GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2010 and 2009 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Glenville State College
Glenville, West Virginia

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glenville State College ("the College"), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these combined financial statements based on our audits. We did not audit the financial statements of Glenville State College Foundation, Inc., which represents the only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the 2010 and 2009 amounts included for Glenville State College Foundation, Inc. is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The Glenville State College Foundation, Inc.'s financial statements, which were audited by other auditors, were not audited in accordance with Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to previously present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2010 and 2009, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

As discussed in Note 14 to the financial statements, the College adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the College'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

[illegible], CPA's, PLLC

November 23, 2010

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management's Discussion and Analysis
Fiscal Years 2010, 2009, and 2008

About Glenville State College

Glenville State College, West Virginia's only centrally located public college, was founded in 1872 to provide instruction and practice for common school teachers in the science of education and the art of teachers. In the early years, Glenville Normal was obliged to devote resources almost exclusively to secondary studies because of the absence of high schools in the area. Later, as high schools became more numerous, secondary offerings were gradually reduced and more college courses were developed. On May 1, 1930, the State Board of Education authorized the school to award the Bachelor of Arts in Education Degree, and on March 4, 1931, the Legislature changed the school's name to Glenville State Teachers College. Often referred to as the Lighthouse on the Hill, the name of the school was changed to Glenville State College in 1943.

Glenville State College has surpassed its original mission as a teacher's college, and currently prepares students for careers in teaching, business, land resources, music, the liberal arts, the sciences, criminal justice, and human services. With an enrollment of approximately 1,400 students, the College has a student to faculty ratio of 19 to 1. The College's enrollment is made up of many first generation students with approximately 90% of the students coming from West Virginia counties.

Glenville State College is accredited by the Higher Learning Commission and is a member of the North Central Association of Colleges and Schools. The College holds unit accreditation from the National Council for Accreditation of Teacher Education and recognition from the Society of American Foresters. Glenville State College is in the West Virginia Higher Education System and is governed by a local twelve member Board of Governors.

Overview of the Combined Financial Statements and Financial Analysis

Glenville State College (the "College") is pleased to present its combined financial statements for the fiscal years 2010 and 2009. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2010, 2009, and 2008.

There are three financial statements presented: the Combined Statements of Net Assets; the Combined Statements of Revenues, Expenses, and Changes in Net Assets; and the Combined Statements of Cash Flows. These statements provide both long-term and short-term financial information on the College.

Financial Highlights

Current assets decreased while non-current assets increased, net capital and total assets both reflected substantial increases. Operating, non-operating, and total revenues each increased. Current liabilities increased primarily due to a construction loan for the renovation of the Morris Criminal Justice Training Center. Non-current liabilities increased as a result of a loan for the construction of Goodwin Hall, a new 484 bed residence hall facility. The College continued to receive significant funding through various operational and research grants.

Combined Statement of Net Assets

The Combined Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The purpose of the Combined Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Combined Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the combined financial statements.

The Combined Statement of Net Assets provides a way to measure the financial position of the College. It provides a picture of the net assets and their availability for expenditure by the College. From the data presented, readers of the Combined Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much is owed to employees, vendors and lending institutions.

Net assets are divided into three major categories. The first category, invested in capital assets, accounts for equity in the property, plant and equipment owned by the College. Title to all property was transferred to the Glenville State College Board of Governors by the Higher Education Policy Commission (HEPC). The next asset category is restricted net assets, net of related debt, which is divided into two categories: nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Included in restricted expendable net assets are balances that have been designated for specific purposes in West Virginia State Code. This category includes auxiliary enterprise balances as well as certain student fee funds that are designated within state code for specific general purposes such as housing operations or library operations. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of the College.

Combined Statements of Net Assets
For the Years Ended June 30, 2010, 2009 and 2008

Assets:	**2010**	**2009**	**2008**	**% Change**
Current assets	$ 5,148,587	$ 5,585,294	$ 4,880,255	(7.82%)
Non-current assets	4,646,346	1,678,541	2,259,990	176.81%
Capital assets, net	51,794,739	34,477,094	33,585,919	50.23%
Total Assets	$ 61,589,672	$41,740,929	$40,726,164	43.41%
Liabilities				
Current Liabilities	$ 4,128,069	$ 2,805,855	$ 2,402,605	47.12%
Non-current Liabilities	31,340,157	12,017,658	11,815,108	160.78%
Total Liabilities	$ 35,468,226	$ 14,823,513	$ 14,217,713	139.27%

Net Assets (Deficit)				
Invested in capital assets, net of related debt	$ 23,441,533	$ 22,163,043	$ 21,327,637	5.77%
Restricted – expendable	3,755,881	2,248,406	2,465,019	67.05%
Unrestricted	(1,075,968)	2,505,967	2,715,795	(142.94%)
Total Net Assets	$ 26,121,446	$ 26,917,416	$ 26,508,451	(2.96%)
Total Liabilities and Net Assets	$ 61,589,672	$41,740,929	$ 40,726,164	47.56%

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 1.25, 2.0, and 2.0 as of June 30, 2010, 2009, and 2008, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

Significant Changes in Net Assets

At June 30, 2010, the College's total net assets decreased from the previous year by $795,970. Current cash and cash equivalents decreased by $391,205.

Non-current assets, consisting of non-current cash and cash equivalents, deferred financing costs, and deferred outflows from derivative instruments increased by $ 2,967,805. This was largely a result of debt service and interest reserve funds for the construction of Goodwin Hall and the interest rate swap entered into by the College during 2010.

Net capital assets increased approximately $ 17,317,645 due primarily to the acquisition and renovation of the Morris Criminal Justice Training Center and Goodwin Hall. Principal on the Pioneer Village bonds, Mollohan Campus Community Center bonds, Science Building bonds, capital loan from the HEPC, and system-wide debt assigned by the HEPC were reduced $100,000, $54,042, $68,937, $75,000, and $183,794 respectively.

Combined Statements of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the Combined Statements of Net Assets, are based on the activities presented in the Combined Statements of Revenues, Expenses, and Changes in Net Assets ("SRECNA"). The purpose of the SRECNA is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains and losses of the College.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues for which goods and services are not provided are reported as nonoperating revenues. State appropriations are nonoperating revenues because they are provided by the West Virginia Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as nonoperating, because of specific guidance in the AICPA industry audit guide. This presentation is a change in reporting from the prior year when the grants were included in operating as part of Federal grants and contracts.

Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010, 2009, and 2008

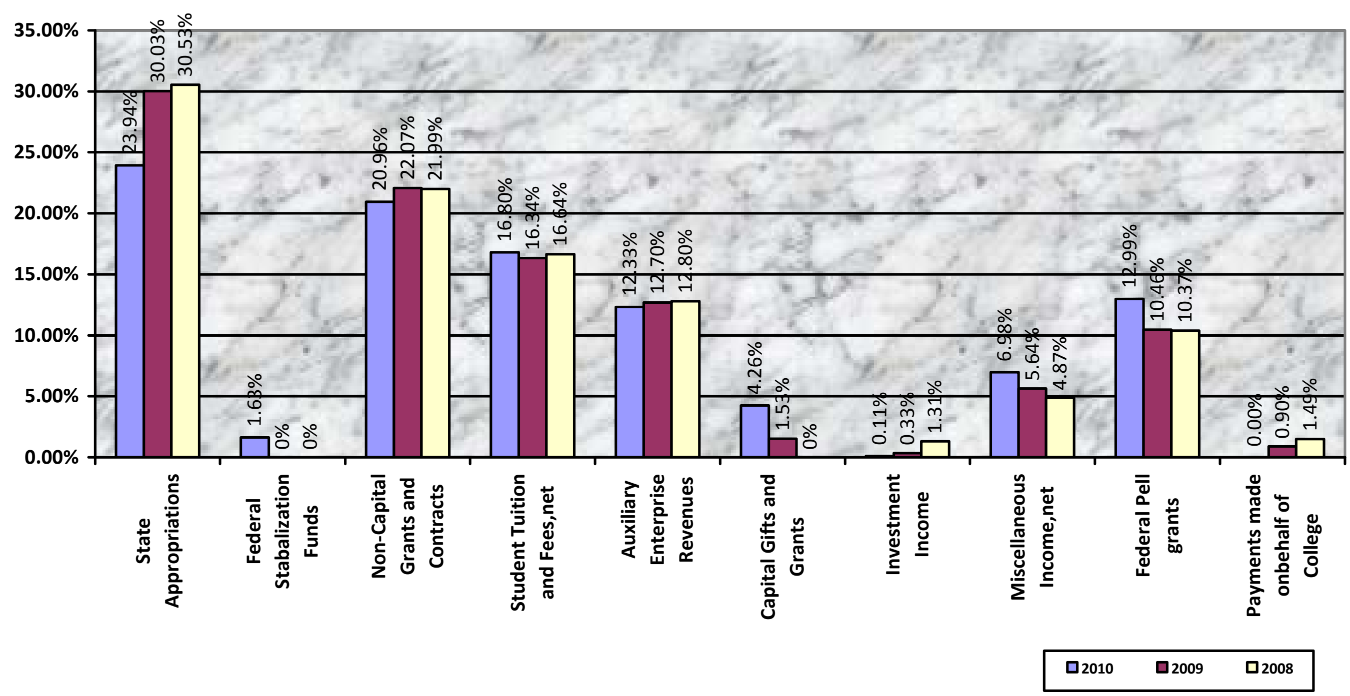
	2010	2009	2008	% Change
Operating revenues	$ 14,421,354	$12,734,211	$ 11,240,963	13.25%
Operating expenses	25,424,891	21,372,651	19,741,806	18.96 %
Operating loss	(11,003,537)	(8,638,440)	(8,500,843)	27.38%
Non-operating Revenues	9,775,310	9,362,760	8,722,265	4.41%
Non-operating Expenses	643,934	660,069	565,350	(2.44%)
Net Non-operating revenues	9,131,376	8,702,691	8,156,915	4.93%
(Loss) income before other revenues, expenses, gains or losses	(1,872,161)	64,251	(343,928)	(3,013.82%)
Capital Projects Proceeds	406,191	344,714		17.83%
Capital Gifts and Grants	670,000			100.00%
Net Effect of Change In Accounting Principal			1,060,333	0.00%
Increase in net assets	(795,970)	408,965	716,405	(294.63%)
Net assets, beginning of year	26,917,416	26,508,451	25,792,046	1.54%
Net assets, end of year	$26,121,446	$26,917,416	$ 26,508,451	(2.96 %)

An analysis of the individual revenue and expense categories that contributed to the overall increase in net assets reveals the following:

Revenues:

	2010	2009	2008	% Change
Program revenues (by major source)				
Tuition & fees before allowances	$ 6,808,393	$ 5,964,828	$ 5,257,743	14.14 %
Less: scholarship discounts & allowances	(2,563,535)	(2,297,790)	(1,935,524)	11.57%
Research grants & contracts	5,296,984	4,952,272	4,390,535	6.96%
Auxiliary enterprise sales & services, net	3,115,340	2,850,181	2,556,188	9.30 %
Miscellaneous	1,764,172	1,264,720	972,021	39.49 %
General revenues (by major source)				
State appropriations	6,051,935	6,739,617	6,095,707	(10.20%)
Federal Stabilization Funds	412,682			100.00%
Federal Pell grants	3,281,699	2,347,617	2,069,440	39.79%
Payments on behalf of College		201,132	296,816	(100.00%)
Investment income	28,994	74,394	260,302	(61.03%)
Capital grants and gifts	1,076,191	344,714		212.20%
Total Revenues	$ 25,272,855	$ 22,441,685	$ 19,963,228	12.629%

Total Revenues for the Year Ended June 2010,2009,2008



Percentage of Revenues

The major sources of revenue for the College include student tuition and fees, interest on loans receivable, state appropriations, capital grants and gifts, government grants, contracts, and student aid, auxiliary enterprise revenues, investment income, and miscellaneous income.

- Student tuition and fees (net of scholarship allowance) made up 29.43% of the College's operating revenues and 16.80% of total revenues. Tuition and fee revenues increased over the previous year as a result of resident and non-resident tuition and fee increases of 8.96% and 8.98%, respectively.

- Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 57.52% 52.40%, and 50.03% of the College's total revenues in FY 2010, FY 2009 and FY 2008, respectively. FY 2010 grant awards included receipts of $258,277 from the US Department of Education for the fourth year of the TRIO grant program, $860,545 from NASA for the fourth year of a $3,700,000 program grant to promote the STEM initiatives, $130,025 from the US Department of Justice as part of a $716,661 Criminal Justice program grant, $58,448 from the Department of Justice as part of a $ 178,870 Criminal Justice Recidivism Grant, $240,882 from the Department of Justice on a third Criminal Justice Grant, and $1,687,239 in West Virginia Higher Education scholarship programs. Federal Revenues, non-operating, consisted of $3,281,699 in PELL Grants received and distributed for student financial aid and made up 12.99% of the College's total revenues.

- State appropriated general revenue funds in the amount of $6,051,935 and Federal Stabilization Funds of $412,682 accounted for 25.58% of total revenues in FY 2010 compared to 30.03% in FY2009 and 30.53% in FY 2008. These appropriations are used to pay salaries and benefits in support of the operations of the College.

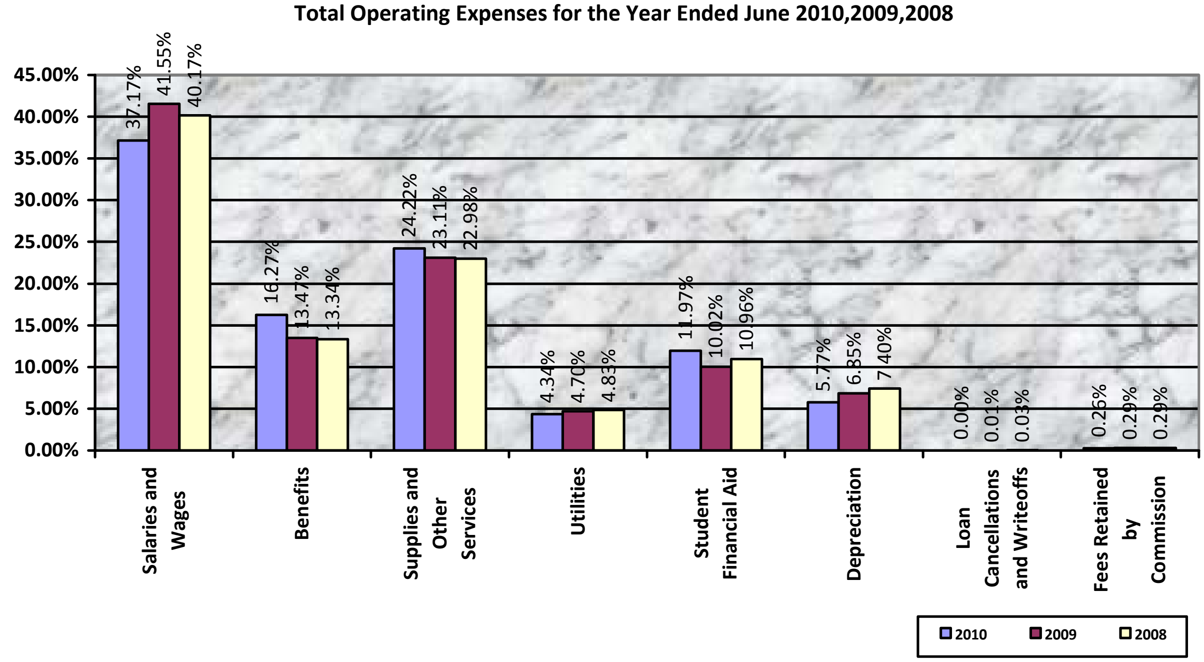
- Investment income decreased by $45,400 or 61.03 % from FY2009 to FY2010. This revenue source made up 0.11%of total revenues in FY 2010 compared to 0.33% in FY2009 and 1.31% in FY 2008. The College participates in the investment pool managed by the State.

Operating and Non-operating Expenses:

The operating expenses of the College by natural classification are as follows:

	2010	2009	2008	% Change
Salaries and wages	$ 9,453,333	$ 8,879,530	$ 7,930,727	6.46%
Benefits	4,136,022	2,879,452	2,633,473	43.64%
Supplies and other services	6,158,938	4,940,212	4,537,140	24.67%
Utilities	1,102,219	1,004,430	953,763	9.74%
Student financial aid, scholarships and fellowships	3,042,575	2,141,967	2,163,152	42.05%
Depreciation	1,465,842	1,464,231	1,461,702	0.11 %
Loan cancellations and write-offs	112	1,704	4,764	(93.43 %)
Fees retained by Commission for operations	65,850	61,125	57,085	7.73%
Total Operating Expenses	$ 25,424,891	$21,372,651	$19,741,806	18.96%

Total Operating Expenses for the Year Ended June 2010,2009,2008



Percentage of Expenses

- Salaries and wages, and employee benefits made up approximately 53.45% of the operating expenses of the College in FY 2010 compared to 55.02% in FY2009, and 53.51% in FY 2008.

- Utility costs in FY 2010 were $1,102,219, an increase of 9.74% from FY 2009 and an increase of 15.57% from FY 2008. These costs represented 4.34% of the FY2010 operating expenses compared to 4.70% in FY2009 and 4.83% in FY 2008.

- Scholarship and fellowship expenses increased $900,608 or 42.05% from FY 2009 and 40.65% from FY2008. They represented 11.97%, 10.02% and 10.96% of the total operating expenses in FY 2010, FY 2009, and FY 2008, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $626,332, fees assessed by the HEPC for system-wide debt service $11,016, $1,519 in bond discount expense and $5,067 in bank financing costs.

Combined Statements of Cash Flows

The Combined Statements of Cash Flows presents detailed information about the cash activities of the College during the year. These statements assist the users in analyzing the College's ability to generate net cash flows, meet obligations as they come due, and determining its need for external financing.

The Statement of Cash Flows is divided into five parts:

1) *Cash flows from operating activities*. This section shows the net cash used by the operating activities of the College.

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

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

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

5) *Reconciliation of net operating loss to net cash used in operating activities.* This part provides a schedule that reconciles the accrual-based operating loss and net cash flow used in operating activities to the operating loss reflected in the SRECNA.

Combined Statements of Cash Flows
For the Years Ended June 30, 2010, 2009, and 2008

	2010	2009	2008	% Change
Cash provided by (used in):				
Operating activities	$ (8,305,041)	$ (6,368,895)	$ (6,693,348)	(30.40%)
Non capital financing activities	10,005,183	8,828,367	8,165,147	13.33 %
Capital financing activities	(2,120,551)	(2,208,100)	(1,538,336)	3.96 %
Investing activities	29,204	84,233	266,865	(65.33 %)
(Decrease) increase in cash and cash equivalents	(391,205)	335,605	200,328	(216.57 %)
Cash and cash equivalents, beginning of year	4,829,134	4,493,529	4,293,201	7.47 %
Cash and cash equivalents, end of year	$ 4,437,929	$ 4,829,134	$ 4,493,529	(8.10 %)

Capital Asset and Debt Administration

The College had capital asset additions of $18,784,206, $2,355,405, and $4,789,145 for the years ended June 30, 2010, 2009, and 2008, respectively. The FY2010 additions were funded by federal grants, capital project proceeds from the Higher Education Policy Commission, and capital financing proceeds.

- In FY2010, the College replaced the PBX with a VOIP telephone system. The Glenville State College Housing Corporation was gifted a 44,000 square foot manufacturing facility and secured a $1,486,983 bank loan to renovate the building as the Morris Criminal Justice Training Center and secured a $25,500,000 loan for the construction of a new student residence hall facility.
- In FY2009, the College constructed an elevator in the Physical Education Building and the Glenville State College Housing Corporation secured a $635,000 bank loan to purchase the Conrad Motel.
- In FY2008, the College completed the renovation of the Science Hall. The College was allocated $5,000,000 from State Lottery Bond revenues for this project.

Economic Outlook

The management of Glenville State College is enthusiastic about the fiscal outlook of the institution. Student enrollment continues five years of growth, revenues reflect a steady increase, and capital asset growth continues.

The College's increased student enrollment, 1828 for the Fall 2010 semester, is the result of expanded in-state and out-of-state recruitment.

- In-state, the College has targeted first-generation college students who – because this cohort is less likely to attend college – constitutes a significant market in West Virginia. West Virginia has one of the lower college-going rates in the nation and, consequently, ranks among the lowest in degree-attainment. The College's signature program, the Hidden Promise Consortium, is an innovative collaboration between the College and 20 central West Virginia school districts committed to increasing the college-going rates of high school graduates. Mentoring specially selected first generation students from the eighth grade through high school graduation has resulted in a total Fall 2010 enrollment of more than 80 Hidden Promise Scholars, students not obviously predicted for college enrollment.
- The College has also initiated a College Completion Center with a staff of four who, in cooperation with college faculty, offer mentoring and support services to increase student retention.
- A Metro Fee, implemented in Fall 2009, has attracted out-of-state students from counties neighboring West Virginia with a reduced out-of-state tuition.

- Aggressive off-campus programming which affords high school students with dual-credit offerings, corrections officers across the state with a criminal justice degree program, and FCI Gilmer inmates with a business associates degree has attracted significant student enrollments. Glenville State College is now the training site for the Regional Jail Authority, Division of Juvenile Services, and Division of Corrections. In conjunction with these entities, Glenville State students in the corrections track of the criminal justice program will have the opportunity to complete corrections training generally available only to practitioners. Through a special appropriation from the State, the College will build upon the existing articulation agreement to provide degree completion opportunities.

The WV Legislature passed a bond bill during the 2010 legislative session. Senate Concurrent Resolution No. 41 authorizes the issuance of revenue bonds to provide new capital improvements, consisting of facilities, buildings and structures for state colleges and universities. Glenville State plans to use its $11 million share of the funding to help construct the Pioneer Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches offices.

In August 2010, Glenville State opened the first phase, consisting of 240 rooms, of Goodwin Hall, a $25 million modern residence hall located on campus that offers students private and semi private rooms with many of the comforts of home. Goodwin Hall will house a total of 484 students when completed in December.

The College has expanded a subgrant arrangement with National Geographic and the JASON Project into a partnership that offers innovative materials and instruction to increase middle school student science aptitudes and interest. January 2011 will mark the opening of the Center for Criminal Justice Studies and the Glenville State College Small Business Development Center. The Center for Criminal Justice Studies will include forensic training laboratories for Glenville State criminal justice students and law enforcement professionals from across the state. The Small Business Development Center, located at 10 East Main Street, is funded by a USDA grant to promote and assist in economic development efforts in Gilmer County.

In conclusion, the Glenville State College Board of Governors, the College's administration, and the extended college community are enthusiastically optimistic about the financial outlook of the College.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,437,929	$ 4,829,134
Accounts receivable—net	571,480	669,291
Deferred financing costs, current portion - net	1,067	1,067
Loans to students—current portion	6,043	5,858
Inventories	53,836	79,944
Prepaid Expense	78,232	
Total current assets	5,148,587	5,585,294
NONCURRENT ASSETS:		
Cash and cash equivalents	2,890,434	1,649,741
Deferred outflows from hedging derivative instruments	1,728,179	
Deferred financing costs - net	27,733	28,800
Capital assets—net	51,794,739	34,477,094
Total noncurrent assets	56,441,085	36,155,635
TOTAL ASSETS	$ 61,589,672	$ 41,740,929

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES:		
Accounts payable	$ 845,841	$ 889,534
Accrued liabilities	828,598	853,772
Due to the Commission	7,066	2,227
Compensated absences—current portion	338,163	306,645
Deferred revenue	108,919	134,683
Note payable—current portion	1,511,939	98,999
Capital lease obligations—current portion	58,575	114,741
Bonds payable—current portion	237,072	221,460
Higher Education Policy Commission debt payable—current portion	191,896	183,794
Total current liabilities	4,128,069	2,805,855
NONCURRENT LIABILITIES (Note 6)	31,340,157	12,017,658
Total liabilities	35,468,226	14,823,513
NET ASSETS:		
Invested in capital assets—net of related debt	23,441,533	22,163,043
Restricted for:		
Loans	23,524	57,313
Capital projects	1,074,286	1,025,128
Debt service	2,169,537	731,897
Other	488,534	434,068
Unrestricted	(1,075,968)	2,505,967
Total net assets	26,121,446	26,917,416
TOTAL LIABILITIES AND NET ASSETS	$ 61,589,672	$ 41,740,929

See notes to combined financial statements. (Concluded)

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

ASSETS	**2010**	**2009**
ASSETS:		
Cash	$ 139,926	$ 65,925
Investments	10,571,685	9,170,451
Unconditional promises to give—net of allowance for uncollectible promises of $0 and $0	692,781	713,231
Other current assets	9,006	13,898
Investment in capital assets	32,578	143,666
Land and other assets held for investment	703,914	703,914
TOTAL ASSETS	$ 12,149,890	$ 10,811,085
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 30,232	$ 25,295
Notes payable—current portion	8,033	7,567
Total current liabilities	38,265	32,862
NONCURRENT LIABILITIES	9,312	17,330
Total liabilities	47,577	50,192
NET ASSETS:		
Unrestricted	546,894	848,054
Temporarily restricted	25,698	(805,673)
Permanently restricted	11,529,721	10,718,512
Total net assets	12,102,313	10,760,893
TOTAL LIABILITIES AND NET ASSETS	$ 12,149,890	$ 10,811,085

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $2,563,535 and $2,297,790)	$ 4,244,858	$ 3,667,038
Contracts and grants:		
Federal	2,246,442	1,755,688
State	2,106,238	1,891,225
Private	944,304	1,305,359
Interest on student loans receivable	1,013	695
Sales and services of educational activities	1,196,469	924,789
Auxiliary enterprise revenue (net of scholarship allowance of $1.456,832 and $1,423,720)	3,115,340	2,850,181
Miscellaneous—net	566,690	339,236
Total operating revenues	14,421,354	12,734,211
OPERATING EXPENSES:		
Salaries and wages	9,453,333	8,879,530
Benefits	4,136,022	2,879,452
Supplies and other services	6,158,938	4,940,212
Utilities	1,102,219	1,004,430
Student financial aid—scholarships and fellowships	3,042,575	2,141,967
Depreciation	1,465,842	1,464,231
Loan cancellations and write-offs	112	1,704
Fees assessed by the Commission for operations	65,850	61,125
Total operating expenses	25,424,891	21,372,651
OPERATING LOSS	(11,003,537)	(8,638,440)

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 6,051,935	$ 6,739,617
State fiscal stabilization funds (federal)	412,682	
Federal Pell grants	3,281,699	2,347,617
Payment on behalf of Glenville State College		201,132
Investment income	28,994	74,394
Interest on indebtedness	(626,332)	(644,506)
Fees assessed by the Commission for debt service	(11,016)	(10,977)
Other non-operating expenses	(6,586)	(4,586)
Net nonoperating revenues	9,131,376	8,702,691
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,872,161)	64,251
CAPITAL AND BOND PROCEEDS FROM THE COMMISSION	406,191	344,714
CAPITAL GIFTS (PRIVATE)	670,000	
(DECREASE) INCREASE IN NET ASSETS	(795,970)	408,965
NET ASSETS—Beginning of year	26,917,416	26,508,451
NET ASSETS—End of year	$ 26,121,446	$ 26,917,416

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 193,430	$ 490,647	$ 793,550	$ 1,477,627
Administration fee	137,541			137,541
Investment income	244,490	861,930	1,210	1,107,630
Gain on sale of asset	25,047			25,047
Total revenues, gain and other support	600,508	1,352,577	794,760	2,747,845
EXPENSES:				
Program services	290,893	588,854		879,747
Management and general	292,829	159,683	179	452,691
Fundraising	39,455			39,455
Professional fees	21,373			21,373
Depreciation	13,159			13,159
Total expenses	657,709	748,537	179	1,406,425
CHANGE IN NET ASSETS	(57,201)	604,040	794,581	1,341,420
TRANSFERS	(243,959)	227,331	16,628	
NET ASSETS—Beginning of year	848,054	(805,673)	10,718,512	10,760,893
NET ASSETS—End of year	$ 546,894	$ 25,698	$ 11,529,721	$ 12,102,313

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 253,388	$ 621,965	$ 3,541,621	$ 4,416,974
Administration fee	278,076			278,076
Investment income	82,804	(520,157)	(60,671)	(498,024)
Total revenues, gain and other support	614,268	101,808	3,480,950	4,197,026
EXPENSES:				
Program services	384,198	804,251		1,188,449
Management and general	193,029	277,969	107	471,105
Fundraising	9,470			9,470
Professional fees	29,050			29,050
Depreciation	11,990			11,990
Total expenses	627,737	1,082,220	107	1,710,064
CHANGE IN NET ASSETS	(13,469)	(980,412)	3,480,843	2,486,962
NET ASSETS—Beginning of year	861,523	174,739	7,237,669	8,273,931
NET ASSETS—End of year	$ 848,054	$ (805,673)	$ 10,718,512	$ 10,760,893

See notes to combined financial statements.

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,187,503	$ 3,394,664
Contracts and grants	5,171,834	4,885,528
Payments to and on behalf of employees	(11,979,843)	(11,215,530)
Payments to suppliers	(6,282,244)	(4,707,553)
Payments to utilities	(1,099,429)	(999,041)
Payments for scholarships and fellowships	(2,979,011)	(1,721,896)
Loans issued to students	(28,017)	(27,846)
Collection of loans to students	29,019	23,545
Sales and service of educational activities	1,085,566	1,060,867
Auxiliary enterprise charges	3,088,386	2,735,879
Fees assessed by the Commission for operations	(65,850)	(61,125)
Other receipts and payments—net	567,045	263,613
Net cash used in operating activities	(8,305,041)	(6,368,895)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,310,802	6,480,750
State fiscal stabilization funds (federal)	412,682	
Federal Pell grants	3,281,699	2,347,617
William D. Ford direct lending receipts	6,704,456	5,992,877
William D. Ford direct lending payments	(6,704,456)	(5,992,877)
Net cash provided by noncapital financing activities	10,005,183	8,828,367
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(18,160,479)	(2,367,044)
Debt service paid to Commission	(249,413)	(251,532)
Non-operating fees retained by the Commission	(11,016)	(10,977)
Principal paid on notes, bonds and leases	(438,207)	(564,983)
Interest paid on notes, bonds and leases	(516,705)	(571,660)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	(1,240,694)	580,382
Bond and loan proceeds	18,093,772	635,000
Bond Adminstration Fees	(4,000)	(2,000)
Capital and bond proceeds from the Commission	406,191	344,714
Net cash used in capital financing activities	(2,120,551)	(2,208,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	29,204	84,233
Net cash provided by investing activities	29,204	84,233
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(391,205)	335,605
CASH AND CASH EQUIVALENTS—Beginning of year	4,829,134	4,493,529
CASH AND CASH EQUIVALENTS—End of year	$ 4,437,929	$ 4,829,134

(Continued)

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (11,003,537)	$ (8,638,440)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,465,842	1,464,231
Payments made on behalf of College		201,132
Changes in assets and liabilities:		
Accounts receivable—net	(161,267)	(109,658)
Loans to students—net	(185)	(4,831)
Prepaid expenses	(78,232)	
Inventories	26,108	5,407
Accounts payable	(56,796)	101,875
Accrued liabilities and due to the Commission	(7,233)	327,106
Compensated absences	1,536,023	239,379
Deferred revenue	(25,764)	44,904
NET CASH USED IN OPERATING ACTIVITIES	$ (8,305,041)	$ (6,368,895)
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	$ 1,519	$ 1,519
Deferred Financing Costs	$ 1,067	$ 1,067

See notes to combined financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

1. ORGANIZATION

Glenville State College (the "College") is governed by the Glenville State College Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the "Commission"), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Glenville State College Foundation, Inc.

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the "State") (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The combined financial statement presentation required by GASB provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its combined financial statements.

Reporting Entity—The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing), and 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 combined financial statements present all funds under the authority of the College, including its blended component units, Glenville State College Research Corporation (the "Corporation"), which was formed on December 10, 1990 as a nonprofit, nonstock corporation and Glenville State College Housing Corporation (the "Housing Corporation"), which received tax-exempt status on June 11, 1973 as a nonprofit corporation. The basic criterion for inclusion in the accompanying combined financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College combined financial statements in accordance with GASB. The Foundation is a separate, private, nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the audited financial information as they are presented herein (see Note 18).

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

- *Invested in capital assets, net of related debt*—This represents the College's total investment in capital assets, net of 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 invested in capital assets, net of related debt.

- *Restricted net assets, expendable*—This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

  The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

- *Restricted net assets, nonexpendable*—This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College did not have any restricted nonexpendable net assets at June 30, 2010 and 2009, respectively.

- *Unrestricted net assets*—Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Governors to meet current expenses for any purpose. These resources also include resources of auxiliary enterprises, which are substantially self-supporting activities, that provide services for students, faculty and staff.

Basis of Accounting—For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's combined financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenditures when materials or services are received. All intercompany accounts and transactions have been eliminated.

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts three of which the Commission may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

Appropriations Due from Primary Government—For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State. These revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Appropriations which remain undrawn at the end of the year may be drawn through the thirty–first day of July after the end of the year for which the appropriation is made.

Allowance for Doubtful Accounts—It is the College's policy to provide for future losses on uncollectible accounts, contracts, grants and loans receivable based on an evaluation of the underlying account, contract, grant and loan balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

Inventories—Inventories are stated at the lower-of-cost or market: cost being determined on the first-in, first-out method.

Noncurrent Cash, Cash Equivalents, and Investments—Cash and investments that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) permanently restricted net assets, are classified as noncurrent assets in the accompanying combined statements of net assets.

***Capital Assets*—**Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The College capitalized interest of $175,926 as part of the cost of assets for the year ended June 30, 2010. There was no interest capitalized during 2009. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 10 years for equipment, 7 years for library books, and 3 years for furniture. The College's capitalization threshold is $1,000. The accompanying combined financial statements reflect all adjustments required by GASB.

***Deferred Revenue*—**Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as football ticket sales, orientation fees, room and board. Financial aid and other deposits are separately classified as deposits.

Derivative instruments—Derivative instruments consist primarily of interest rate swap agreements and are stated at fair value based on discounted cash flows.

Compensated Absences and Other Post Employment Benefits—The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, Glenville State was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting West Virginia Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

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

The College's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001 or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009 will no longer receive years of service credit toward insurance premiums when they retire.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense on the statement of revenues, expenses and changes in net assets.

Risk Management—The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the College or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the College is currently charged by BRIM and the ultimate cost of that insurance based on the College's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the College and the College's ultimate actual loss experience, the difference will be recorded, as the change in estimate becomes known.

In addition, through its participation in the West Virginia Public Employees Insurance Agency (PEIA) and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

Classification of Revenues—The College 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) student tuition and fees net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) 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 state appropriations and investment income.

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

Use of Restricted Net Assets—The College has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Generally, the College attempts to utilize restricted net assets first when practicable.

Federal Financial Assistance Programs—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions such as the College. Direct student loan receivables are not included in the College's balance sheets as the loans are repayable directly to the U.S. Department of Education. In 2010 and 2009, the College received and disbursed \$6,704,456 and \$5,992,877, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Academic Competitiveness Grant, National Science and Mathematics Access to Retain Talent "SMART" Grant, and Teacher Education Assistance for College and Higher Education "TEACH" Grant, Supplemental Educational Opportunity Grant and College, and Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2010 and 2009, the College received and disbursed approximately \$3,572,573 and \$2,644,811, respectively, under these federal student aid programs.

Scholarship Allowances—Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers ("NACUBO"). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the combined financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Government Grants and Contracts—Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The College recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes—The College is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

Cash Flows—Any cash and cash equivalents escrowed, restricted for noncurrent assets or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

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 combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties—Investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

Reclassifications — Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 classifications.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board—During 2010, the College adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. See note 14 for additional disclosure.

Recent Statements Issued by the Governmental Accounting Standards Board—The Governmental Accounting Standards Board has issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The College has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2010 and 2009, was held as follows:

	2010		
	Current	**Noncurrent**	**Total**
State Treasurer	$ 3,933,957	$ 973,640	$ 4,907,597
Municipal Bond Commission	296,250		296,250
Trustee		1,916,794	1,916,794
Banks	207,722		207,722
	$ 4,437,929	$ 2,890,434	$ 7,328,363

	2009		
	Current	**Noncurrent**	**Total**
State Treasurer	$ 4,411,760	$ 1,036,904	$ 5,448,664
Municipal Bond Commission	295,942		295,942
Trustee		612,837	612,837
Banks	121,432		121,432
	$ 4,829,134	$ 1,649,741	$ 6,478,875

Amounts held by the State Treasurer includes $1,238,394 and $1,399,330 of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others as of June 30, 2010 and 2009, respectively.

Amounts held by the Municipal Bond Commission or Trustee represent funds reserved for various project revenue, debt service, other repair and replacement reserve funds required to be escrowed by various bond trust indentures, and proceeds from the 2009 Housing Revenue Bonds (see Note 6) that is restricted for construction of capital assets.

The combined carrying amounts of cash in the bank at June 30, 2010 and 2009 were $207,722 and $121,432, respectively, as compared with the combined bank balance of $492,027 and $244,172. The difference is primarily caused by items in transit.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2010 and 2009, are comprised of the following investment pools:

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI’s Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI’s Consolidated Fund. Of the BTI’s Consolidated Fund pools and accounts in which the Commission invest, all are subject to credit risk.

WV Money Market — Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2010 and 2009, the WV Money Market Pool has been rated AAAm by Standard & Poor’s. A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of $2,876,711,000 and $2,570,261,000, respectively, of which the College’s ownership represents 0.17% and 0.20%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2010 and 2009, the WV Government Market Pool has been rated AAAm by Standard & Poor’s. A Fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of $221,183,000 and $283,826,000, of which the College’s ownership represents 0.02% and 0.02%, respectively.

WV Short Term Bond Pool:

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating*		2010		2009	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	$ 24,330	5.37 %	$ 16,402	5.21 %
	Aaa	NR *	10,353	2.28	5,136	1.63
	Aa3	AAA	1,000	0.22	223	0.07
	Aa2	AAA			461	0.15
	A3	AAA			273	0.09
	Baa2	AAA			831	0.26
	Baa1	BBB**			332	0.10
	Baa2	BBB**			1,376	0.44
	Ba1	CC**	45	0.01		
	Ba2	BB**	219	0.05		
	Ba3	AAA			645	0.20
	B1	AAA			779	0.25
	B1	BBB**	605	0.13		
	B1	CCC**	857	0.19		
	B2	B**			493	0.16
	B2	CCC**	366	0.08	539	0.17
	B3	AAA			949	0.30
	B3	B**	442	0.10		
	B3	BBB**	247	0.05		
	B3	CCC**	554	0.12		
	Caal	BB**			254	0.08
	Caal	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
	NR *	AAA	3,538	0.78	679	0.22
			43,565	9.60	29,372	9.33
Corporate bonds and notes	Aaa	AAA	72,549	16.00	47,204	14.99
	Aaa	AA	2,060	0.46		
	Aa1	AA	5,430	1.20	4,445	1.41
	Aa1	A			2,052	0.65
	Aa2	AAA			3,040	0.96
	Aa2	AA	6,650	1.47	9,066	2.88
	Aa3	AA	6,722	1.48		
	Aa3	A	13,850	3.05	7,831	2.49
	A1	AA	15,485	3.41	4,813	1.53
	A1	A	21,098	4.65	5,522	1.75
	A2	A	41,093	9.06	32,040	10.17
	A3	A	4,158	0.92	7,024	2.23
	Baa3	A			2,067	0.66
			189,095	41.70	125,104	39.72
U.S. agency bonds	Aaa	AAA	40,180	8.86	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	158,423	34.93	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00	4,975	1.58
Money market funds	Aaa	AAA	17,715	3.91	6,426	2.04
			$453,518	100 %	$314,932	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010 and/or 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2010 and 2009, the College's ownership represents 0.09% and 0.17%, respectively, of these amounts held by the BTI.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2010		2009	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 174,980	1	$ 212,010	1
U.S. Treasury notes	65,153	140		
U.S. Treasury bills	476,670	35	483,714	69
Commercial paper	855,844	18	592,479	32
Certificates of deposit	281,000	45	128,402	56
U.S. agency discount notes	606,048	52	635,602	57
Corporate bonds and notes	20,000	19	73,812	38
U.S. agency bonds/notes	246,990	55	294,019	70
Money market funds	150,026	1	150,223	1
	$2,876,711	33	$2,570,261	47

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2010		2009	
Security Type	**Carrying Value (In thousands)**	**WAM (Days)**	**Carrying Value (In thousands)**	**WAM (Days)**
Repurchase agreements	$ 66,600	1	$ 53,000	1
U.S. Treasury notes	8,526	114		
U.S. Treasury bills	29,982	72	74,424	94
U.S. agency discount notes	36,465	115	87,662	55
U.S. agency bonds/notes	79,532	30	68,608	37
Money market funds	78	1	132	1
	$ 221,183	44	$ 283,826	54

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2010 and 2009:

	2010		2009	
Security Type	**Carrying Value (in Thousands)**	**Effective Duration (Days)**	**Carrying Value (in Thousands)**	**Effective Duration (Days)**
U. S. Treasury bonds/notes	$ 158,423	583	$ 88,805	917
Corporate notes	189,095	560	125,104	559
Corporate asset backed securities	43,565	679	29,372	622
U.S. agency bonds/notes	40,180	288	60,250	752
U.S. agency mortgage backed securities	4,540	360	4,975	540
Money market funds	17,715	1	6,426	1
	$ 453,518	530	$ 314,932	691

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2010 and 2009:

	2010	**2009**
Student tuition and fees, net of allowance for doubtful accounts of $987,226 and $882,144, respectively	$ 219,092	$ 165,869
Due from Primary Government	9,753	258,868
Due from other State agencies	11,611	18,033
Due from Federal Government	245,849	98,461
Other accounts receivable	85,175	128,060
	$ 571,480	$ 669,291

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 776,865	$ 191,636	$ -	$ -	$ 968,501
Construction In Progress	510,215	16,933,484		(1,825,119)	15,618,580
Total capital assets not being depreciated	$ 1,287,080	$ 17,125,120	$ -	$ (1,825,119)	$ 16,587,081
Other capital assets:					
Land improvements	$ 2,389,609	$ -	$ -	$ -	$ 2,389,609
Infrastructure	1,433,778				1,433,778
Buildings	47,094,092	728,230		1,825,119	49,647,441
Equipment	7,104,891	825,302	(7,131)		7,923,062
Library books	1,624,493	35,799	(1,559)		1,658,733
Leasehold Improvements		69,755			69,755
Total other capital assets	59,646,863	1,659,086	(8,690)	1,825,119	63,122,378
Less accumulated depreciation for:					
Land improvements	1,055,614	94,620			1,150,234
Infrastructure	1,353,268	9,512			1,362,780
Buildings	17,462,634	783,272			18,245,906
Equipment	5,074,056	530,096	(7,131)		5,597,021
Library books	1,511,277	46,736	(1,559)		1,556,454
Leasehold Improvements		2,325			2,325
Total accumulated depreciation	26,456,849	1,466,561	(8,690)		27,914,720
Other capital assets—net	$ 33,190,014	$ 192,525	$ -	$ 1,825,119	$ 35,207,658
Capital asset summary:					
Capital assets not being depreciated	$ 1,287,080	$ 17,125,120	$ -	$ (1,825,119)	$ 16,587,081
Other capital assets	59,646,863	1,659,086	(8,690)	1,825,119	63,122,378
Total cost of capital assets	60,933,943	18,784,206	(8,690)		79,709,459
Less accumulated depreciation	26,456,849	1,466,561	(8,690)		27,914,720
Capital assets—net	$ 34,477,094	$ 17,317,645	$ -	$ -	$ 51,794,739

	2009				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 583,973	$ 192,892	$ -	$	$ 776,865
Construction In Progress		510,215			510,215
Total capital assets not being depreciated	$ 583,973	$ 703,107	$ -	$	$ 1,287,080
Other capital assets:					
Land improvements	$ 2,389,609	$ -	$ -	$ -	$ 2,389,609
Infrastructure	1,433,778				1,433,778
Buildings	46,097,554	996,538			47,094,092
Equipment	6,548,570	622,694	(66,373)		7,104,891
Library books	1,637,802	33,066	(46,375)		1,624,493
Total other capital assets	58,107,313	1,652,298	(112,748)		59,646,863
Less accumulated depreciation for:					
Land improvements	960,994	94,620			1,055,614
Infrastructure	1,267,967	85,301			1,353,268
Buildings	16,725,241	737,393			17,462,634
Equipment	4,633,023	507,406	(66,373)		5,074,056
Library books	1,518,142	39,510	(46,375)		1,511,277
Total accumulated depreciation	25,105,367	1,464,230	(112,748)		26,456,849
Other capital assets—net	$ 33,001,946	$ 188,068	$ -	$	$ 33,190,014
Capital asset summary:					
Capital assets not being depreciated	$ 583,973	$ 703,107	$ -	$	$ 1,287,080
Other capital assets	58,107,313	1,652,298	(112,748)		59,646,863
Total cost of capital assets	58,691,286	2,355,405	(112,748)		60,933,943
Less accumulated depreciation	25,105,367	1,464,230	(112,748)		26,456,849
Capital assets—net	$ 33,585,919	$ 891,175	$ -	$ -	$ 34,477,094

The College maintains certain collections of inexhaustible assets to which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures and literature that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2010 and 2009:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of $207,375 at June 30, 2010	$ 4,377,717	$ -	$ 98,481	$ 4,279,236	$ 108,481
Campus Community Center bonds	1,374,539		54,042	1,320,497	56,391
Science Building Bonds	3,985,534		68,937	3,916,597	72,200
Goodwin Hall bonds		16,603,802		16,603,802	
Capital lease obligations	198,485		114,741	83,744	58,575
Notes payable	713,152	1,486,983	100,487	2,099,648	1,511,939
Commission debt payable	1,532,325		183,794	1,348,531	191,896
Total bonds, capital leases, and note payable	12,181,752	18,090,785	620,482	29,652,055	1,999,482
Other liabilities:					
Accrued compensated absences	448,804	409,472	359,490	498,786	338,163
Hedging derivative intruments		1,728,179		1,728,179	
Other post employment benefits liability	312,741	1,486,041		1,798,782	
Total noncurrent liabilities	$ 12,943,297	$ 21,714,477	$ 979,972	$ 33,677,802	$ 2,337,645

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount, including unexpended funds of $202,338 at June 30, 2009	$ 4,471,198	$ -	$ 93,481	$ 4,377,717	$ 98,481
Campus Community Center bonds	1,426,330		51,791	1,374,539	54,042
Science Building Bonds	4,051,611		66,077	3,985,534	68,937
Capital lease obligations	389,809		191,324	198,485	114,741
Notes payable	240,462	635,000	162,310	713,152	98,999
Commission debt payable	1,709,806		177,481	1,532,325	183,794
Total bonds, capital leases, and note payable	12,289,216	635,000	742,464	12,181,752	618,994
Other liabilities:					
Accrued compensated absences	392,226	324,994	268,416	448,804	306,645
Other post employment benefits liability	129,941	182,800		312,741	
Total noncurrent liabilities	$ 12,811,383	$ 1,142,794	$ 1,010,880	$ 12,943,297	$ 925,639

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2010 and 2009:

	Interest Rate	Annual Principal Installment Due	2010 Principal Amount Outstanding	2009 Principal Amount Outstanding
Student Housing Bonds:				
Series 2000 A, mature various dates				
through October 1, 2030	5.3% to 6.2%	110,000	$ 4,310,000	$ 4,410,000
Less: Discount			30,764	32,283
Total Series 2000 A bonds			4,279,236	4,377,717
Campus Community Center Bonds:				
Series 2006, interest rate reset at November 1, 2016	4.30%	53,691	1,320,497	1,374,539
Science Building Bonds				
Series 2007, interest rate reset at October 1, 2017	4.68%	72,200	3,916,597	3,985,534
Goodwin Hall Bonds	1 Month LIBOR	8,479 to		
Series 2009, due through 2040	plus 1.63%	131,400	16,603,802	-
Total bonds payable			$ 26,120,132	$ 9,737,790

Future debt service requirements to maturity for the revenue bonds at June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 238,591	$ 1,163,215	$ 1,401,806
2012	607,444	1,087,990	1,695,434
2013	575,758	1,117,627	1,693,385
2014	600,016	1,091,019	1,691,035
2015	630,091	1,063,144	1,693,235
2019 - 2020	4,245,173	4,728,232	8,973,405
2021 - 2025	4,068,268	3,823,455	7,891,723
2026 - 2030	5,132,295	2,748,714	7,881,009
2031 - 2035	4,859,028	1,571,571	6,430,599
2036 - 2040	4,877,127	555,481	5,432,608
2041 - 2045	317,105	2,647	319,752
Total	$ 26,150,896	$ 18,953,095	$ 45,103,991

Costs relating to obtaining the revenue bonds are capitalized and amortized over the term of the related debt using the straight-line method, which approximates the effective interest rate method. Accumulated amortization at June 30, 2010 was $3,201. Amortization of deferred financing costs charged to nonoperating expense was $1,067. When a bond is paid in full, any unamortized financing costs are removed from the related accounts and charged to nonoperating expense.

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment. These obligations are accounted for as capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2010:

Year Ending June 30	Principal	Interest	Total
2011	$ 58,575	$ 2,523	$ 61,098
2012	25,169	586	25,755
			86,853
Less interest			3,109
			$ 83,744

The net book value of leased assets was $369,580 and $542,022 as of June 30, 2010 and 2009.

9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2010 and 2009:

	Interest Rate	Annual Principal Installment Due	2010 Principal Amount Outstanding	2009 Principal Amount Outstanding
Real Estate Purchase:				
$1,500,000 single payment note collateralized by GSC Foundation securities, for construction purposes.	4.0%	$1,500,000	$ 1,486,983	$ -
$375,000 unsecured promissory note to the Commission	0.0%	$37,500 semi-annually through 6/2010		75,000
$26,250 promissory note collateralized by 1st lien on purchased house and lot, Gilmer County, West Virginia	6.0%	$8,750 annually through 1/2011	8,750	17,500
$635,000 promissory note collateralized by 1st lien on various parcels of real estate and motel building Gilmer County, West Virginia	6.56%	$4,793 monthly through 5/2030	603,915	620,652
Total Note Payable			$ 2,099,648	$ 713,152

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2010:

Year Ending June 30	Principal	Interest	Total
2011	$ 1,511,939	$ 42,094	$ 1,554,033
2012	17,224	35,500	52,724
2013	18,305	34,419	52,724
2014	19,454	33,270	52,724
2015	20,675	32,049	52,724
2016 - 2020	124,546	139,071	263,617
2021 - 2025	168,857	94,760	263,617
2026 - 2030	218,648	34,706	253,354
2031			
Total			2,545,517
Less portion representing interest			445,869
			$ 2,099,648

10. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2010 and 2009, the noncurrent liability related to OPEB costs was $1,798,782 and $312,741, respectively. The total of OPEB expenses incurred and the amount of OPEB expense that relates to retirees was $1,852,799 and $305,459, respectively, during 2010. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $750,022 and $366,090, respectively, during 2009. As of and for the years ended June 30, 2010 and 2009, there were 22 and 24, respectively, retirees receiving these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education, and the College receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the College’s operations, its tuition and fee structure, its personnel policies and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State’s universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the “Boards”). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission.

For the year ended June 30, 2010 and 2009, debt service assessed is as follows:

	2010	2009
Principal	$ 183,794	$ 177,481
Interest	65,619	85,028
	$ 249,413	$ 262,509

12. UNRESTRICTED NET ASSETS

The College's unrestricted net assets include certain designated net assets as follows:

	2010	2009
Designated for auxiliaries	$ 324,568	$ 540,791
Designated for affiliated organizations	(1,521,077)	103,175
Undesignated	1,919,323	2,174,742
Total unrestricted net assets before OPEB liability	722,814	2,818,708
Less: OPEB liability	1,798,782	312,741
Total unrestricted net assets	$ (1,075,968)	$ 2,505,967

13. RETIREMENT PLANS

Substantially all eligible full-time employees of the College participate in either the West Virginia State Teachers' Retirement System (the "STRS") or the Teachers' Insurance and Annuities Association - College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by College employees have not been significant to date.

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the year ended June 30, 2010 and 2009, respectively.

Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2010 and 2009, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salaries out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2010, 2009 and 2008, were $374,928, $380,634 and $376,583, respectively, which consisted of $267,806, $271,881, and $268,988 from the College in 2010, 2009, and 2008 respectively, and $107,122, $108,753, and $107,595 from the covered employees in 2010, 2009, and 2008 respectively.

The contribution rate is set by the State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

The TIAA-CREF is a defined contribution benefit plan in which benefits are based solely upon amounts contributed plus investment earnings. Employees who elect to participate in this plan are required to make a contribution equal to 6% of total annual compensation. The College matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2010, 2009 and 2008, were $770,672, $711,790, and $622,450, respectively, which consisted of equal contributions from the College and covered employees in 2010, 2009 and 2008 of $385,336, $355,895 and $311,225, respectively.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) basic retirement plan. New hires have the choice of either plan. As of June 30, 2009, no employees were enrolled in the Educators Money 401(a) basic retirement plan.

The College's total payroll for the years ended June 30, 2010 and 2009 was $9,453,333 and $8,879,530; total covered employees' salaries in the STRS and TIAA-CREF were $1,785,371 and $6,403,853 in 2010, respectively, $1,812,544 and $5,913,082 in 2008, respectively.

14. DERIVATIVE INSTRUMENT

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2010, classified by type, and the change in fair value of such derivative instrument is as follows:

	Change in Fair Value		Fair Value		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Hedging derivative:					
Cash flow hedge					
Pay-fixed interest rate swap	Deferred charges	$ 1,728,179	Debt	$ 1,728,179	$ 14,517,631

Fair Value: The fair value of the interest rate swap was estimated using a discounted cash flows computation.

Objective: The College is party to a derivative instrument which is a pay-fixed, receive-variable interest rate swap that hedges the changes in cash flows on the variable-rate debt series. In order to protect against the potential rising interest rates, the College entered into this derivative instruments at a cost less than what the College would have paid to issue fixed-rate debt.

Terms, Fair Value, and Credit Risk: The following table displays the terms and fair value of the College's hedging derivative instrument at June 30, 2010, along with the notional amount, credit rating of the associated counter party, and other terms as of June 30, 2010.

Type	Cash Flow Hedge for Debt Series	2010 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2010 Fair Value
Pay-fixed interest rate swap	2009A	$ 14,517,631	12/22/2010	1/5/2017	4.34%	68 % USD-LIBOR-BBA one month plus 1.625%	BB&T / A	$ 1,728,179

Credit Risk: The College is exposed to credit risk on the hedging derivative instrument when it is in an asset position. The fair value of the hedging derivative was not in an asset position at June 30, 2010, so the College was not exposed to credit risk on this swap.

Interest Rate Risk: The College is not exposed to interest rate risk on its derivative instrument.

Basis Risk: The College is not exposed to basis risk on its derivative instrument.

Termination Risk: The College or the involved counterparty may terminate the derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, the hedging derivative instrument is in a liability position, the College would be liable to the counterparty for a payment equal to the liability, subject to the netting arrangement.

Rollover Risk: The College is not exposed to rollover risk on its derivative instrument.

15. CONTINGENCIES

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

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2010 or 2009.

The College owns various buildings which are known to contain asbestos. The College is not required by federal, state or local law to remove the asbestos from its buildings. The College is required by Federal Environmental, Health and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The College addresses its responsibility to manage the presence of asbestos in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The College also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing or operating with the asbestos in a safe condition.

16. SEGMENT INFORMATION (UNAUDITED)

The College issued revenue bonds to finance certain of its auxiliary enterprise and facilities improvements activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment.

Descriptive information for each of Glenville State College's segments is shown below:

a. *The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporation Project (the "Corporation")), Series 2000A.*

In September 2001, the Corporation sold $4,990,000 of Revenue Bonds, 2000 Housing Facilities Series A Bonds (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of September 27, 2001, by and between the Interim Governing Board and United National Bank, Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the student housing facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to pay all or part of the cost of constructing ten two-story apartment buildings, each containing four four-bedroom units to be used as student housing and (2) paying a portion of the cost of issuing the bonds.

During the fiscal year 2010, management determined that certain segment assets were overstated and that reclassification of certain segment information was required.

b. *Board of Governors of Glenville State College, Facilities Improvements Revenue Bonds, Series 2006.*

In November 2006, the College sold $1,500,000 of Revenue Bonds, 2006 Facilities Improvement Revenue Bonds, Series 2006 (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18B, Article 10 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of November 30, 2006, by and between the Glenville State College Board of Governors and Branch Banking & Trust, Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the College's auxiliary and auxiliary capital fee and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to finance all or part of the cost of renovating the student center (Mollohan Campus Community Center), (2) to reimburse the Board for cash amounts previously expended to pay renovation costs, and (3) to pay the cost of issuing the bonds.

c. *Board of Governors of Glenville State College, Student Fee Revenue Bonds, (Glenville State College Science Building Project), Series 2007.*

In December 2007, the College sold $4,125,000 of Revenue Bonds, 2007 Student Fee Revenue Bonds, Series 2007 (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18B, Article 10 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of November 30, 2006, by and between the Glenville State College Board of Governors and United Bank, Inc., Charleston, WV (the "Trustee"). The bonds are secured by and payable from the revenues of the College's education and general capital fees and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to finance all or part of the cost of renovating the science building, (2) to reimburse the Board for cash amounts previously expended to pay renovation costs, and (3) to pay the cost of issuing the bonds.

d. *The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporation Project (the "Corporation")), Series 2009A.*

In December 2009, the Corporation sold $25,500,000 of Commercial Development Revenue Bonds, Housing Facilities Series 2009 Bonds (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of December 21, 2009, by and between the Interim Governing Board and Branch Banking & Trust Co., Winston-Salem NC (the "Trustee"). The bonds are secured by and payable from the revenues of the student housing facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to pay all or part of the cost of constructing a 484 bed student residence hall and (2) paying a portion of the cost of issuing the bonds.

Condensed financial information for the College's segments is as follows:

Condensed Statement of Net Assets (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		Student Fees Revenue Bonds Series 2007		Housing Facilities Revenue Bonds Series 2009
	June 30 2010	June 30 2009	June 30 2010	June 30 2009	June 30 2010	June 30 2009	June 30 2010
Assets:							
Current assets	$	$ 34,862	$ 546,724	$ 672,569	$ 647,631	$ 499,818	$
Noncurrent and capital assets	8,226,691	6,161,845	9,190,165	9,399,570	9,633,103	9,832,870	18,408,504
Total assets	$ 8,226,691	$ 6,196,707	$ 9,736,889	$ 10,072,139	$ 10,280,734	$ 10,332,688	$ 18,408,504
Liabilities:							
Current liabilities	$ 1,803,129	$ 506,804	$ 61,675	$ 57,106	$ 72,200	$ 68,937	$
Long-term liabilities	4,758,463	4,908,638	1,264,105	1,320,497	3,844,397	3,916,597	18,331,981
Total liabilities	6,561,592	5,415,442	1,325,780	1,377,603	3,916,597	3,985,534	18,331,981
Net Assets:							
Invested in capital assets—net of related debt	1,563,909	943,638	7,869,670	8,025,031	5,305,915	5,436,838	(1,222,327)
Restricted:							
Debt service	207,375	202,338			410,570	410,498	1,298,850
Unrestricted	(106,185)	(364,711)	541,439	669,505	647,652	499,818	
Total net assets and liabilities	$ 8,226,691	$ 6,196,707	$ 9,736,889	$ 10,072,139	$ 10,280,734	$ 10,332,688	$ 18,408,504

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007	
	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009
Operating:						
Operating revenues	$ 960,534	$ 706,204	$ 276,287	$ 385,739	$ 402,508	$ 415,900
Operating expenses	(438,646)	(337,325)	(501,255)	(528,296)	(199,840)	(199,830)
Net operating income	521,888	368,879	(224,968)	(142,557)	202,668	216,070
Nonoperating:						
Nonoperating revenues	675,452	2,020	71	789	72	347,589
Nonoperating expenses	(313,506)	(314,928)	(58,530)	(60,781)	(185,757)	(188,598)
Changes in net assets	883,834	55,971	(283,427)	(202,549)	16,983	375,061
Net assets—beginning of year	781,265	725,294	8,694,536	8,897,085	6,347,154	5,972,093
Net assets—end of year	$ 1,665,099	$ 781,265	$ 8,411,109	$ 8,694,536	$ 6,364,137	$ 6,347,154

Condensed Statement of Cash Flows (Unaudited)	Housing Facilities Revenue Bonds Series 2000A		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007		Housing Facilities Revenue Bonds Series 2009
	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010	As of June 30 2009	As of June 30 2010
Net cash provided by operating activities	$ 722,495	$ 514,790	$ 103,662	$ 84,675	$ 402,508	$ 415,900	$
Net cash used in capital and related activities	(771,124)	(695,548)	(112,522)	(121,561)	(254,674)	(133,177)	1,298,850
Net increase in cash	(48,629)	(180,758)	(8,860)	(36,886)	147,834	282,723	1,298,850
Cash and cash equivalents - beginning of year	230,902	411,660	545,999	582,885	499,818	217,095	
Cash and cash equivalents - end of year	$ 182,273	$ 230,902	$ 537,139	$ 545,999	$ 647,652	$ 499,818	$ 1,298,850

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2010 and 2009, the following table represents operating expenses within both natural and functional classifications:

2010

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 4,271,317	$ 1,589,802	$ 832,241	$	$ -	$ -	$ -	$ -	$ 6,693,360
Academic support	558,111	208,081	222,054						988,246
Student services	997,180	513,402	320,657						1,831,239
General institutional support	1,676,729	861,077	1,883,492						4,421,298
Operations and maintenance of plant	883,505	507,678	525,422	659,314					2,575,919
Student financial aid					3,042,575		112		3,042,687
Auxiliary enterprises	1,066,491	455,982	2,375,072	442,905					4,340,450
Depreciation						1,465,842			1,465,842
Fees assessed by the Commission for operations								65,850	65,850
Total	$ 9,453,333	$ 4,136,022	$ 6,158,938	$ 1,102,219	$ 3,042,575	$ 1,465,842	$ 112	$ 65,850	$ 25,424,891

2009

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 4,387,349	$ 1,161,278	$ 838,315	$ 3,670	$ -	$ -	$ -	$ -	$ 6,390,612
Academic support	576,609	191,160	222,896	14					990,679
Student services	973,308	382,485	322,825	244					1,678,862
General institutional support	1,167,984	495,734	666,039	4,024					2,333,781
Operations and maintenance of plant	732,128	320,544	574,505	591,370					2,218,547
Student financial aid					2,141,967		1,704		2,143,671
Auxiliary enterprises	1,042,152	328,251	2,315,632	405,108					4,091,143
Depreciation						1,464,231			1,464,231
Fees assessed by the Commission for operations								61,125	61,125
Total	$ 8,879,530	$ 2,879,452	$ 4,940,212	$ 1,004,430	$ 2,141,967	$ 1,464,231	$ 1,704	$ 61,125	$ 21,372,651

18. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the state of West Virginia and has as its purpose, ". . . to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations . . . ." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employ management, form policy and maintain fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements as of June 30, 2010, 2009 and 2008, the Foundation's net assets (including unrealized gains) totaled $12,102,313, $10,760,893 and $8,273,931, respectively. Complete financial statements for the Foundation can be obtained from the Executive Director of the Glenville State College Foundation, Inc., 200 High Street, Glenville, WV 26351.

During the year ended June 30, 2010 and 2009, the Foundation contributed $354,086 and $546,275, respectively, to the College for scholarships.

The following notes on pages 49 – 55 are taken directly from the Foundation's audited financial statements.

NOTES TO FINANCIAL STATEMENTS
GLENVILLE STATE COLLEGE FOUNDATION, INC.
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
The Glenville State College Foundation, Inc. was incorporated in 1959 as a non-profit organization to receive and provide funds for scholarships, endowments, educational research and other general educational purposes for the benefit of Glenville State College and the students at Glenville State College.

Reporting Entity
The financial statements of the Foundation include all funds, functions, and activities to which the Board of Trustees has oversight responsibility. There are no additional entities required to be included in the reporting entity.

These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. Accordingly, fund transactions and balances are classified into three categories of net assets: 1) unrestricted net assets which have no donor-imposed restrictions; 2) temporarily-restricted net assets which have donor-imposed restrictions that will expire in the future; and 3) permanently-restricted net assets which have donor-imposed restrictions which do not expire.

The expiration of a donor-imposed restriction on a contribution or endowment income is recognized in the period in which the restriction expires, at which time the related resource is recognized as unrestricted net assets.

Cash
The Foundation maintains its cash at local financial institutions under normal financial arrangements. During the years ended June 30, 2010 and 2009, the Foundation cash balances periodically exceeded the FDIC insured deposit limit.

Bequests and Contributions Receivable
Bequests and contributions receivable consist of bequests and contributions to give stock, cash, and life insurance proceeds. Bequests and contributions to give cash and stock are recorded at fair value, bequests and contributions to give life insurance proceeds are recorded at net present value. All bequests and contributions at June 30, 2010 and 2009 are, in the opinion of Foundation management, fully collectible.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with respective gains and losses being included in the Statement of Activities and Changes in Net Assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are recorded at cost, if purchased, or estimated fair market value, if donated, and depreciated over their estimated useful lives. Depreciation is computed on the straight line method. Expenditures for major renewals and betterments that extend the useful lives of the equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates, such as the allowance for uncollectible pledges, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change.

Tax Exempt Status

The Foundation is exempt from federal income taxes as a non-profit organization under Section 501 (c) (3) of the Internal Revenue Code.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and deposits in banks.

No income taxes were paid during the years ended June 30, 2010 and 2009. Interest expense of $1,303 and $1,763 was paid during the years ended June 30, 2010 and 2009, respectively.

Recent Accounting Pronouncements

Effective July 1, 2009, the Foundation adopted new accounting guidance related to U.S. GAAP (FASB ASC 105, Generally Accepted Accounting Principles). This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied to nongovernmental entities. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other grandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Foundation as of June 30, 2010.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

The Foundation adopted accounting guidance related to events that occur after the balance sheet date but before financial statements are issued or available to be issued (FASB ASC 855-10, Subsequent Events). This guidance requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For unrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, this guidance requires an entity to disclose the date through which subsequent events have been evaluated. This guidance was effective for the year ended June 30, 2010. The adoption of FASB ASC 855-10 did not have a material effect on the Foundation's financial statements.

NOTE 2. INVESTMENTS

Investments of the Foundation at June 30, 2010 consist of:

	Cost	Fair Value
American Century Mutual Funds	$ 39,948	$ 37,139
Lord Abbott Mutual Funds	78,871	57,838
Fidelity Investment Portfolio	6,124,541	5,222,611
Fidelity TLN Portfolio	3,311,494	3,340,541
Fidelity Collateral Portfolio	1,644,890	1,698,287
Huntington Bancshares, Inc. Common Stock	37,500	5,540
United Bancshares, Inc. Common Stock	68,124	119,700
Exxon Mobil Corporation Common Stock	9,391	89,029
Other Investments	1,000	1,000
	$11,315,759	$ 10,571,685

The Fidelity Investment Portfolio consists of governmental agency notes and bonds (18%); corporate notes and bonds (21%); bond and stock mutual funds (60%); and short-term cash investments (1%).

The Fidelity TLN Portfolio consists of corporate notes and bonds (88%); bond and stock mutual funds (11%); and short-term cash investments (1%).

The Fidelity Collateral Portfolio consist of CDs (97%) and short-term cash investments (3%).

NOTE 2. INVESTMENTS (CONTINUED)

Investments of the Foundation at June 30, 2009 consist of:

	Cost	Fair Value
American Century Mutual Funds	$ 39,382	$ 33,251
Lord Abbott Mutual Funds	78,322	52,625
Fidelity Investment Portfolio	5,600,729	3,992,368
Fidelity TLN Portfolio	4,832,985	4,881,515
Huntington Bancshares, Inc. Common Stock	37,500	4,180
United Bancshares, Inc. Common Stock	68,124	97,700
Exxon Mobil Corporation Common Stock	9,391	107,812
Other Investments	1,000	1,000
	$10,667,433	$ 9,170,451

The Fidelity Investment Portfolio consists of governmental agency notes and bonds (10%); corporate notes and bonds (25%); bond and stock mutual funds (64%); and short-term cash investments (1%).

The Fidelity TLN Portfolio consists of governmental agency notes and bonds (29%); corporate notes and bonds (62%); bond and stock mutual funds (8%); and short-term cash investments (1%).

Determination of Fair Value

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

NOTE 2. INVESTMENTS (CONTINUED)

Fair Value Hierarchy

In accordance with this guidance, the Foundation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1-Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2-Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3-Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

All of the Foundation's investments at June 30, 2010 and 2009, are considered level 1 valuations except the $1,000 in other investments, which is considered a level 3 valuation.

	Level 3 Assets
	Other Investments
Balance, June 30, 2009	$ 1,000
Realized gains (losses)	--
Unrealized gains (losses)	--
Purchases, sales, issuances and settlements	--
Balance, June 30, 2010	$ 1,000

NOTE 3. BEQUESTS AND CONTRIBUTIONS RECEIVABLE

Bequests and contributions receivable consist of the following at June 30:

	2010	2009
Cline, present value of life insurance policy	$ 138,017	$ 120,576
Kern, present value of life insurance policy	11,685	10,367
Rice, present value of life insurance policy	543,079	532,288
Contribution receivable	--	50,000
TOTAL	$ 692,781	$ 713,231

NOTE 4. NOTES RECEIVABLE

During the year ended June 30, 2008, the Foundation advanced funds to Dr. Peter Barr, President of Glenville State College, for improvements to the president's house. Funds advanced totaled $23,898 with annual principal payments of $5,000 plus interest at 6%. The balance of the receivable at June 30, 2010 and 2009 was $9,006, and $13,898, respectively.

NOTE 5. FIXED ASSETS

Fixed assets at June 30, 2010 and 2009 consist of:	2010	2009
Land	$ --	$ 15,000
Building	--	86,000
Office equipment	49,638	48,001
Vehicles	49,700	49,700
	99,338	198,701
Less accumulated depreciation	(66,760)	(55,035)
TOTAL	$ 32,578	$ 143,666

NOTE 6. NOTES PAYABLE

During the year ended June 30, 2007, the Foundation acquired a note payable to Calhoun County Bank, to purchase a vehicle. The note has an original principal of $38,085, with 60 monthly payments of $738 through June 2012. The note bears interest at 6% and is secured by a vehicle with a net book value of $16,000 at June 30, 2010. The outstanding balances at June 30, 2010 and 2009 were $17,345 and $24,897, respectively.

Future maturities of notes payable at June 30, 2010 are as follows:

2011	$ 8,033
2012	9,312
	$ 17,345

NOTE 7. PHALA WOODS LOAN TRUST FUND

The Foundation has approximately $80,000 held in trust by Fidelity Investments. The Foundation receives only income from the trust and uses the monies as loan funds as required by the trust agreement. The Foundation has no control over trust principal. The trust fund is, therefore, not included on the Foundation's Statement of Financial Position as of June 30, 2010 or 2009.

NOTE 8. CONCENTRATIONS

The Foundation relies primarily upon bequests and contributions from donors who are primarily from the Glenville, West Virginia area and graduates of Glenville State College.

NOTE 9. ADMINISTRATIVE FEE ASSESSMENT

As provided by the West Virginia Code, the Foundation is entitled to charge an administrative fee for the management of the various assets held in trust. For the years ended 2010 and 2009, the Foundation charged an administrative fee in an amount sufficient to cover operating expenses, of $137,541 and $287,071, respectively.

NOTE 10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 27, 2010, the date these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2010, requiring recognition or disclosure.

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

To the Board of Governors
Glenville State College
Glenville, West Virginia

We have audited the combined financial statements of the business-type activities and discretely presented component unit of Glenville State College (the "College"), as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Glenville State College Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010 – 1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the College Governing Board, management of the College, and the West Virginia Higher Education Policy Commission and is not intended to be and should not be used by anyone other than these specified parties.

November 23, 2010

GLENVILLE STATE COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

2010 – 1 Financial Reporting

Criteria:	The management of the College is responsible for establishing and maintaining adequate internal controls related to financial reporting.
Condition:	Based on our discussions with and observations of management during the audit process, it appeared that management was not fully aware of a recent Governmental Accounting Standards Board (GASB) pronouncement that directly and materially impacted the current year's financial statement presentation, including footnote disclosure requirements.
Context:	Adequate internal controls over financial report are essential to meaningful accurate reporting of financial results.
Cause:	A new GASB pronouncement was not properly identified.
Effect:	Failure to identify new pronouncements could result in a material financial statement misstatement.
Recommendation:	Management should consider incorporating the use of a financial statement disclosure checklist into its financial statement preparation process.

Management Response :

Management agrees with the finding and has taken steps to ensure familiarity with all GASB pronouncements and their impact on the presentation of financial statements, footnotes, and disclosures.