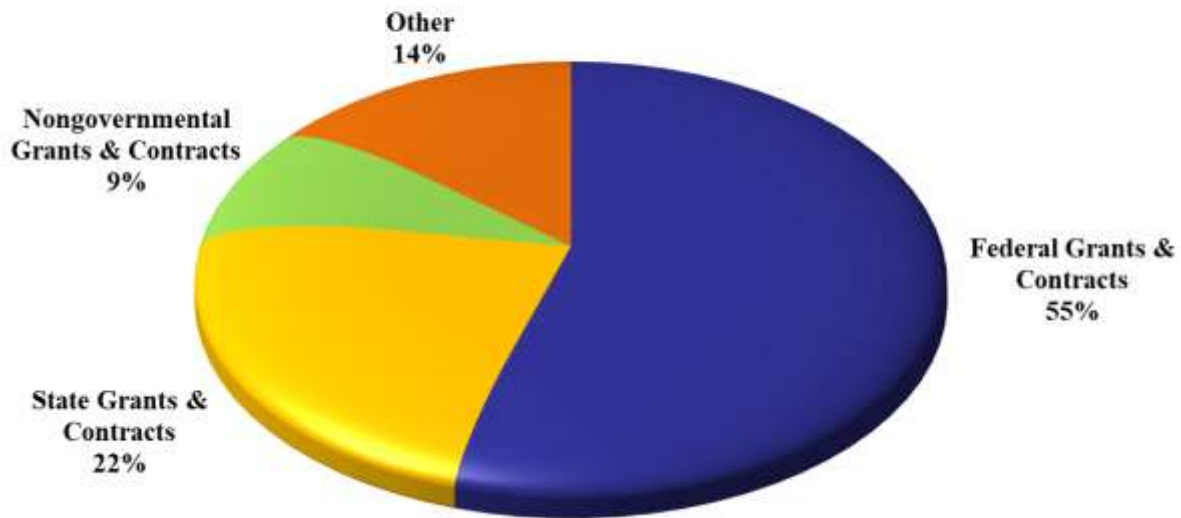
Condensed Combined Schedules of Revenues, Expenses and Changes in Net Position (in thousands)

	Years Ended June 30		
	2025	2024	2023
Operating Revenues	\$ 166,949	\$ 173,923	\$ 159,718
Operating Expenses	171,909	173,011	165,813
Operating Income (Loss)	(4,960)	912	(6,095)
Net Nonoperating Revenues	14,660	18,176	14,686
Income before Other Revenues, Expenses, Gains, or Losses	9,700	19,088	8,591
Capital Grants and Gifts	-	218	182
Transfer of Assets to the University	(7,457)	(9,928)	(8,056)
Transfer of Assets from the University	3,101	2,808	596
Increase in Net Position	5,344	12,186	1,313
Net Position at Beginning of Year	53,491	41,305	39,992
Net Position at End of Year	\$ 58,835	\$ 53,491	\$ 41,305

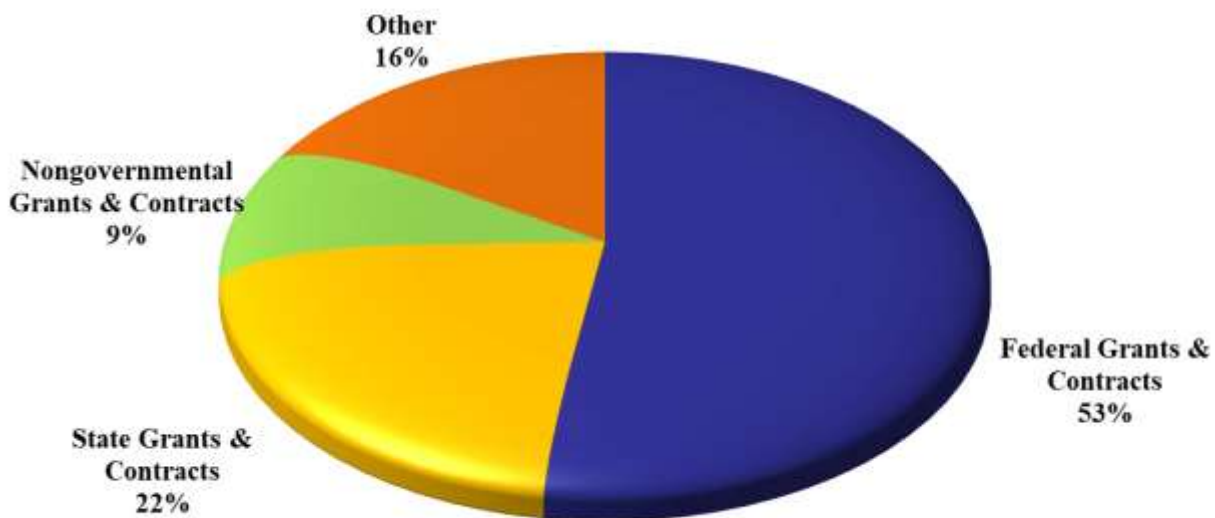
Revenues:

The following charts illustrate the composition of revenues by source for 2025 and 2024.

2025



2024

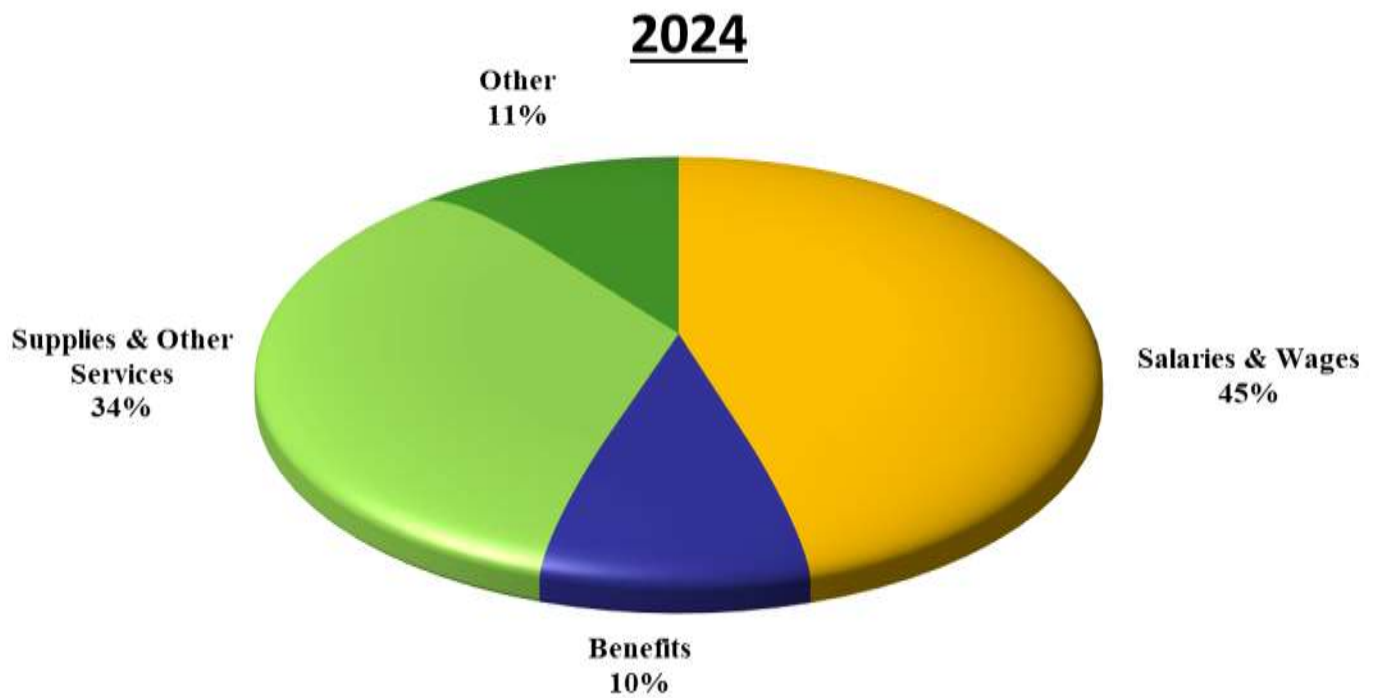
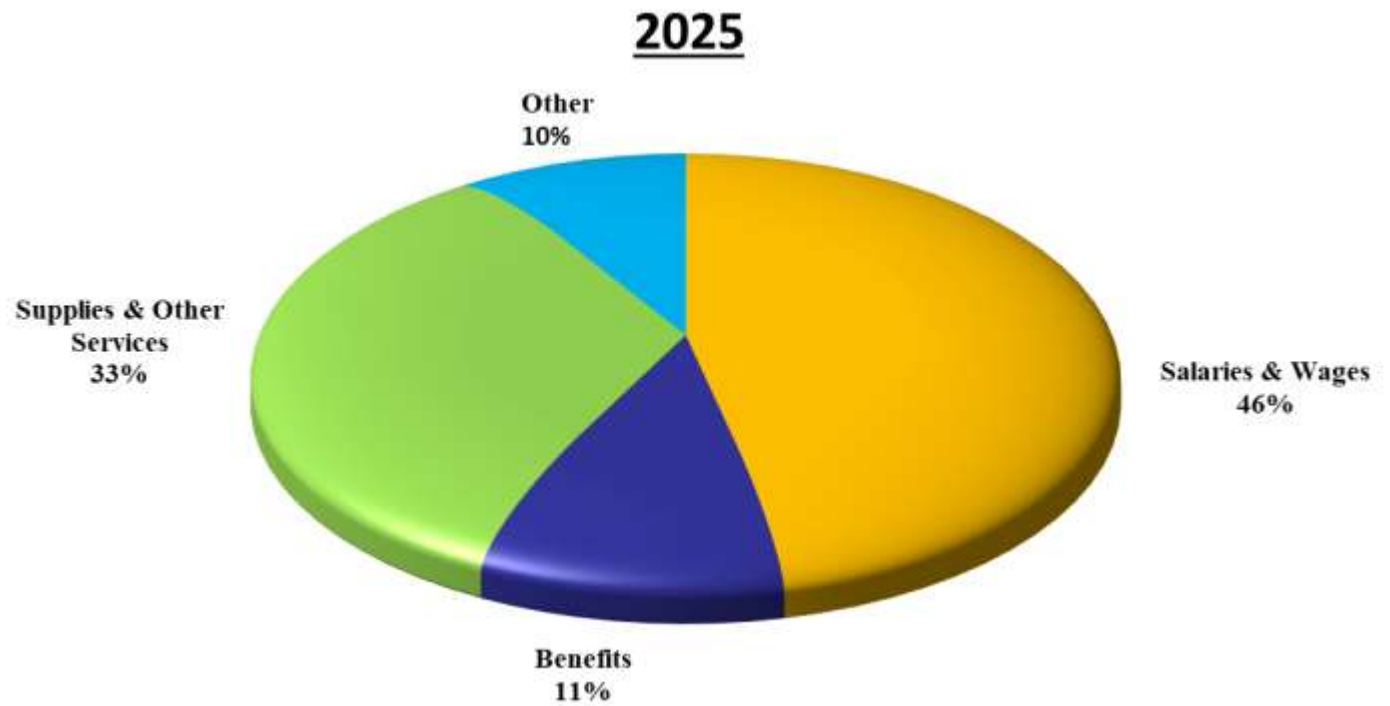


Total revenues for fiscal year 2025 were \$187 million, a decrease of \$10 million when compared to the previous year. The change in total revenues can primarily be attributed to a decrease in gift revenue, net operating revenue from the University, and non-governmental, state, and federal grants and contracts. Total revenues increased in fiscal year 2024 by \$20 million. This increase was attributed to an increase in federal and state grants and contracts, investment income, gifts, net operating revenue from the University, and the transfer of assets from the University.

- Gift revenue decreased \$3.6 million to a total of \$14.6 million. This decrease is directly tied to revenue received from the WVU Foundation on back bill accounts and the Research Trust Fund Program. This category experienced an increase of \$3 million in fiscal year 2024. This increase is attributed to an increase in the WVU Foundation back bill account.
- Net operating revenue from the University decreased \$2.6 million to a total of \$4.9 million. This is due to a decrease in transfers from the University related to the Research Trust Funds and a decrease in departmental transfers between the two reporting entities. Net operating revenue from the University increased \$4.9 million to a total of \$7.5 million in fiscal year 2024 due to increased activity on subcontracted awards between the Corporation and the University, transfers from the University related to the Research Trust Funds and departmental transfers between the two reporting entities.
- Non-governmental grants and contracts decreased \$1.8 million compared to the prior year. This change can be attributed to a decrease in active sponsored awards in fiscal year 2025. This category decreased \$430,000 when comparing fiscal year 2024 to fiscal year 2023. This increase can be related to an increase in active sponsored awards and an increase in deans overhead fund balances.
- State grants and contracts decreased \$1.5 million to a total of \$42 million due to a decrease in activity on state grants and contracts as well as a decrease in deans overhead fund balances. State grants and contracts increased \$7.9 million in the prior year due to an increase in new sponsored awards and activity in existing awards.
- Federal grants and contracts decreased \$820,000 million in fiscal year 2025 to a total of \$103 million. This is directly tied to decreased activity on existing sponsored awards. Federal grants and contracts experienced an increase of \$1.5 million in fiscal year 2024 due to an increase in new sponsored awards as well as increased activity on existing awards.

Expenses:

The following is a graphic comparison of total expenses by category between 2025 and 2024.



Total expenses for fiscal year 2025 decreased \$3.6 million to a total of \$182 million when compared to fiscal year 2024. The change in expenses can be attributed to decreases in supplies and other services, transfer of assets to the University, and scholarships and fellowships. These decreases are offset by increases in benefits and salaries and wages. Total expenses for fiscal year 2024 increased \$9.1 million due to increases in supplies and other services, salaries and wages, fringe benefits, and the transfer of assets to the University.

- Supplies and other services decreased \$2.8 million to a total of \$60.4 million in fiscal year 2025. This was primarily due to decreased spending on restricted funds for sponsored awards and unrestricted deans overhead and support accounts. In fiscal year 2024, this category experienced an increase of \$646,000 primarily due to an overall increase on sponsored awards and Foundation backbill accounts.
- Transfer of assets to the University totaled \$7.5 million in fiscal year 2025; a decrease of \$2.5 million. This decrease represents a decrease in construction in process and capital equipment transferred to the University. In fiscal year, 2024, transfer of assets to the University increased \$1.9 million due to an increase in capital equipment transferred from the Corporation to the University.
- Scholarships and fellowships decreased \$835,000 to a total of \$3 million. The largest decrease in this category occurred in the total number of sponsored awards providing scholarships and fellowships. This category experienced a slight increase of \$107,000 in fiscal year 2025 with increases noted in Research Trust funds and sponsored award support.
- Fringe benefits increased \$1.6 million in fiscal year 2025. This category increased to a total of \$20.8 million due to an overall increase in premiums as well as an increase in salaries and wages. In fiscal year 2024, fringe benefits increased \$1.9 million due to similar reasons.
- Salaries and wages increased \$902,000 due to an increase in salaries and wages paid to Corporation employees versus state employees. This increase is directly related to work performed on restricted sponsored awards by Corporation employees. Salaries and wages increased \$5.1 million in fiscal year 2024 due to an increase in sponsored awards and backbill accounts reimbursed by the Foundation.

Cash Flows

The statements of cash flows provide information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing (capital and noncapital) activities of the Corporation during the year. This statement helps users assess the Corporation's ability to generate net cash flows, its ability to meet obligations as they come due, and any potential need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities. This section shows the net cash provided by the operating activities of the Corporation.

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

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

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

Reconciliation of operating income to net cash provided by operating activities. This section provides a schedule that reconciles the accrual-based operating income (loss) and net cash provided by (used in) operating activities.

Condensed Statements of Cash Flows (in thousands)

	Years Ended June 30		
	2025	2024	2023
Cash Provided By (Used In):			
Operating Activities	\$ 4,560	\$ (11,573)	\$ (10,230)
Noncapital Financing Activities	14,625	18,307	15,142
Capital Financing Activities	(9,053)	(14,181)	(11,229)
Investing Activities	1,076	989	663
Increase (Decrease) in Cash and Cash Equivalents	11,208	(6,458)	(5,654)
 Cash and Cash Equivalents, Beginning of Year	 27,571	 34,029	 39,683
 Cash and Cash Equivalents, End of Year	 \$ 38,779	 \$ 27,571	 \$ 34,029

Total cash and cash equivalents increased by approximately \$11.2 million during fiscal year 2025 to \$38.8 million.

- Net cash used in operating activities increased by \$16.1 million primarily due to decreases in payments for operating expenses to the University, payments to suppliers, payments for scholarships and fellowships, and an increase in other receipts. This was offset by a decreased inflow of grants and contracts, and increased outflow of payments to employees of the Corporation, and payments for benefits to the Corporation. Net cash used in operating activities increased \$1.3 million in fiscal year 2024 due to increased outflows from payments to suppliers and employees of the University and Corporation, payments for fringe benefits and operating expenses to the University.
- Net cash provided by non-capital financing activities experienced a decrease of \$3.7 million due to a decreased inflow of gift revenue being offset by a slight increase in other non-operating receipts. This category experienced an increase in fiscal year 2024 due to an increased inflow of gift revenue.
- Net cash used in capital financing activities decreased \$5.1 million in fiscal year 2025. This decrease is due to a decreased outflow for the purchase of assets purchased and transferred to the University, increased inflow for lease proceeds and lease proceeds from the University. Offsetting the decrease was decreased capital gifts and grants received and an increase in principal paid on capital debt and leases. Net cash used in capital financing activities increased \$3 million in fiscal year 2024 due to an increased outflow of assets purchased and transferred to the University off set by decreased outflows for principal paid on capital debit and leases.
- Net cash provided by investing activities increased \$87,000 in fiscal year 2025 due to a decreased outflow for the purchase of investments offset by a decreased inflow of investment income. This category reflected an increase of \$326,000 in fiscal year 2024 due to increased inflows from investment income

Capital Asset and Long-Term Debt Activity

During fiscal year 2006, the Board of Directors of the Corporation approved a borrowing plan by the Corporation of up to \$24.4 million to finance certain improvements at Health Sciences Center including financing the construction of the Biomedical Research Building, and the HSC Learning Center and Library Addition. The Corporation had entered into construction loan and pledge agreements with the West Virginia Housing Development Fund, the West Virginia Economic Development Authority, and the West Virginia Infrastructure and Jobs Development Council to finance such projects. In December 2012, the loans were refinanced through United Bank. This refinance resulted in a fiscal year 2013 gain from early extinguishment of debt of \$592,000 and contributed to a decrease of \$355,000 in interest on capital debt. In fiscal year 2014, a deferred gain on refunding of \$521,000 was recorded as an adjustment to the fiscal year 2013 gain from early extinguishment of debt. Starting in fiscal year 2014, this gain is being amortized over the remaining life of the debt; as of June 30, 2025, the deferred gain on refunding was \$26,000. The United Bank loan amount is recorded as notes payable. Refer to the notes to the financial statements for more information.

The Corporation received a 30-year term loan from United Bank in December 2016. Proceeds of \$24 million were used to finance the costs associated with the acquisition of the land, facilities, construction, improvements, and operation of the Beckley campus. Additionally, the proceeds were used to pay the principal balance on the bridge loan received in fiscal year 2016 in full. In December of fiscal year 2018, the Corporation obtained a Senior Secured note with Wells Fargo Bank in the amount of \$42 million. Proceeds from the note were used to pay the United Bank loan and provide additional funding for Beckley campus improvements.

During fiscal year 2025, the Corporation transferred \$7.5 million and \$3.1 million in assets to and from the University, respectively. This primarily consisted of equipment, construction-in-progress and library materials. During fiscal year 2024, the Corporation transferred \$9.9 million and \$2.8 million in assets to and from the University, respectively.

There have been no significant changes in credit ratings or debt limitations that may affect future financing for the Corporation. Refer to the notes to the financial statements for more information.

Economic Outlook

Research is an integral part of the University's mission, and the Corporation facilitates this mission through its role as fiscal agent for sponsored projects. The Corporation also uses its unique status to maximize the effectiveness of technology transfer in addition to its economic and business development functions. One important indication of this success is WVU's classification as an R1, Doctoral University – Highest Research Activity, by the Carnegie Foundation. Currently, there are 187 institutions recognized as an R1 institution and 135 of them are public. WVU has maintained a Carnegie R1 status since 2016. Sponsored Expenditures came in at \$264M for FY 2025 with \$132M coming from Federal Agencies (in 2024 the numbers were \$275M total expenditures and \$128M from federal funds). The effective F&A recovered increased from 25.6 to 26.5. The effective F&A recovery rate increased from 18.7% to 19.8%.

Comparing 2024 to 2025 for our primary Federal research Sponsors:

DoE-Funded Expenditures decreased from \$19.8M to \$16.2M

HHS-Funded Expenditures grew from \$50M to \$54.6M

USDA-Funded Expenditures grew from \$7.7M to \$8M

NASA-Funded Expenditures decreased from \$7.7M to \$6.5M

NSF – Funded Expenditures decreased from \$14.1M to \$14M.

The continued increase in federal funding received is a direct result of the university's investments in improving the competitiveness of the faculty through support to ensure that resubmitted proposals have a significantly enhanced probability of success, grant development mentoring, and internal reviewing services. Our focus on areas such as Neuroscience, Cancer, Energy and Sustainability, and Aerospace is yielding many of the increases noted above. It should also be noted that the F&A recovery has grown by over \$16M since 2020.

While the national funding environment is volatile, the University and the Corporation are deploying innovative strategies to expand the quantity and quality of funding for the research enterprise from all sources and looks forward to continued success in the future.

Contact the Office of the Senior Associate Vice President for Finance at 304-293-4008 with any questions.

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

STATEMENTS OF NET POSITION AS OF JUNE 30, 2025 AND 2024

(Dollars in Thousands)

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 38,587	\$ 27,379
Investments	16,482	15,139
Leases receivable - WVU, current portion	360	-
Accounts receivable, net of allowances for doubtful accounts of \$1,726 and \$2,430	50,088	49,990
Due from the Higher Education Policy Commission	395	442
Leases receivable - current	233	-
Prepaid expenses	320	378
Notes receivable	200	200
Total current assets	106,665	93,528
Noncurrent Assets:		
Restricted cash and cash equivalents	192	192
Investments	1,197	1,376
Other accounts receivable	15	15
Leases receivable	185	-
Leases receivable - WVU	1,152	-
Capital and intangible right to use assets, net	70,269	68,211
Total noncurrent assets	73,010	69,794
TOTAL ASSETS	\$ 179,675	\$ 163,322

(continued)

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

STATEMENTS OF NET POSITION (CONTINUED)

(Dollars in Thousands)

	2025	2024
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Accounts payable	\$ 12,362	\$ 13,964
Accounts payable - West Virginia University	18,842	9,488
Accrued liabilities	196	192
Accrued payroll	4,984	4,687
Unearned revenue	25,073	24,389
Compensated absences	1,835	1,714
Subscription liabilities, current portion	-	24
Leases payable, current portion	771	336
Notes payable, current portion	1,266	1,202
Total current liabilities	65,329	55,996
Noncurrent Liabilities:		
Leases payable	2,159	1,036
Notes payable	51,417	52,728
Total noncurrent liabilities	53,576	53,764
TOTAL LIABILITIES	118,905	109,760
 DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	26	71
Deferred inflows related to leases	417	-
Deferred inflows - leases with primary government	1,492	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,935	71
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 120,840	\$ 109,831
 NET POSITION		
Net investment in capital assets	\$ 21,842	\$ 19,520
Restricted for:		
Expendable:		
Sponsored programs	1,512	-
Capital projects	1	-
Total restricted expendable	1,513	-
Unrestricted	35,480	33,971
TOTAL NET POSITION	\$ 58,835	\$ 53,491

See notes to financial statements.

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(Dollars in Thousands)

	2025	2024
OPERATING REVENUES		
Federal grants and contracts	\$ 103,007	\$ 103,889
State grants and contracts	42,141	43,643
Local grants and contracts	196	200
Nongovernmental grants and contracts	15,958	17,718
Sales and services of educational departments	344	727
Net operating revenue from the University	4,889	7,517
Other operating revenues	414	229
Total operating revenues	166,949	173,923
OPERATING EXPENSES		
Salaries and wages	84,369	83,468
Benefits	20,774	19,168
Scholarships and fellowships	2,999	3,834
Utilities	303	281
Supplies and other services	60,387	63,158
Depreciation and amortization	3,066	3,095
Other operating expenses	11	7
Total operating expenses	171,909	173,011
OPERATING INCOME (LOSS)	(4,960)	912
NONOPERATING REVENUES (EXPENSES)		
Gifts	14,578	18,207
Investment income (including unrealized gain of \$1,173 and \$455)	2,206	2,258
Interest on capital asset-related debt	(2,589)	(2,614)
Interest revenue from the University	428	330
Other nonoperating revenues (expenses) - net	37	(5)
Net nonoperating revenues	14,660	18,176
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	9,700	19,088
Capital grants and gifts	-	218
INCREASE IN NET POSITION BEFORE TRANSFERS	9,700	19,306
TRANSFER OF ASSETS TO THE UNIVERSITY	(7,457)	(9,928)
TRANSFER OF ASSETS FROM THE UNIVERSITY	3,101	2,808
INCREASE IN NET POSITION	5,344	12,186
NET POSITION--BEGINNING OF YEAR	53,491	41,305
NET POSITION--END OF YEAR	\$ 58,835	\$ 53,491

See notes to financial statements.

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(Dollars in Thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contracts	\$ 162,261	\$ 164,947
Payments to suppliers	(62,181)	(66,120)
Payments to employees of the University and Corporation	(84,113)	(83,414)
Payments for benefits to the University and Corporation	(20,470)	(20,077)
Payments for utilities	(297)	(277)
Payments for scholarships and fellowships	(2,999)	(3,834)
Receipts (payments) of operating expenses to the University	11,948	(2,283)
Other receipts (payments)	411	(515)
Net cash provided by (used in) operating activities	4,560	(11,573)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts	14,578	18,207
Purchase of promissory notes	-	100
Other nonoperating receipts	47	-
Cash provided by noncapital financing activities	14,625	18,307
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital gifts and grants received	-	46
Purchases of capital assets	(7,120)	(12,265)
Proceeds from leases	48	-
Proceeds from leases to the University	404	343
Principal paid on capital debt, leases and subscriptions	(1,518)	(1,433)
Interest paid on capital debt, leases and subscriptions	(867)	(872)
Net cash used in capital financing activities	(9,053)	(14,181)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,405	1,778
Liquidation and redemption of investments	-	60
Purchase of investments	(329)	(849)
Net cash provided by investing activities	1,076	989
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,208	(6,458)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	27,571	34,029
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 38,779	\$ 27,571

(continued)

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(Dollars in Thousands)

	2025	2024
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (4,960)	\$ 912
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	3,066	3,095
Amortization - intra-entity leases	(373)	(325)
Beckley lease transfer to the University	(2,294)	(2,298)
Changes in assets and liabilities:		
Accounts receivable, net	(132)	(1,081)
Due from the Commission	47	(195)
Prepaid expenses	59	159
Accounts payable	7,673	(11,781)
Accrued liabilities	670	403
Unearned revenue	684	(561)
Compensated absences	120	99
Net cash provided by (used in) operating activities	<u>\$ 4,560</u>	<u>\$ (11,573)</u>
Noncash Transactions:		
Lessee arrangements	<u>\$ 233</u>	<u>\$ 404</u>
Lessor arrangements	<u>\$ 464</u>	<u>\$ -</u>
Unrealized gain on investments	<u>\$ 1,173</u>	<u>\$ 455</u>
Deferred gain on refunding	<u>\$ 45</u>	<u>\$ 45</u>
Capital assets transferred to the University	<u>\$ (7,457)</u>	<u>\$ (9,928)</u>
Capital assets transferred from the University	<u>\$ 3,101</u>	<u>\$ 2,808</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents classified as current assets	\$ 38,587	\$ 27,379
Cash and cash equivalents classified as noncurrent assets	192	192
	<u>\$ 38,779</u>	<u>\$ 27,571</u>

See notes to financial statements.

WEST VIRGINIA UNIVERSITY RESEARCH CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

1. ORGANIZATION

West Virginia University Research Corporation (the "Corporation") is a not-for-profit corporation incorporated in 1986, pursuant to the laws of the State of West Virginia (the "State"). The purpose of the Corporation is to foster and support research at West Virginia University (the "University") and to provide commercial outlets for the research activities of the University faculty, staff and students. 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 and skilled personnel to promote and develop joint, applied research and development, technical assistance and instructional programs in the State. 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. The portion of the assets financed by the notes payable is recorded on the Corporation's records (see Note 12). The Corporation exists as an organization separate from the University. West Virginia State code allows the Corporation to employ personnel separate from the University. The Corporation chose to exercise this option effective January 1, 2005. The Corporation maintains a payroll and human resources information system separate from the University. The Corporation first began fulfilling its purpose in 1990.

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 the Governmental Accounting Standards Board (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.

- a. Reporting Entity* – The Corporation is a blended component unit of the University, as the University is the sole member of the non-stock not-for-profit corporation and is combined in the University's financial statements. 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 (the "Commission") (which includes West Virginia Network for Educational Telecomputing (WVNET)), and the West Virginia Council for Community and Technical College Education form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements include financial information as of June 30, 2025 and June 30, 2024 and for the period from July 1, 2024 through June 30, 2025 and July 1, 2023 through June 30, 2024 for fiscal years 2025 and 2024, respectively, of F&P Realty Company (the “Company”), in which the Corporation is the sole stockholder. The Corporation purchased all of the outstanding shares of the Company on October 31, 2010.

- b. *Basis of Accounting* – For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the Corporation 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. All accounts and transactions between the Corporation and the Company have been eliminated.
- c. *Cash and Cash Equivalents* – For purposes of the statement of net position, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash in bank accounts may include deposits in the Insured Cash Sweep (ICS) program.

- d. *Investments* – Investments that are (1) externally restricted to make debt service payments or to maintain sinking funds or reserve funds, to purchase capital or other noncurrent assets or to settle long-term liabilities, or (2) permanently restricted components of net position are classified as a noncurrent asset on the statement of net position. All other investments are classified as current or noncurrent based on the underlying investment.
- e. *Accounts Receivable* – Accounts receivable include amounts receivable from sponsoring agencies on contracts and grants.

In November 2009, the University changed the payroll method for all non-exempt benefit-eligible employees from current payroll to payroll in arrears. In September 2014, all other employees remaining on current payroll were moved to payroll in arrears. For both groups of employees, the University issued a “no hardship payment” to cover the transition period from current payroll to arrears payroll. Upon termination, the net amount of the “no hardship payment” will be deducted from the employee’s last paycheck. This “no hardship payment” is recorded as other noncurrent accounts receivable on the statement of net position.
- f. *Allowance for Doubtful Accounts* – It is the Corporation’s policy to provide for future losses on uncollectible contracts and grants receivable based on an evaluation of the underlying contract and grant 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.
- g. *Leases Receivable* – Leases receivable include amounts due from external parties for long-term leases of land and building space, recorded at the present value of lease payments expected to be received during the lease term.

- h. *Leases Receivable – West Virginia University* – Leases receivable – West Virginia University includes the Corporation's receivable from the University for the sublease of office space in Charleston, WV.
- i. *Noncurrent Cash and Cash Equivalents* – Cash that is externally restricted to make debt service payments or to maintain sinking funds or reserve funds or to purchase capital or other noncurrent assets or settle long-term liabilities is classified as a noncurrent asset on the statement of net position.
- j. *Capital and Intangible Right-to-Use Assets* – Capital assets include property, plant and internally generated software. 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. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which is generally 15 to 50 years for buildings, infrastructure, and land improvements, 3 to 15 years for furniture, equipment and internally generated software.

Intangible right-to-use assets include software subscriptions and property, plant and equipment leased by the Corporation. Amortization is computed using the straight-line method over the shorter of the lease or subscription term or the estimated useful life of the asset.

Other assets include donated right-to-use software with a term greater than twelve months. These assets are recorded at the acquisition value at the date of donation and are amortized over the term of the use agreement.

The Corporation's capitalization thresholds are as follows: \$25,000 for buildings, land improvements, infrastructure and leasehold improvements, \$100,000 for internally generated software, \$50,000 for subscription assets, and \$5,000 for equipment. Land is capitalized irrespective to cost.

- k. *Accounts Payable – West Virginia University* – Accounts payable – West Virginia University primarily includes the Corporation's liability to the University for the dean's portion of overhead earned on sponsored awards.
- l. *Unearned Revenue* – Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including advance payments on sponsored awards.
- m. *Compensated Absences* – GASB requires recognition of a liability for leave that accumulates and is attributable to services already rendered and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Corporation's full-time employees earn up to two days paid time off for each month of service and are entitled to compensation for accumulated, unpaid leave upon termination.

This liability is measured using the employee's pay rate as of the date of the financial statements. The estimated expense and expense incurred for paid time off is recorded as a component of benefits expense on the statement of revenues, expenses, and changes in net position.
- n. *Noncurrent Liabilities* – Noncurrent liabilities include liabilities that will not be paid within the next fiscal year.

- o. *Net Position* – GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the Corporation as a whole. Net position is 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 and intangible right-to-use assets: This represents the Corporation’s total investment in capital intangible right-to-use assets, net of accumulated depreciation/amortization and outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended, such amounts are not included as a component of net investment in capital and intangible right-to-use assets, net of related debt.

Restricted – expendable: This includes resources which the Corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: This includes endowment and similar type funds 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 net position as of June 30, 2025 and 2024.

Unrestricted - This includes resources that are not subject to externally imposed stipulations. Such resources are derived from investment income and sales and services of educational activities. This component is 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.

- p. *Classification of Revenues:* The Corporation has classified its revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) most federal, state, local and nongovernmental grants and contracts, and (2) sales and services of educational activities.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as investment income.

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

- q. *Use of Restricted Net Position* – The Corporation has 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 components of net position are available. The Corporation attempts to utilize restricted components of net position first when practicable. The Corporation did not have any designated components of net position as of June 30, 2025 or 2024.

- r. *Government Grants and Contracts* – Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to 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 four years.
- s. *Income Taxes* – The Corporation has 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.
- t. *Cash Flows* – Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves are included as cash and cash equivalents for the purpose of the statement of cash flows.
- u. *Deferred Outflows of Resources* – Consumption of net assets by the Corporation that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. The Corporation did not have any deferred outflows of resources as of June 30, 2025 or 2024.
- v. *Deferred Inflows of Resources* – Acquisition of net assets by the Corporation that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2025 and 2024, the Corporation had a deferred gain on refunding of \$26,000 and \$71,000, respectively. As of June 30, 2025 and 2024, the Corporation also had deferred inflows related to a sublease of office space to the University of \$417,000 and \$0, respectively. As of June 30, 2025 and 2024, the Corporation also had deferred inflows related to leases with primary government of \$1,492,000 and \$0, respectively.
- w. *Risk Management* – The State’s Board of Risk and Insurance Management (BRIM) provides general and professional liability, property and auto insurance coverage to the Corporation. Such coverage is provided to the Corporation through a self-insurance program maintained by BRIM for liability and auto insurance coverage. BRIM maintains a self-insurance program to pay the first \$1,000,000 of each property insurance claim and purchases excess property insurance from the commercial insurance market up to a limit of \$3,000,000 per occurrence. BRIM self-insurance programs may involve experience and exposure related premiums.

BRIM engages an independent actuary to assist in the determination of its premiums to minimize the likelihood of future 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.

In addition, United Educators Insurance Company provides an excess general liability insurance policy for the Corporation in the amount of \$10,000,000. This policy is maintained to enable the Corporation to meet the higher commercial general liability and commercial auto liability insurance limits frequently required by the sponsoring agency in many research contracts.

United Educators Insurance Company provides an excess educators legal liability insurance policy for the Corporation in the amount of \$10,000,000. This policy is maintained to provide the Corporation with increased limits of insurance coverage for employment practice liability claims.

Beazley provides a Data Breach Response insurance policy to cover claims commonly referred to as “cyber liability” claims. “First party” claims coverage includes financial expenses associated with a data breach including business interruption, cyber extortion, and data recovery. “Third party” claims coverage includes the financial expenses associated with a data breach that are incurred by other than the Corporation including disclosure of personally identifiable information, regulatory defense and penalties, and payment card liabilities and costs. The Corporation is insured under the same policy as the University.

Ironshore Specialty Insurance Company provides an excess products/completed operations and professional liability policy for life sciences (clinical trials) in the amount of \$5,000,000. This policy is maintained to enable the Corporation to meet the higher limits of products/completed operations and professional liability insurance coverage frequently required by the sponsoring agency in many clinical trial research contracts.

Encova Insurance Company provides workers’ compensation insurance coverage for the Corporation. Workers’ compensation insurance pays for employee injury or illness that occur because of a work-related activity. The responding policy varies based on the state in which the individual is employed. The policies for those outside of West Virginia are guaranteed cost programs in which no deductible applies, and the University pays an annual premium in exchange for all claim costs being paid by the carrier. For those employed in West Virginia, the policy is a high-deductible plan consisting of two component costs. One is a fixed premium cost that is adjusted annually upon policy renewal. This pays for overhead operating costs associated with the policy. The other represents the variable expenses for each claim up to \$250,000 (the deductible). The expenses for an individual claim that exceed \$250,000 will be paid by Encova up to policy limits. Encova invoices the Corporation monthly to collect the prior month claim expenses which they have paid that fall within the deductible layer.

- x. *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 expenses during the reporting period. Actual results could differ from those estimates.
- y. *Risks and Uncertainties* – The Corporation utilizes various investment instruments that are exposed to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.
- z. *Newly Adopted Statements Issued by GASB* – The Corporation has implemented Statement No. 101, “*Compensated Absences*”. This statement establishes accounting and financial reporting requirements for compensated absences and associated salary-

related payments. This statement did not have a material impact on the financial statements.

The Corporation has also implemented Statement No. 102, “*Certain Risk Disclosures*”. This statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. No additional disclosures were required to the Corporation’s financial statements.

- aa. *Recent Statements Issued by GASB* – GASB has issued Statement No. 103, “*Financial Reporting Model Improvements*”. The objective of this statement is to improve key components of the financial reporting model. This statement establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following: management’s discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement is effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 103 may have on its financial statements.

GASB has also issued Statement No. 104, “*Disclosure of Certain Capital Assets*”. The objective of this statement is to improve key components of the financial reporting model. This statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets footnotes. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. This statement is effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter. The Corporation has not yet determined the effect that the adoption of GASB Statement No. 104 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30 (dollars in thousands):

2025

	Current	Noncurrent	Total
Cash in Bank	\$ 38,587	\$ -	\$ 38,587
Cash on deposit with Trustee	-	192	192
	<u>\$ 38,587</u>	<u>\$ 192</u>	<u>\$ 38,779</u>

2024

	Current	Noncurrent	Total
Cash in Bank	\$ 27,379	\$ -	\$ 27,379
Cash on deposit with Trustee	-	192	192
	<u>\$ 27,379</u>	<u>\$ 192</u>	<u>\$ 27,571</u>

Cash in Bank. Cash in bank includes bank balances and may include deposits in the ICS program. The carrying amount of cash in bank at June 30, 2025 and 2024 was \$38.6 million and \$27.4 million, respectively, as compared with bank balances of \$38.8 million and \$29.0 million, respectively. The difference was primarily caused by items in transit and outstanding checks. Bank accounts and ICS deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per Federal Employer Identification Number. In addition, bank balances are collateralized with the bank through a Repurchase Agreement in the name of the Corporation.

Cash on Deposit with Trustee. Cash on deposit with Trustee represents funds available for debt service held by the Trustee and related to the Beckley loan (see Note 12).

4. LESSOR ARRANGEMENTS

On April 17, 2025, the Corporation entered into a lease agreement with the National Aeronautics and Space Administration (NASA) for the lease of office space in Fairmont, WV. During the year ended June 30, 2025, the Corporation recognized revenues related to this lease arrangement of \$50,000. This includes the amortization of deferred inflows and interest income. The general terms of this lease agreement are as follows:

Lease Type	Description	Rate	Lease Term	Payment Frequency	Payment Amount
Real Estate	NASA IV & V Facility Fairmont	3.27%	4/1/2025 to 5/20/2026	Monthly	\$ 20,833

There was no revenue related to variable receipts, residual value guarantees, or termination penalties not previously included in the measurement of the related lease receivable during the year ended June 30, 2025.

5. LEASES RECEIVABLE – WEST VIRGINIA UNIVERSITY

At June 30, 2025, leases receivable – West Virginia University included the Corporation's receivable from the University for the sublease of office space in Charleston, WV. This lease was renewed for an additional five-year term on July 1, 2024.

6. NOTES RECEIVABLE

During fiscal year 2017, the Corporation purchased a secured convertible promissory note and a warrant to convert the promissory note to shares of common stock from Modulation Therapeutics, Inc. for \$200,000. This note receivable is classified as current on the statement of net position.

7. INVESTMENTS

The following Fair Value Levels represent the valuation of the underlying investments. Level 1 represents investments that have a quoted price in the active market. Level 2 represents investments with direct or indirect observable market inputs. Level 3 represents investments with no observable inputs.

On July 1, 2019, the University's investments with the Foundation, including the Corporation's investments, were consolidated into one client portfolio. For accounting and reporting purposes, these investments are considered to be part of an internal investment pool and, as such, are not included with disclosures for other investments of the Corporation.

The Corporation had the following investments as of June 30 (dollars in thousands):

2025

Investment Type	Fair Value	Level 1	Level 2	Level 3
Other Investments:				
WV Growth Investment LLC	\$ 54	\$ -	\$ -	\$ 54
Aspinity, Inc.	49	-	-	49
	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103</u>
Investments with the Foundation - WVU Investment Pool	<u>17,576</u>			
Total Investments	<u><u>\$ 17,679</u></u>			

2024

Investment Type	Fair Value	Level 1	Level 2	Level 3
Other Investments:				
WV Growth Investment LLC	\$ 80	\$ -	\$ -	\$ 80
Aspinity, Inc.	49	-	-	49
CereDx	313	-	-	313
	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442</u>
Investments with the Foundation - WVU Investment Pool	<u>16,073</u>			
Total Investments	<u><u>\$ 16,515</u></u>			

The values of investments classified as current and noncurrent were as follows (dollars in thousands):

	Current	Noncurrent	Total
As of June 30, 2025	\$ 16,482	\$ 1,197	\$ 17,679
As of June 30, 2024	\$ 15,139	\$ 1,376	\$ 16,515

The above table includes all of the Corporation's investments, including investments with the Foundation.

Investments with the Foundation – WVU Investment Pool – Beginning in 2007, an investment strategy was initiated for the Corporation. These long-term investments are managed by the Foundation. The Corporation's investments held with the Foundation are governed by an investment policy and an investment management agency agreement that determine the permissible investments by category. The holdings include investment cash accounts, commingled debt funds, commingled equity funds, mutual bond funds, mutual stock funds and fixed income funds. The investment management agency agreement outlines the acceptable exposure to each category of investment and generally outlines a liquidity goal. The agreement also states that at no time will illiquid investment assets (defined as those assets that cannot be converted into cash within 90 days) exceed 10% of the Corporation's investments.

Effective July 1, 2019, The University's investments with the Foundation were consolidated into one client portfolio, including the Corporation's investments. For accounting and reporting purposes, these investments are considered to be part of an internal investment pool and, as such, are not included with disclosures for other investments of the Corporation.

As of June 30, 2025 and 2024, the Corporation's investments held with the Foundation were \$17.6 million and \$16.1 million, respectively.

West Virginia Growth Investment, LLC – The Corporation owns four units of membership interest in West Virginia Growth Investment, LLC ("WVGI"). The Corporation's share of the capital account was \$54,000 and \$80,000 at June 30, 2025 and June 30, 2024, respectively. WVGI is a limited liability company formed to pool the capital resources and the business connections of accredited investors in and around the State of WV. Since the Corporation holds less than 20% of the ownership interest in WVGI, is not an officer of WVGI, cannot exercise significant influence over WVGI's operations and the fair value of the membership units cannot be readily determined, this investment was recorded using the cost basis of accounting.

Aspinity, Inc. – The Corporation owns 411,706 shares of preferred stock in Aspinity, Inc. These shares had a fair market value of \$49,000 at both June 30, 2025 and June 30, 2024.

CereDx, Inc – The Corporation owned 24,184 shares of preferred stock in CereDx, Inc at June 30, 2024. These shares had a fair market value of \$313,000. CereDx dissolved on January 23, 2025 and these investments were written off.

Other – In addition, funds are deposited in the ICS program to maximize investment earnings and for FDIC insurance coverage. The ICS investments are classified as cash and cash equivalents.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Credit risk is applicable to investments in debt securities as well as investments in external investment pools, money market funds, mutual bond funds, and other pooled investments of fixed income securities.

The investment management agency agreement with the Foundation states that the investment agent shall invest the client's assets in investments in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as article six-C, chapter forty four of the West Virginia Code.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is applicable to debt securities only.

No investments outside of the consolidated investment pool were subject to interest rate risk at both June 30, 2025 and June 30, 2024.

Interest rate risk is managed by limiting the time period or duration of the specific investment.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Since this risk is minimized by the commingled funds structure, concentration risk disclosure is not required for external pooled funds.

At both June 30, 2025 and 2024, the Corporation's investments outside of the consolidated investment pool were not subject to concentration of credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the agency will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. This risk is not applicable to external investment pools and open-end mutual funds.

For the Corporation's investments at June 30, 2025 and June 30, 2024, no investments were subject to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Disclosure is not required for external investment pools unless the fund represents a significant portion of the Corporation's investments.

At both June 30, 2025 and June 30, 2024, the Corporation's investments outside of the consolidated investment pool were not subject to foreign currency risk.

8. CAPITAL AND INTANGIBLE RIGHT-TO-USE ASSETS

Balances and changes in capital and intangible right-to-use assets were as follows as of June 30 (dollars in thousands):

2025	Beginning Balance	Additions	Completed CIP	Transfers to the University	Transfers from the University	Reductions	Ending Balance
Capital assets not being depreciated or amortized:							
Land	\$ 4,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,012
Construction in progress	1,909	964	(3,261)	(740)	2,928	-	1,800
Total capital assets not being depreciated or amortized	<u>\$ 5,921</u>	<u>\$ 964</u>	<u>\$ (3,261)</u>	<u>\$ (740)</u>	<u>\$ 2,928</u>	<u>\$ -</u>	<u>\$ 5,812</u>
Other capital assets:							
Land Improvements	\$ 524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524
Buildings	85,170	-	907	-	-	-	86,077
Equipment	3,103	6,290	-	(6,132)	173	(721)	2,713
Library books	-	442	-	(443)	-	-	(1)
Infrastructure	1,715	-	2,355	-	-	-	4,070
Other Assets	438	-	-	-	-	-	438
Intangible right to use assets	2,841	2,822	-	(142)	-	(312)	5,209
Total other capital assets	<u>93,791</u>	<u>9,554</u>	<u>3,262</u>	<u>(6,717)</u>	<u>173</u>	<u>(1,033)</u>	<u>99,030</u>
Less accumulated depreciation or amortization for:							
Land Improvements	(176)	(35)	-	-	-	-	(211)
Buildings	(27,562)	(1,755)	-	-	-	-	(29,317)
Equipment	(1,363)	(184)	-	-	-	(6)	(1,553)
Infrastructure	(594)	(215)	-	-	-	-	(809)
Other Assets	(322)	(86)	-	-	-	-	(408)
Intangible right to use assets	(1,484)	(791)	-	-	-	-	(2,275)
Total other capital and intangible right to use assets	<u>(31,501)</u>	<u>(3,066)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(34,573)</u>
Other capital assets and intangible right to use assets, net	<u>\$ 62,290</u>	<u>\$ 6,488</u>	<u>\$ 3,262</u>	<u>\$ (6,717)</u>	<u>\$ 173</u>	<u>\$ (1,039)</u>	<u>\$ 64,457</u>
Capital and Intangible Right to Use Assets Summary:							
Capital assets not being depreciated or amortized	5,921	964	(3,261)	(740)	2,928	-	5,812
Other capital and intangible right to use assets	<u>93,791</u>	<u>9,554</u>	<u>3,262</u>	<u>(6,717)</u>	<u>173</u>	<u>(1,033)</u>	<u>99,030</u>
Total cost of capital and intangible right to use assets	<u>99,712</u>	<u>10,518</u>	<u>1</u>	<u>(7,457)</u>	<u>3,101</u>	<u>(1,033)</u>	<u>104,842</u>
Less accumulated depreciation and amortization	<u>\$ (31,501)</u>	<u>\$ (3,066)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6)</u>	<u>\$ (34,573)</u>
Capital and intangible right to use assts, net	<u>\$ 68,211</u>	<u>\$ 7,452</u>	<u>\$ 1</u>	<u>\$ (7,457)</u>	<u>\$ 3,101</u>	<u>\$ (1,039)</u>	<u>\$ 70,269</u>

2024	Beginning Balance	Additions	Completed CIP	Transfers to the University	Transfers from the University	Reductions	Ending Balance
Capital assets not being depreciated or amortized:							
Land	\$ 4,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,012
Construction in progress	927	638	(1,796)	(113)	2,323	(70)	1,909
Total capital assets not being depreciated or amortized	<u>\$ 4,939</u>	<u>\$ 638</u>	<u>\$ (1,796)</u>	<u>\$ (113)</u>	<u>\$ 2,323</u>	<u>\$ (70)</u>	<u>\$ 5,921</u>
Other capital assets:							
Land Improvements	\$ 524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524
Buildings	82,142	1,654	1,374	-	-	-	85,170
Equipment	2,474	9,966	-	(9,235)	484	(586)	3,103
Library books	-	438	-	(438)	-	-	-
Infrastructure	1,293	-	422	-	-	-	1,715
Other Assets	266	172	-	-	-	-	438
Intangible right to use assets	3,895	792	-	(142)	-	(1,704)	2,841
Total other capital assets	<u>90,594</u>	<u>13,022</u>	<u>1,796</u>	<u>(9,815)</u>	<u>484</u>	<u>(2,290)</u>	<u>93,791</u>
Less accumulated depreciation or amortization for:							
Land Improvements	(141)	(35)	-	-	-	-	(176)
Buildings	(25,836)	(1,726)	-	-	-	-	(27,562)
Equipment	(1,152)	(290)	-	-	-	79	(1,363)
Infrastructure	(482)	(112)	-	-	-	-	(594)
Other Assets	(265)	(57)	-	-	-	-	(322)
Intangible right to use assets	(2,169)	(875)	-	-	-	1,560	(1,484)
Total other capital and intangible right to use assets	<u>(30,045)</u>	<u>(3,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,639</u>	<u>(31,501)</u>
Other capital assets and intangible right to use assets, net	<u>\$ 60,549</u>	<u>\$ 9,927</u>	<u>\$ 1,796</u>	<u>\$ (9,815)</u>	<u>\$ 484</u>	<u>\$ (651)</u>	<u>\$ 62,290</u>
Capital and Intangible Right to Use Assets Summary:							
Capital assets not being depreciated or amortized	4,939	638	(1,796)	(113)	2,323	(70)	5,921
Other capital and intangible right to use assets	90,594	13,022	1,796	(9,815)	484	(2,290)	93,791
Total cost of capital and intangible right to use assets	<u>95,533</u>	<u>13,660</u>	<u>-</u>	<u>(9,928)</u>	<u>2,807</u>	<u>(2,360)</u>	<u>99,712</u>
Less accumulated depreciation and amortization	<u>\$ (30,045)</u>	<u>\$ (3,095)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,639</u>	<u>\$ (31,501)</u>
Capital and intangible right to use assts, net	<u>\$ 65,488</u>	<u>\$ 10,565</u>	<u>\$ -</u>	<u>\$ (9,928)</u>	<u>\$ 2,807</u>	<u>\$ (721)</u>	<u>\$ 68,211</u>

Depreciation on capital assets is computed using the straight-line method over the estimated useful life of the asset (see Note 2j). The Corporation's depreciation expense for fiscal years 2025 and 2024 was \$60.4 million and \$63.2 million, respectively.

The Corporation leases buildings, equipment and software from external parties. In accordance with governmental accounting standards, the University records right-to-use assets and lease liabilities (see Note 10) based on the net present value of the expected payments over the terms of the lease agreements. The future lease payments are discounted using the interest rate charged by the lessor or the interest rate implicit in the lease. If the interest rate could not be readily determined, the estimated incremental borrowing rate was used. Variable payments are excluded unless they are fixed in substance. These assets are amortized over the shorter of the lease term or the estimated useful life of the underlying asset.

The Corporation has also entered into subscription-based information technology arrangements (SBITAs) with various vendors. In accordance with governmental accounting standards, the University records right-to-use assets and subscription liabilities (see Note 11) based on the net present value of the expected payments over the terms of the subscription agreements. The future subscription payments are discounted using the interest rate charged by the vendor or the interest rate implicit in the lease. If the interest rate could not be readily determined, the estimated incremental borrowing rate was used. Variable payments are excluded unless they are fixed in substance. These assets are amortized over the shorter of the subscription term or the estimated useful life of the underlying asset.

Balances and changes in these right-to-use assets by major class of asset were as follows as of June 30 (dollars in thousands):

2025	Beginning Balance	Additions	Completed CIP	Transfers to the University	Transfers from the University	Reductions	Ending Balance
Leased assets:							
Buildings	\$ 2,749	\$ 2,447	\$ -	\$ -	\$ -	\$ (312)	\$ 4,884
Equipment	-	233	-	-	-	-	233
Total leased assets	<u>\$ 2,749</u>	<u>\$ 2,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (312)</u>	<u>\$ 5,117</u>
Less accumulated amortization for:							
Buildings	\$ (1,437)	\$ (757)	\$ -	\$ -	\$ -	\$ -	\$ (2,194)
Equipment	-	(10)	-	-	-	-	(10)
Total accumulated amortization	<u>\$ (1,437)</u>	<u>\$ (767)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,204)</u>
Leased assets, net	<u>\$ 1,312</u>	<u>\$ 1,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (312)</u>	<u>\$ 2,913</u>
Subscription assets:							
Software	92	142	-	(142)	-	-	92
Total subscription assets	<u>\$ 92</u>	<u>142</u>	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>92</u>
Less accumulated amortization for:							
Software	(47)	(24)	-	-	-	-	(71)
Total accumulated amortization	<u>\$ (47)</u>	<u>\$ (24)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71)</u>
Subscription assets, net	<u>\$ 45</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>
Intangible Right to Use Assets Summary:							
Leased assets	\$ 2,749	\$ 2,680	\$ -	\$ -	\$ -	\$ (312)	\$ 5,117
Subscription assets	92	142	-	(142)	-	-	92
Total cost of intangible right to use assets	<u>\$ 2,841</u>	<u>\$ 2,822</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ (312)</u>	<u>\$ 5,209</u>
Less accumulated amortization:							
Leased assets	\$ (1,437)	\$ (767)	\$ -	\$ -	\$ -	\$ -	\$ (2,204)
Subscription assets	(47)	(24)	-	-	-	-	(71)
Total accumulated amortization	<u>(1,484)</u>	<u>(791)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,275)</u>
Total intangible right to use assets, net	<u>\$ 1,357</u>	<u>\$ 2,031</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ (312)</u>	<u>\$ 2,934</u>

2024	Beginning Balance	Additions	Completed CIP	Transfers to the University	Transfers from the University	Reductions	Ending Balance
Leased assets:							
Buildings	\$ 3,663	\$ 650	\$ -	\$ -	\$ -	\$ (1,564)	\$ 2,749
Equipment	65	-	-	-	-	(65)	-
Total leased assets	<u>\$ 3,728</u>	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,629)</u>	<u>\$ 2,749</u>
Less accumulated amortization for:							
Buildings	\$ (2,034)	\$ (823)	\$ -	\$ -	\$ -	\$ 1,420	\$ (1,437)
Equipment	(57)	(8)	-	-	-	65	-
Total accumulated amortization	<u>\$ (2,091)</u>	<u>\$ (831)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485</u>	<u>\$ (1,437)</u>
Leased assets, net	<u>\$ 1,637</u>	<u>\$ (181)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (144)</u>	<u>\$ 1,312</u>
Subscription assets:							
Software	167	142	-	(142)	-	(75)	92
Total subscription assets	<u>\$ 167</u>	<u>142</u>	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>(75)</u>	<u>92</u>
Less accumulated amortization for:							
Software	(78)	(44)	-	-	-	75	(47)
Total accumulated amortization	<u>\$ (78)</u>	<u>\$ (44)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ (47)</u>
Subscription assets, net	<u>\$ 89</u>	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>
Intangible Right to Use Assets Summary:							
Leased assets	\$ 3,728	\$ 650	\$ -	\$ -	\$ -	\$ (1,629)	\$ 2,749
Subscription assets	167	142	-	(142)	-	(75)	92
Total cost of intangible right to use assets	<u>\$ 3,895</u>	<u>\$ 792</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ (1,704)</u>	<u>\$ 2,841</u>
Less accumulated amortization:							
Leased assets	\$ (2,091)	\$ (831)	\$ -	\$ -	\$ -	\$ 1,485	\$ (1,437)
Subscription assets	(78)	(44)	-	-	-	75	(47)
Total accumulated amortization	<u>(2,169)</u>	<u>(875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,560</u>	<u>(1,484)</u>
Total intangible right to use assets, net	<u>\$ 1,726</u>	<u>\$ (83)</u>	<u>\$ -</u>	<u>\$ (142)</u>	<u>\$ -</u>	<u>\$ (144)</u>	<u>\$ 1,357</u>

9. LONG-TERM LIABILITIES

Balances and changes in long-term liabilities were as follows at June 30 (dollars in thousands):

2025	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	One Year
Leases payable	\$ 1,372	\$ 2,287	\$ (729)	\$ 2,930	\$ 771
Subscription liabilities	24	-	(24)	-	-
Notes payable	53,930	-	(1,247)	52,683	1,266
Total long-term liabilities	<u>\$ 55,326</u>	<u>\$ 2,287</u>	<u>\$ (2,000)</u>	<u>\$ 55,613</u>	

2024	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	One Year
Leases payable	\$ 1,607	\$ 1,253	\$ (1,488)	\$ 1,372	\$ 336
Subscription liabilities	47	-	(23)	24	24
Notes payable	55,114	-	(1,184)	53,930	1,202
Total long-term liabilities	<u>\$ 56,768</u>	<u>\$ 1,253</u>	<u>\$ (2,695)</u>	<u>\$ 55,326</u>	

10. LESSEE ARRANGEMENTS

The Corporation leases real estate from external parties. The general terms of these lease agreements are as follows:

Lease Type	Description	Rate	Lease Term	Payment Frequency	Payment Amount
Real Estate	Equities House in Charleston, WV	3.27%	3/1/2019 - 6/30/2024 renewed 7/1/2024-6/30/2029	Monthly	\$ 33,647
Real Estate	Building on Canyon Road	3.05%	9/16/2017 - 3/28/2026; renewal assumed through 3/28/2031	Monthly	10,827
Real Estate	Office Space on Dents Run Road	3.27%	8/1/2019 - 3/31/2028	Monthly	6,665
Real Estate	Office Space in Morgantown, WV	3.23%	7/1/2023 - 6/30/2028	Monthly	6,095
Real Estate	Office Space in Lewisburg, WV	3.23%	10/1/2021-9/30/2023; 10/1/2023-9/30/2025	Monthly	4,465
Real Estate	Office Space in Washington DC	3.03%	11/17/2017 - 12/31/2026	Monthly	2,719
Real Estate	Office Space in Martinsburg, WV	3.03%	9/1/2022-8/31/2024 (auto annual renewals after)	Monthly	1,770
Equipment	Nav1FUS Ultrasound Device	3.27%	6/1/2025-5/31/2027	Quarterly	18,900

The future lease payments are discounted using the interest rate charged by the lessor or the interest rate implicit in the lease. If the interest rate could not be readily determined, the estimated incremental borrowing rate was used.

The scheduled principal and interest payments to maturity are as follows (dollars in thousands):

Fiscal Year Ending June 30,	Principal	Interest
2026	\$ 771	\$ 83
2027	747	58
2028	649	35
2029	526	17
2030	134	5
2031-2035	103	1
Lease Payable	\$ 2,930	\$ 199
Current Portion	771	
Noncurrent Portion	<u>\$ 2,159</u>	

There were no variable lease payments, residual value guarantees, or termination penalties not previously included in the measurement of the related lease liabilities during the years ended June 30, 2025 and 2024.

See Note 8 for balances and changes in intangible right-to-use assets, including leased assets, at June 30, 2025 and 2024.

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Corporation has entered into a subscription-based information technology arrangement with an external vendor. The subscription term is May 31, 2023 through May 31, 2026. Payments of \$24,175 were due on an annual basis. The final payment was made in May 2025. If the interest rate was not readily determinable, the Corporation's incremental borrowing rate was used.

There were no variable payments or termination penalties not previously included in the measurement of the related subscription liabilities during the years ended June 30, 2025 and 2024.

See Note 8 for balances and changes in intangible right-to-use assets, including subscription assets, at June 30, 2025 and 2024.

12. NOTES PAYABLE

Health Sciences Center Construction Loan – In December 2012, the Corporation refinanced various construction loans with United Bank, Inc. in the principal amount of \$22.1 million at an interest rate, initially 1.90%, resetting every five years. Beginning August 2014, the loan agreement allows the Corporation to prepay the loan with 60 days notice and without any penalty or premium, and it allows the bank to “put” all or part of the loan to the Corporation with 60 days notice and without any penalty or premium.

The loan is pledged by facilities and administrative revenues received by the Corporation under any grants, contracts, and other agreements on behalf of the Health Sciences Center (HSC) as follows:

- 1) 30% of the total HSC facilities and administrative revenues, up to a total of \$6.8 million (“threshold amount”) received by the Corporation in any single fiscal year.
- 2) 70% of the total HSC facilities and administrative revenues above the threshold amount received by the Corporation in such fiscal year.

The Health Sciences Construction Loan contains provisions for the event of default in the payment of interest or principal; under the loan documents; breach of contract; filing of liens against collateral; litigation against borrower; levy upon the collateral; bankruptcy or insolvency; cessation of legal existence; transfer or encumbrance or collateral; false representation or warranty; adverse change in financial condition or in the condition of the collateral; significant curtailment of operations; or failure to disprove default. In the event of default, United Bank, Inc. will be entitled to proceed with the following remedies: (1) acceleration of maturity and the sale of collateral, and (2) increase in the interest rate applicable to any payment due, but not paid when due, by five percent during the period of time that the default is uncured.

Upon sixty days’ prior written notice, beginning on August 21, 2014, United Bank, Inc. will have the right to put all or a portion of the loan outstanding back to the Corporation and the Corporation will be required to pay the principal amount being put plus accrued interest, but without any penalty or premium.

Total principal to be paid at June 30, 2025 and June 30, 2024 was approximately \$13.4 million and \$14.1 million, respectively. Total interest paid through June 30, 2025 and June 30, 2024 was approximately \$7.2 million and \$6.4 million, respectively. Total facilities and administrative revenues earned by HSC during fiscal year 2025 and 2024 were \$21.9 million and \$23.0 million, respectively. Total pledged revenue as of June 30, 2025 and June 30, 2024 was \$15.3 million and \$16.1 million, respectively.

Beckley Loans – During fiscal year 2016, the Corporation negotiated a 90-day note with United Bank in the amount of \$12 million for reimbursement of the purchase and start-up costs related to the Beckley campus of the University. This note, which would have ended on September 27, 2016, was extended until December 27, 2016. The extension was for the same amount under the same terms.

On December 15, 2016, the Corporation closed on a note with United Bank. Proceeds of \$24 million were used to pay the principal balance on the 90 day note in full. Additionally, the proceeds were used to reimburse the University for the purchase of the Beckley campus as well as for capital improvements to the campus. The proceeds included capital interest of \$3.0 million as the loan will have a capitalized interest period of three years. The amortization term was 30 years. The interest rate is set for 5-year increments beginning with a rate of 3.11% fixed for the first five years and a spread to the 5-year constant U.S. Treasury Maturity rate thereafter. The spread is based on the University’s rating with Moody’s.

On December 22, 2017, the Corporation closed on a new note with Wells Fargo for \$42.0 million. The proceeds of the loan were used to pay the United Bank loan and provide additional funds for the Beckley campus projects. The amortization term for the loan is 40 years with a fixed interest rate of 4.45%.

On August 9, 2016, the Corporation entered into an agreement with the University regarding the Corporation's financing of assets required by the University for the operation of the Beckley campus. This agreement was amended on December 15, 2016 to reflect an increase in the principal amount of the Corporation's loan with United Bank. This agreement was again amended on December 22, 2017 in conjunction with the Wells Fargo note. The payments payable to the Corporation are to equal the principal and interest payments on the loan.

The deed of trust on the property on the Beckley campus including the buildings, structures and improvements, and fixtures is secured as collateral on this note along with any income from leases and rents.

The Beckley Loan contains provisions for the event of default in the payment of interest, principal or premium when due; in any covenant or agreement, any provision of the security instrument, the lease agreement, or any other provision of the operative agreement; a deposit shortfall under the cash management agreement; false representation or warranty; if final judgment for the payment of money is rendered against the Corporation and the Corporation fails to discharge within sixty days; default under any other mortgage or security agreement covering any part of the property; bankruptcy or insolvency; cessation of legal existence; if the lease, any other lease or any lease guaranty ceases to be in full force and effect; any set-off, abatement, withholding, suspension or reduction in rent paid or payable by the tenant under the lease; or filing of liens against the collateral.

In the event of default, Wells Fargo will be entitled to proceed with the following remedies: (1) declare the entire unpaid balance, accrued interest and premium immediately due and payable; (2) sell the collateral.

The scheduled maturities of the notes payable are as follows (dollars in thousands):

Fiscal Year		
Ending June 30,	Principal	Interest
2026	\$ 1,266	\$ 2,329
2027	1,380	2,406
2028	1,451	2,335
2029	1,529	2,257
2030	1,610	2,176
2031-2035	9,414	9,513
2036-2040	8,189	7,007
2041-2045	5,890	5,575
2046-2050	7,355	4,110
2051-2055	9,183	2,281
2056-2058	5,416	317
	<u>52,683</u>	<u>40,306</u>
Current Portion	1,266	
Noncurrent Portion	<u>\$ 51,417</u>	

13. RETIREMENT PLANS

Substantially all eligible employees of the Corporation participate in the Teachers Insurance and Annuities Association – College Retirement Equities Fund (TIAA-CREF).

The TIAA-CREF is a defined-contribution benefit plan in which benefits are based upon amounts contributed plus investment earnings. Each employee who elects to participate in these plans is required to make a contribution equal to 3% of their total annual compensation. The Corporation simultaneously matches the employees' 3% contribution. Employees have the option of contributing an additional 1-3% of their total annual compensation to the plan, which is also matched by the Corporation. Contributions are immediately and fully vested.

Contributions to the TIAA-CREF were approximately as follows:

Fiscal Year Ending			
June 30,	Corporation	Employees	Total
2025	\$ 1,743,000	\$ 1,743,000	\$ 3,486,000
2024	1,687,000	1,687,000	3,374,000
2023	1,639,000	1,639,000	3,278,000

The Corporation's total payroll expense for fiscal years 2025, 2024, and 2023, was \$84.4 million, \$83.5 million, and \$78.4 million, respectively (including payroll expense for employees of the University); total covered employees' salaries in the TIAA-CREF were \$34.0 million in fiscal year 2025, \$33.3 million in fiscal year 2024, and \$32.6 million in fiscal year 2023, respectively.

14. COMMITMENTS

The Corporation has entered into contracts for the construction and improvement of various facilities. These outstanding contractual commitments totaled approximately \$5.2 million at June 30, 2025.

15. AFFILIATED ORGANIZATIONS

The University (the Corporation's parent) is the sole member of the not-for-profit corporation. The Corporation receives grants on behalf of the University, some of which are for the construction and acquisition of capital assets. These expenditures are recorded on the Corporation's records and the completed asset is transferred to the University as the beneficiary of the asset. The Corporation also receives facilities and administration earnings generated from such grants, a portion of which is shared with the University. A liability has been recorded to reflect the facilities and administration earnings due to the University. The University and the Corporation have entered into an operating agreement whereby the University provides staffing to meet a portion of the Corporation's needs; the Corporation reimburses the University for the related salaries and benefits.

Related Party Transactions

West Virginia University Innovation Corporation (WVUIC)— Effective April 1, 2022, WVUIC's bylaws were amended and restated such that the West Virginia United Health System, Inc. (WVUHS) and the University have equal voting control in WVUIC through appointment of 50% each of the Board of Directors of WVUIC. Also effective April 1, 2022, an asset purchase agreement was executed whereby WVUIC acquired a former pharmaceutical manufacturing facility from Viatris, Inc., Mylan, Inc. and Mylan Pharmaceuticals, Inc. at a purchase price of \$1. According to the purchase agreement, the facility cannot be sold for the first 12 years from the date the facility was acquired. The facility is no longer being operated as a pharmaceutical manufacturing facility and WVUIC intends to sub-divide, market and lease the space to potential future tenants.

WVUHS and WVUIC entered into a revolving line of credit agreement which established a revolving line of credit to be repaid in accordance with the terms of the agreement. During the first two years of WVUIC's operation of the facility, costs and excess revenues will be allocated 75% to WVUHS and 25% to the Corporation. According to the reimbursement agreement between the Corporation and WVUHS, WVUHS will repay the Corporation upon receiving a repayment on the promissory note from WVUIC. WVUHS has control over WVUIC through a management services and operation agreement with WVUIC and economic interest, thus WVUIC's financial statements are included in the consolidated financial statements for WVUHS.

During fiscal year 2024, the Corporation paid \$432,000 to WVUIC for its allocated share of WVUIC's operating margin from April 1, 2023 through June 30, 2023. WVUHS covered 100% of the operating margin for the period ending June 30, 2023 and June 30, 2024. The Corporation paid \$998,000 to WVUIC for its allocated share of the operating margin from July 1, 2024 through March 31, 2025.

16. CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against universities and their operating units 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 have a material effect on the financial position of the Corporation.

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 material financial impact on the Corporation's financial position.

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION
(Dollars in Thousands)

The Corporation's operating expenses by functional and natural classification are as follows:

Year Ended June 30, 2025										
Natural Classification										
Functional Classification	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation and Amortization	Other Operating Expenses	Total		
Instruction	\$ 5,584	\$ 1,374	\$ -	\$ -	\$ 2,833	\$ -	\$ -	\$	-	\$ 9,791
Research	56,162	13,469	-	181	41,915	-	-		-	111,727
Public Service	15,254	4,115	-	36	10,657	-	-		-	30,062
Academic Support	1,361	397	-	23	244	-	-		-	2,025
Student Services	53	19	-	-	2	-	-		-	74
Operation and Maintenance of Plant	7	-	-	9	735	-	-		-	751
General Institutional Support	5,948	1,400	-	54	4,001	-	11		-	11,414
Student Financial Aid	-	-	2,999	-	-	-	-		-	2,999
Depreciation and Amortization	-	-	-	-	-	3,066	-		-	3,066
Total Expenses	\$ 84,369	\$ 20,774	\$ 2,999	\$ 303	\$ 60,387	\$ 3,066	\$ 11	\$	-	\$ 171,909

Year Ended June 30, 2024										
Natural Classification										
Functional Classification	Salaries & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation and Amortization	Other Operating Expenses	Total		
Instruction	\$ 6,619	\$ 1,694	\$ -	\$ -	\$ 3,915	\$ -	\$ -	\$	-	\$ 12,228
Research	55,321	11,859	-	200	46,487	-	-		-	113,867
Public Service	14,096	3,733	-	38	7,975	-	-		-	25,842
Academic Support	1,502	422	-	18	236	-	-		-	2,178
Student Services	46	14	-	-	14	-	-		-	74
Operation and Maintenance of Plant	6	2	-	25	246	-	-		-	279
General Institutional Support	5,878	1,444	-	-	4,285	-	7		-	11,614
Student Financial Aid	-	-	3,834	-	-	-	-		-	3,834
Depreciation and Amortization	-	-	-	-	-	3,095	-		-	3,095
Total Expenses	\$ 83,468	\$ 19,168	\$ 3,834	\$ 281	\$ 63,158	\$ 3,095	\$ 7	\$	-	\$ 173,011



**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 University Research Corporation
Morgantown, 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 the West Virginia University Research Corporation (the Corporation), a blended component unit of West Virginia University, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

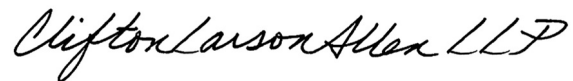
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 13, 2025



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