

Bluefield State College

Financial Statements

Years Ended June 30, 2010 and 2009

and

Independent Auditors' Reports

BLUEFIELD STATE COLLEGE
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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Bluefield State College
Bluefield, West Virginia

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Bluefield State College (the "College") as of June 30, 2010 and 2009 and for the years then ended which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented financial statements of The Bluefield State College Foundation, Inc. (a component unit of the College) for 2010 and 2009. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of The Bluefield State College Foundation, Inc. is based solely on the reports of the other auditors. We did audit the discretely presented financial statements of The Bluefield State College Research and Development Corporation (a component unit of the College) for 2010 and 2009.

We conducted our audits in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The Bluefield State College Foundation, Inc. which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the College 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.

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The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010, on our consideration of the College's internal control over financial reporting and 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 audit.



Charleston, West Virginia
October 12, 2010

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Our discussion and analysis of Bluefield State College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2010, 2009 and 2008. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 14 to 21 and the notes to financial statements on pages 22 to 65.

During the fiscal year 2003 the College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and an amendment to GASB Statement No. 14. As a result, the audited financial statements of the Bluefield State College Foundation, Incorporated (the "Foundation") are presented here with the College's financial statements for the fiscal years ended June 30, 2010 and 2009. For the year ended June 30, 2010 and 2009, the College determined that the Bluefield State College Research and Development Corporation (Corporation) resources were significant and required presentation in accordance with the GASB statements. The Foundation and the Corporation are private nonprofit organizations that reports under Financial Accounting Standards Board (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 Foundation's audited financial information as it is presented herein.

Complete financial statements of the Foundation can be obtained from the Treasurer of the Bluefield State College Foundation at 1629 College Drive, Bluefield, West Virginia 24701. Complete financial statements of the Corporation can be obtained from the Bluefield State College Research and Development Corporation at 219 Rock Street, Bluefield, West Virginia 24701.

Financial Highlights from Bluefield State College

The following are brief summaries for the College:

- The College's assets exceeded its liabilities at the end of fiscal year 2010 by \$15.7 million, compared to \$16.3 million in 2009 and 2008, respectively.
- The College's assets increased by \$0.7 million with the largest asset item of cash increasing by \$0.6 million.
- The College increased liabilities by \$1.3 million. The noncurrent liability of OPEB increased by \$1.6 million.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Overview of the Financial Statements

The College has implemented GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* beginning with fiscal year 2003. GASB No. 35 requires the College to present financial information as a whole rather than focusing on individual funds. Two major changes in the last four years are the recording of depreciation for capital assets and reclassifying certain loan program equity balances as liabilities. In addition, federal and state loan and grant programs are no longer reported as revenues and expenses in the financial statements since the transactions are directly with the student receiving the loan or grant.

This report consists of management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the statement of net assets; statement of revenues, expenses, changes in net assets; and statement of cash flows.

The statement of net assets presents the College's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets can be an indicator of improvement or deterioration of the College's financial position.

Changes in net assets during the year are reported in the statement of revenues, expenses and changes in net assets. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

Financial Analysis of the College

Of the College's net assets of \$15.7 million, \$11.1 million (71%) represents its investment in capital assets of land, land improvements, buildings, equipment, and library books. These capital assets are utilized to provide educational and related services to students and the communities and are not available for future spending. Unrestricted net assets are available to meet the College's obligations. The unrestricted net assets represented \$3.6 million (23%) of net assets. The unrestricted cash represents the amount not restricted via plant operations, auxiliaries, grant and loan funds, and state code restrictions.

The College's net assets from 2009 to 2010 were reduced by \$0.6 million of which the OPEB liability increased by \$1.6 million.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Net Assets
As of June 30, 2010, 2009 and 2008
(in millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash	\$ 7.0	\$ 6.4	\$ 5.7
Other current assets	<u>1.3</u>	<u>1.0</u>	<u>1.7</u>
Total current assets	<u>8.3</u>	<u>7.4</u>	<u>7.4</u>
Capital assets	11.1	11.3	11.2
Other noncurrent assets	<u>0.6</u>	<u>0.6</u>	<u>0.8</u>
Total noncurrent assets	<u>11.7</u>	<u>11.9</u>	<u>12.0</u>
Total assets	<u>20.0</u>	<u>19.3</u>	<u>19.4</u>
Current liabilities	1.9	2.0	2.3
Noncurrent liabilities	<u>2.4</u>	<u>1.0</u>	<u>0.8</u>
Total liabilities	<u>4.3</u>	<u>3.0</u>	<u>3.1</u>
Net assets			
Invested in capital assets-net of related debt	11.1	11.3	11.1
Restricted, expendable	1.0	0.9	0.6
Unrestricted	<u>3.6</u>	<u>4.1</u>	<u>4.6</u>
Total net assets	<u>\$ 15.7</u>	<u>\$ 16.3</u>	<u>\$ 16.3</u>

For the year ended June 30, 2010 there was a reduction of \$0.6 million in net assets, totally related to the increase in the OPEB liability of \$1.6 million in 2010. The OPEB liability as of June 30, 2010 was \$2.0 million compared to the \$0.4 million at June 30, 2009.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

The following table summarizes the operating results and nonoperating revenue for the past three fiscal years.

Operating Results
Years ended June 30, 2010, 2009 and 2008
(in millions)

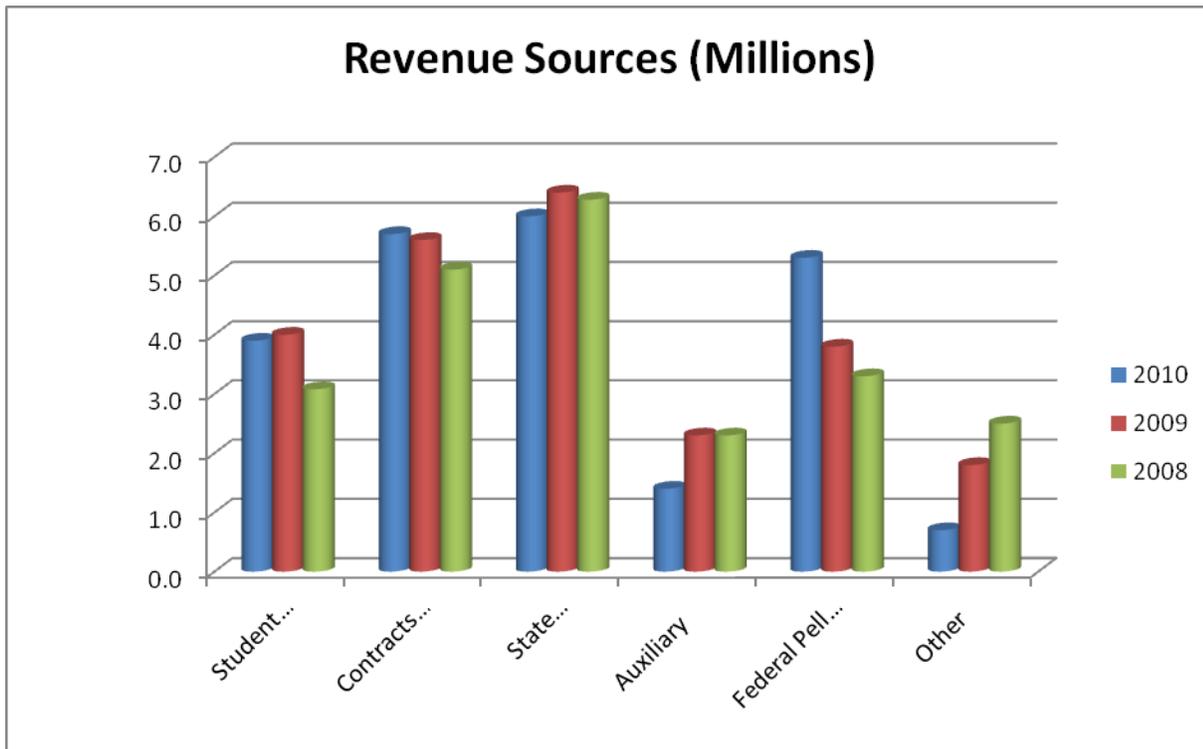
Tuition and fees actually increased from \$9.0 million to \$10.0 million; however, scholarship allowance increased from \$5.0 million to \$6.1 million which nets to a loss in tuition and fees of \$0.1 million.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues			
Tuition and fees	\$ 3.9	\$ 4.0	\$ 3.1
Contracts and grants	5.7	5.6	5.1
Auxiliary	1.4	2.3	2.3
Other	<u>0.3</u>	<u>1.6</u>	<u>1.9</u>
	11.3	13.5	12.4
Less: operating expenses	<u>23.9</u>	<u>23.9</u>	<u>22.8</u>
Operating loss	(12.6)	(10.4)	(10.4)
Nonoperating revenues and transfers			
State appropriation	6.0	6.4	6.3
State fiscal stabilization funds (federal)	0.5	-	-
Federal Pell Grants	5.3	3.8	3.3
Other	<u>-</u>	<u>0.2</u>	<u>0.6</u>
Net nonoperating revenue and transfers	<u>11.8</u>	<u>10.4</u>	<u>10.2</u>
Decrease in net assets before transfers	<u>(0.8)</u>	<u>-</u>	<u>(0.2)</u>
Asset transfers			
Capital Project Proceeds from Policy Commission	0.2	-	-
Change in accounting principle	<u>-</u>	<u>-</u>	<u>1.5</u>
Total transfers	<u>0.2</u>	<u>-</u>	<u>1.5</u>
Total change in net assets	<u>\$ (0.6)</u>	<u>\$ -</u>	<u>\$ 1.3</u>

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Revenue Sources
Years ended June 30, 2010, 2009, and 2008
(in millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Student Tuition and Fees	\$ 3.9	\$ 4.0	\$ 3.1
Contracts and Grants	5.7	5.6	5.1
State Appropriation	6.0	6.4	6.3
Auxiliary	1.4	2.3	2.3
Federal Pell Grants	5.3	3.8	3.3
Other	<u>0.8</u>	<u>1.8</u>	<u>2.5</u>
 Total Revenue Sources	 <u>\$ 23.1</u>	 <u>\$ 23.9</u>	 <u>\$ 22.6</u>



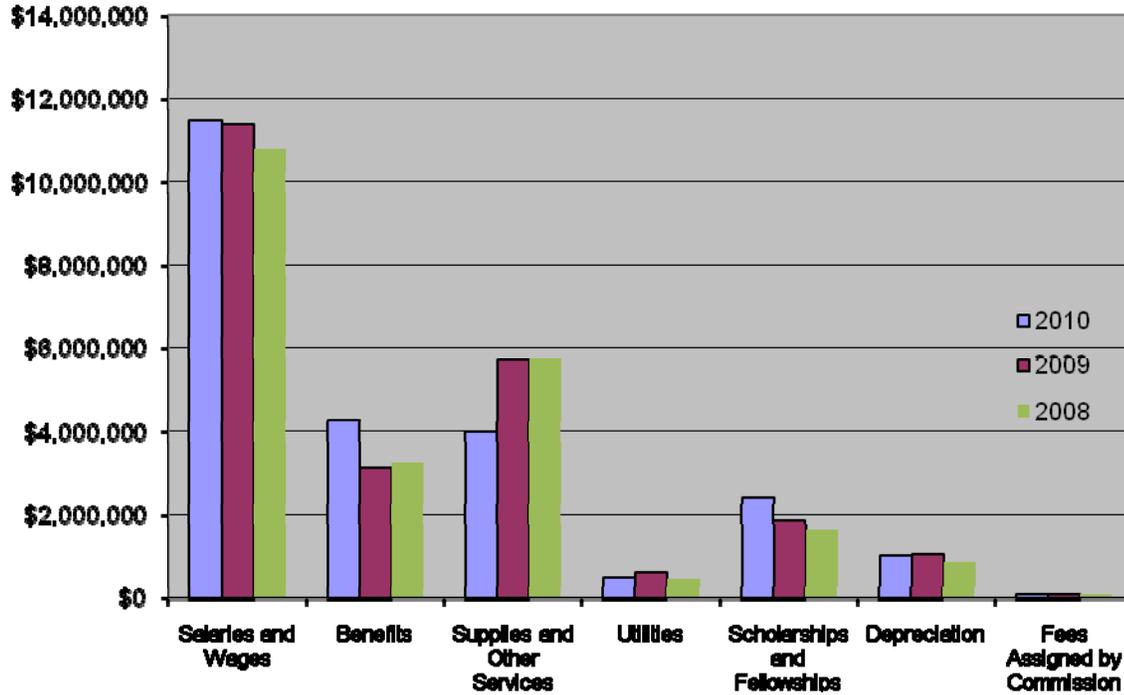
Revenue reductions in Auxiliary and Other were related to Bluefield State College no longer providing substantial services to New River Community and Technical College and its students.

BLUEFIELD STATE COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Operating Expenses
Years ended June 30, 2010, 2009 and 2008
(in millions)

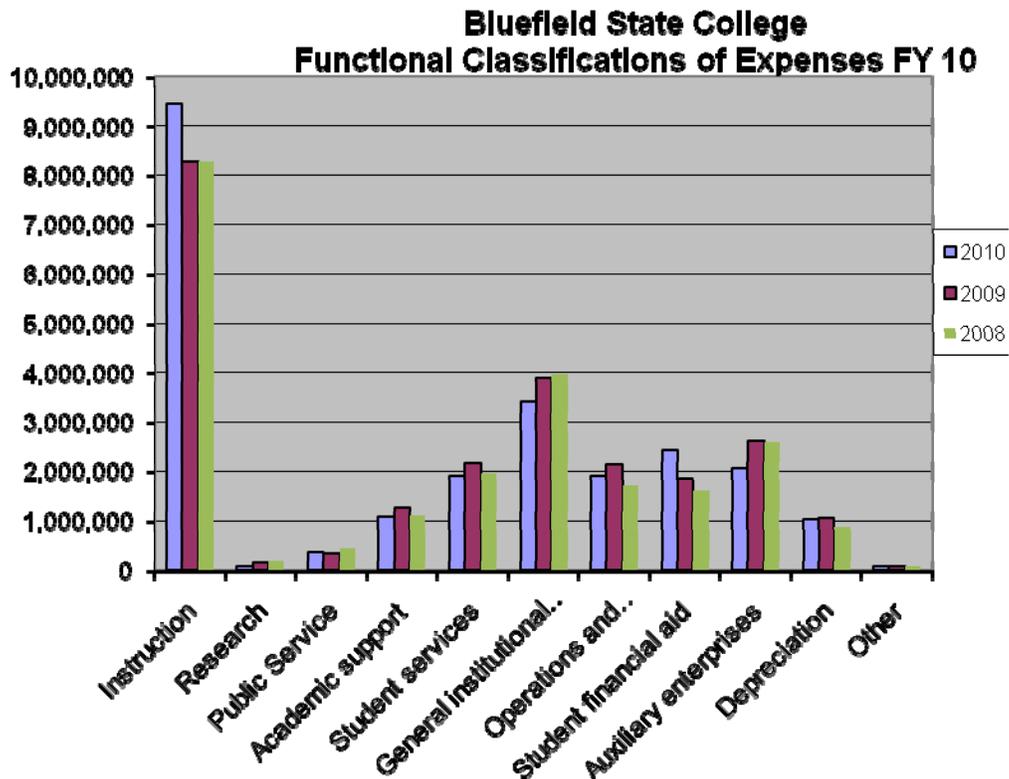
NATURAL CLASSIFICATION	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salaries and wages	\$ 11.5	\$ 11.4	\$ 10.8
Benefits	4.3	3.1	3.2
Supplies and other services	4.0	5.7	5.7
Utilities	0.5	0.6	0.5
Scholarships and fellowships	2.5	1.9	1.6
Depreciation	1.0	1.1	0.9
Fees assigned by Commission	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
	<u>\$ 23.9</u>	<u>\$ 23.9</u>	<u>\$ 22.8</u>

Bluefield State College
Natural Classifications of Expenses FY 10



BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

Functional Classification	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	\$ 9.5	\$ 8.3	\$ 8.3
Research	0.1	0.2	0.2
Public service	0.4	0.4	0.5
Academic support	1.1	1.3	1.1
Student services	1.9	2.1	2.0
Operation and maintenance of plant	1.9	2.1	1.7
Institutional support	3.4	3.9	3.9
Student financial aid	2.5	1.9	1.6
Depreciation	1.0	1.0	0.9
Auxiliary enterprises and other	<u>2.1</u>	<u>2.7</u>	<u>2.6</u>
	<u>\$ 23.9</u>	<u>\$ 23.9</u>	<u>\$ 22.8</u>



Statement of Cash Flows
Years ended June 30, 2010 and 2009

The Statement of Cash Flows presents detailed information about the cash activities of Bluefield State College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Cash and cash equivalents increased by \$0.6 million for the year ended June 30, 2010 of which \$0.9 million in capital asset purchases occurred.

Cash Flows
Years ended June 30, 2010, 2009 and 2008
(in millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash provided by (used in)			
Operating activities	\$ (10.4)	\$ (8.3)	\$ (8.9)
Non capital financing activities	11.7	10.2	9.6
Capital and related financing activities	(0.7)	(1.3)	(1.6)
Investing activities	<u>-</u>	<u>0.1</u>	<u>0.2</u>
Increase/decrease in cash and cash equivalents	0.6	0.7	(0.7)
Cash and cash equivalents, beginning of year	<u>6.4</u>	<u>5.7</u>	<u>6.4</u>
Cash and cash equivalents, end of year	<u>\$ 7.0</u>	<u>\$ 6.4</u>	<u>\$ 5.7</u>

Capital Asset and Debt Administration

The debt service obligation payable to the Commission for Bluefield State College for the years ended June 30, 2010, 2009, and 2008 were \$33,417, \$55,510, and \$76,837, respectively.

There were minor changes in capital assets for year ending June 30, 2010. The following is a brief summary of capital assets activity for the College as a whole:

- No land purchases occurred during fiscal year 2010.
- Construction in progress (CIP) additions were \$386,998 and reductions transferred to buildings were \$545,261. The increases were a result of Swimming Pool of \$33,500; Basic Science and Dickason Hall Fire Alarm of \$339,044; Mahood of \$1,200; Cyber Café of \$13,254.

BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

- Buildings increased by \$881,051 which represented chiller upgrade for Dickason Hall of \$77,443, new HVAC system for Ned Shott Physical Education Building first floor of \$225,033 and boiler replacement of \$192,859; boiler replacements in Harris Jefferson Student Center of \$192,858; and Hardway Library of \$192,858.
- Equipment increased by \$178,639 with the addition of various technology purchases over \$5,000. Equipment disposals of \$446,231 occurred.
- Library book purchases of \$6,040.
- Depreciation expense was \$1,035,296, with \$502,530 depreciation reduced due to equipment and building improvement disposals.

Economic Outlook

The College's overall financial position continues to be strong. The College's enrollment continues to increase, with a combined 4% increase in full time equivalent students for the fall 2009 and spring 2010 semesters as compared to the same period in the prior year. Various funding sources continue to increase, including revenues from State and Federal grants.

With the national economy continuing to be challenging, Bluefield State College continues also to be mindful of our students, keeping tuition at the level lowest in the State for baccalaureate institutions, and competitive in nearby Virginia counties.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of Bluefield State College's finances. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial and Administrative Affairs at Bluefield State College, 219 Rock Street, Bluefield, WV 24701.

BLUEFIELD STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

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	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,024,649	\$ 6,405,275
Accounts receivable, net of allowance of \$336,207 and \$548,629	387,854	345,394
Loans receivable - current portion	17,893	18,000
Prepaid expenses	6,602	12,564
Due from the Commission	254,744	3,082
Due from New River Community and Technical College	268,678	193,621
Inventories	331,177	438,094
Total current assets	<u>8,291,597</u>	<u>7,416,030</u>
Noncurrent assets		
Cash and cash equivalents	110,509	97,912
Investments	355,946	339,610
Loans receivable, net of allowance of \$504,952 and \$474,740	72,636	114,179
Capital assets - net	11,137,379	11,318,769
Total noncurrent assets	<u>11,676,470</u>	<u>11,870,470</u>
Total assets	<u>19,968,067</u>	<u>19,286,500</u>
LIABILITIES		
Current liabilities		
Accounts payable	374,721	321,061
Due to the Commission	1,370	2,118
Due to New River Community and Technical College	-	365,533
Accrued liabilities	967,933	867,340
Deferred revenue	14,960	11,475
Compensated absences - current portion	443,841	438,368
Debt service obligation payable to the Commission - current portion	22,902	22,093
Total current liabilities	<u>1,825,727</u>	<u>2,027,988</u>
Noncurrent liabilities		
Advances from federal sponsors	116,689	142,055
Compensated absences	274,937	325,766
Other post employment benefits liability	2,018,298	440,355
Debt service obligation payable to the Commission	10,515	33,417
Total noncurrent liabilities	<u>2,420,439</u>	<u>941,593</u>
Total liabilities	<u>4,246,166</u>	<u>2,969,581</u>
NET ASSETS		
Invested in capital assets - net of related debt	<u>11,103,960</u>	<u>11,263,259</u>
Restricted for:		
Nonexpendable:		
Endowment	397,446	381,110
Expendable:		
Scholarships	181,351	63,736
Loans	84,349	88,036
Other	345,139	414,426
Total restricted	<u>1,008,285</u>	<u>947,308</u>
Unrestricted	3,609,656	4,106,352
Total net assets	<u>\$ 15,721,901</u>	<u>\$ 16,316,919</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and short-term investments	\$ 785,435	\$ 877,723
Interest receivable	14,994	12,413
Contributions receivable	3,581	4,563
Cash restricted for long-term investment	321,101	265,449
Investments	6,503,811	5,977,683
Assets held for others	2,184	3,737
Other assets	<u>507</u>	<u>3,571</u>
 Total assets	 <u>\$ 7,631,613</u>	 <u>\$ 7,145,139</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Amounts held on behalf of others	<u>\$ 2,184</u>	<u>\$ 3,737</u>
 Total liabilities	 <u>2,184</u>	 <u>3,737</u>
NET ASSETS		
Unrestricted	1,272,841	1,010,404
Temporarily restricted	5,286,058	5,113,808
Permanently restricted	<u>1,070,530</u>	<u>1,017,190</u>
Total net assets	<u>7,629,429</u>	<u>7,141,402</u>
 Total liabilities and net assets	 <u>\$ 7,631,613</u>	 <u>\$ 7,145,139</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 41,814	\$ 49,880
Receivables, net	81,316	48,000
Inventory	5,787	3,740
	<hr/>	<hr/>
Total current assets	128,917	101,620
Property and equipment, net	4,698,965	4,929,286
Intangibles, net	89,662	98,214
	<hr/>	<hr/>
Total assets	<u>\$ 4,917,544</u>	<u>\$ 5,129,120</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 103,912	\$ 70,223
Funds held for others	85,950	65,869
Deferred revenue	580	354
Current portion of long term debt	58,064	54,963
	<hr/>	<hr/>
Total current liabilities	248,506	191,409
Long term debt, net of current portion	3,614,093	3,672,158
	<hr/>	<hr/>
Total liabilities	3,862,599	3,863,567
Net Assets		
Unrestricted	1,054,945	1,265,553
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 4,917,544</u>	<u>\$ 5,129,120</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

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

	<u>2010</u>	<u>2009</u>
Operating revenues		
Student tuition and fees (net of scholarship allowance of \$6,065,987 and \$5,033,927)	\$ 3,941,796	\$ 3,992,308
Contracts and grants		
Federal	3,241,769	3,201,487
State	2,011,449	1,934,845
Private	442,292	432,126
Interest on student loans receivable	2,006	4,252
Sales and services of educational activities	182,054	1,575,495
Auxiliary enterprise revenue (net of scholarship allowance of \$351,689 and \$289,037)	1,386,332	2,338,395
Miscellaneous - net	74,767	52,495
Total operating revenues	<u>11,282,465</u>	<u>13,531,403</u>
Operating expenses		
Salaries and wages	11,501,909	11,417,684
Benefits	4,313,968	3,128,060
Supplies and other services	3,960,086	5,716,466
Utilities	504,807	631,433
Student financial aid - scholarships and fellowships	2,447,050	1,858,852
Depreciation	1,035,296	1,050,632
Assessments by the Commission for operations	84,472	75,170
Total operating expenses	<u>23,847,588</u>	<u>23,878,297</u>
Operating loss	<u>(12,565,123)</u>	<u>(10,346,894)</u>
Nonoperating revenues (expenses)		
State appropriations	5,960,892	6,442,321
State fiscal stabilization funds (federal)	481,429	-
Federal Pell grants	5,296,551	3,737,444
Payment on behalf of Bluefield State College	-	192,345
Investment income	41,958	25,139
Assessments by the Commission for debt service	(4,147)	(5,206)
Loss on disposal of capital assets	(53,561)	(26,959)
Net nonoperating revenues	<u>11,723,122</u>	<u>10,365,084</u>
State capital grants (federal)	246,983	-
Increase (decrease) in net assets	<u>(595,018)</u>	<u>18,190</u>
Net assets - beginning of year	<u>16,316,919</u>	<u>16,298,729</u>
Net assets, end of year	<u>\$ 15,721,901</u>	<u>\$ 16,316,919</u>

BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues and other support				
Net gifts	\$ 3,493	\$ 93,381	\$ 50,149	\$ 147,023
Interest income	1,440	68,682	-	70,122
Dividend income	18,072	107,778	-	125,850
Fundraising income	13,106	-	-	13,106
Net realized and unrealized gains (losses)	50,238	349,046	-	399,284
Net assets released from restrictions	<u>443,446</u>	<u>(446,637)</u>	<u>3,191</u>	<u>-</u>
	<u>529,795</u>	<u>172,250</u>	<u>53,340</u>	<u>755,385</u>
Expenses and support				
College support:				
Student Support	186,121	-	-	186,121
Institutional Support	20,125	-	-	20,125
Conferences, meetings and travel	2,987	-	-	2,987
Other expenses	<u>22,456</u>	<u>-</u>	<u>-</u>	<u>22,456</u>
	231,689	-	-	231,689
Foundation fund raising expenses	14,116	-	-	14,116
Financial management expenses	<u>21,553</u>	<u>-</u>	<u>-</u>	<u>21,553</u>
	<u>267,358</u>	<u>-</u>	<u>-</u>	<u>267,358</u>
Change in net assets	262,437	172,250	53,340	488,027
Net assets				
Beginning	<u>1,010,404</u>	<u>5,113,808</u>	<u>1,017,190</u>	<u>7,141,402</u>
Ending	<u>\$ 1,272,841</u>	<u>\$ 5,286,058</u>	<u>\$ 1,070,530</u>	<u>\$ 7,629,429</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues and other support				
Net gifts	\$ 33,310	\$ 92,851	\$ 34,097	\$ 160,258
Interest income	2,955	74,659	-	77,614
Dividend income	21,511	128,342	-	149,853
Fundraising income	6,307	-	3,805	10,112
Net realized and unrealized gains (losses)	(139,338)	(1,159,458)	-	(1,298,796)
Net assets released from restrictions	<u>150,189</u>	<u>(167,189)</u>	<u>17,000</u>	<u>-</u>
	<u>74,934</u>	<u>(1,030,795)</u>	<u>54,902</u>	<u>(900,959)</u>
Expenses and support				
College support:				
Student Support	103,076	-	-	103,076
Institutional Support	75,290	-	-	75,290
Conferences, meetings and travel	4,999	-	-	4,999
Other expenses	<u>23,189</u>	<u>-</u>	<u>-</u>	<u>23,189</u>
	206,554	-	-	206,554
Foundation fund raising expenses	17,880	-	-	17,880
Financial management expenses	<u>21,763</u>	<u>-</u>	<u>-</u>	<u>21,763</u>
	<u>246,197</u>	<u>-</u>	<u>-</u>	<u>246,197</u>
Change in net assets	(171,263)	(1,030,795)	54,902	(1,147,156)
Net assets				
Beginning	<u>1,181,667</u>	<u>6,144,603</u>	<u>962,288</u>	<u>8,288,558</u>
Ending	<u>\$ 1,010,404</u>	<u>\$ 5,113,808</u>	<u>\$ 1,017,190</u>	<u>\$ 7,141,402</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
 A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
 STATEMENTS OF ACTIVITIES
 YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Support and revenue		
Rental income	\$ 667,708	\$ 601,019
Contributions and donations	181,969	150,300
Federal, State and Private contracts and grants	224,503	146,515
Other income	87,926	107,385
	<hr/>	<hr/>
Total revenue and support	1,162,106	1,005,219
	<hr/>	<hr/>
Expenses		
Program services		
Federal programs	146,803	138,040
State programs	8,921	8,475
Private programs	55,693	-
Unrestricted programs	963,808	935,133
	<hr/>	<hr/>
Total program expenses	1,175,225	1,081,648
Support services		
Management and general	197,489	206,791
	<hr/>	<hr/>
Total expenses	1,372,714	1,288,439
	<hr/>	<hr/>
Increase (decrease) in net assets	(210,608)	(283,220)
Beginning net assets	1,265,553	1,548,773
	<hr/>	<hr/>
Ending net assets	\$ 1,054,945	\$ 1,265,553
	<hr/> <hr/>	<hr/> <hr/>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

BLUEFIELD STATE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Student tuition and fees	\$ 3,740,398	\$ 4,036,817
Contracts and grants	5,275,918	5,476,597
Payments to and on behalf of employees	(14,181,572)	(13,877,900)
Payments to suppliers	(3,739,477)	(5,892,822)
Payments to utilities	(543,692)	(604,620)
Payments for scholarships and fellowships	(2,447,050)	(1,858,852)
Collections of loans to students	41,650	33,562
Sales and service of educational activities	93,360	2,062,303
Auxiliary enterprise charges	1,322,365	2,288,812
Fees assessed by Commission	(84,472)	(75,170)
Other receipts - net	<u>76,773</u>	<u>65,329</u>
Net cash used in operating activities	<u>(10,445,799)</u>	<u>(8,345,944)</u>
Cash flows from noncapital financing activities		
State appropriations	5,960,892	6,442,321
State fiscal stabilization funds (federal)	481,429	-
Federal Pell grants	5,296,551	3,737,444
William D. Ford direct lending receipts	8,331,159	7,488,208
William D. Ford direct lending payments	<u>(8,331,159)</u>	<u>(7,488,208)</u>
Net cash provided by noncapital financing activities	<u>11,738,872</u>	<u>10,179,765</u>
Cash flows from capital financing activities		
Purchases of capital assets	(907,467)	(1,237,029)
Proceeds from Commission	246,983	-
Payments to Commission for debt service	(26,240)	(26,533)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	<u>(12,597)</u>	<u>(10,020)</u>
Net cash used in capital financing activities	<u>(699,321)</u>	<u>(1,273,582)</u>
Cash flows from investing activities		
Interest on investments	41,958	25,139
Investments	<u>(16,336)</u>	<u>83,669</u>
Net cash provided by investing activities	<u>25,622</u>	<u>108,808</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	619,374	669,047
Cash and cash equivalents - beginning of year	<u>6,405,275</u>	<u>5,736,228</u>
Cash and cash equivalents - end of year	<u>\$ 7,024,649</u>	<u>\$ 6,405,275</u>
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (12,565,123)	\$ (10,346,894)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation expense	1,035,296	1,050,632
Expenses paid on behalf of the College	-	192,345
Changes in assets and liabilities:		
Accounts receivables - net	(294,122)	(19,272)
Loans to students - net	41,650	33,562
Prepaid expenses	5,962	(10,148)
Inventories	106,917	247,854
Accounts payable	52,912	(418,696)
Accrued liabilities	100,593	126,645
Compensated absences	(45,356)	10,714
Other post employment benefits	1,577,943	229,731
Deferred revenue	3,485	(41,759)
Advances from federal sponsors	(25,366)	(20,553)
Due from New River Community & Technical College	(75,057)	602,064
Due to New River Community & Technical College	<u>(365,533)</u>	<u>17,831</u>
Net cash used in operating activities	<u>\$ (10,445,799)</u>	<u>\$ (8,345,944)</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - ORGANIZATION

Bluefield State College (the “College”) is governed by the Bluefield 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 Bluefield State College Foundation, Inc. (the “Foundation”) and Bluefield State College Research & Development Corporation (the “Corporation”).

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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - ORGANIZATION (Continued)

Although the College benefits from the activities of the Corporation, the Corporation is independent of the College in all respects. The Corporation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The assets of the Corporation are the exclusive property of the Corporation 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 Corporation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Corporation. Any income resulting from the operations of the Corporation is for the benefit of the Corporation and is not distributed to the College.

Third parties dealing with the College, the Board, and the State (or any agency thereof) should not rely upon the financial statements of the Corporation for any purpose without consideration of all the foregoing conditions and limitations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 provides 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 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 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 basic criteria for inclusion in the accompanying 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14. As a result, the audited financial statements of The Bluefield State College Foundation, Incorporated (the "Foundation") are presented as a discrete component unit with the College's combined financial statements in accordance with GASB. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

As of July 1, 2008, the Bluefield State College Research and Development Corporation (Research Corporation) became a material component unit and for the years ended June 30, 2010 and 2009 are presented as a discrete component unit with the College's combined financial statements in accordance with GASB. The Research Corporation is a 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 Research Corporation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Research Corporation's statements of cash flows are not presented.

The Center for Applied Research and Technology of Bluefield State College and the Bluefield State College Alumni Association are not part of the College reporting entity and are not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of the entity and is not accountable for the fiscal matters of the entity under GASB.

Financial Statement Presentation - GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as 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 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.
- ***Unrestricted net assets*** – Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

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 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 College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (the "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, and by provisions of bond indentures and 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 combined financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College 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 the annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificate of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

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 collectibility experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and (3) permanently restricted net assets, are classified as a noncurrent asset in the accompanying combined statements of net assets.

Investments – GASB requires the College to record certain investment balances at fair value. The College's investments were on deposit with First Community Bank, Inc. and First Century Bank, Inc. These funds represented the George M. Cruise Endowed Chair of Health Sciences/Nursing and the James H. Shott Endowed Chair of Business, respectively. Funds on deposit were invested in Federal Agency Bonds, money market funds, the underlying securities of which were securities of the U.S. Government, Federated Prime Value Obligation Funds, equity market funds, fixed income securities, and other mutual funds invested in high-quality fixed income securities. These funds are classified as long-term due to the restrictions on expenditure. Amounts held for restricted expenditures are available for immediate withdrawal.

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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2010 or 2009. 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 orientation fees and room and board. Financial aid and other deposits are separately classified as deposits.

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

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 ½ 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. The 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. The same hire date mentioned above applies to coverage for faculty employees also. Faculty hired after July 1, 2010 will no longer receive years of service credit toward insurance premiums when they retire.

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

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, 2008, the College 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. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. 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>.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Risk Management - The State's Board of Risk and Insurance Management ("BRIM") provides general, property and casualty, and medical malpractice liability 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 PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to the private-sector employers beginning July 1, 2009 and can begin to offer to government employers July 1, 2010. Nearly every employer in the State, who has a payroll must have coverage. The cost of all coverage is paid by the employers. BrickStreet retains the risk related to the compensation of injured employees under the program.

Classification of Revenues - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***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 Revenue*** - 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 universities like the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2010 and 2009 respectively, the College received and disbursed approximately \$8.3 million and \$7.5 million, 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, Supplemental Educational Opportunity Grant, Smart, ACG and Federal Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010 and 2009, the College received and disbursed approximately \$5.6 million and \$4.0 million, 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 student's behalf.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The adoption of this statement did not have a material impact on the financial statements.

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.

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30:

	2010		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 6,979,452	\$ 40,582	\$ 7,020,034
Cash in bank	38,697	69,927	108,624
Cash on hand	6,500	-	6,500
	\$ 7,024,649	\$ 110,509	\$ 7,135,158
	2009		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer	\$ 6,136,456	\$ 40,582	\$ 6,177,038
Cash in bank	260,719	57,330	318,049
Cash on hand	8,100	-	8,100
	\$ 6,405,275	\$ 97,912	\$ 6,503,187

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2010 and 2009 respectively, \$3,223,014 and \$2,509,681 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

Bank balances are insured by federal deposit insurance up to \$250,000 per financial institution. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal. At June 30, 2010 and 2009 respectively, total bank balances exceeded federal deposit insurance by \$135,123 and \$651,613. The bank balances were covered by federal depository insurance or were collateralized by securities held by the state's agent.

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 0.23% and 0.18%, respectively.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 0.01%, 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):

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating*		2010		2009		
	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	
				<u>43,565</u>	<u>9.60</u>	<u>29,372</u>	<u>9.33</u>
	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	
			<u>189,095</u>	<u>41.70</u>	<u>125,104</u>	<u>39.72</u>	
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	
			<u>\$453,518</u>	<u>100 %</u>	<u>\$314,932</u>	<u>100 %</u>	

* 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2010 and 2009, the College's ownership represents 0.13% and 0.03%, 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:

Security Type	2010		2009	
	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
	<u>\$2,876,711</u>	33	<u>\$2,570,261</u>	47

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

Security Type	2010		2009	
	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	<u>78</u>	1	<u>132</u>	1
	<u>\$221,183</u>	44	<u>\$283,826</u>	51

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:

Security Type	2010		2009	
	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	<u>17,715</u>	1	<u>6,426</u>	1
	<u>\$ 453,518</u>	530	<u>\$ 314,932</u>	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.

BLUEFIELD STATE COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
Student tuition and fees, net of allowance for doubtful accounts of \$336,207 in 2010 and \$548,629 in 2009	\$ 226,342	\$ 271,828
Grants and contracts receivable	44,511	59,348
Other accounts receivable	<u>117,001</u>	<u>14,218</u>
Accounts receivable net	<u>387,854</u>	<u>345,394</u>
Due from the Commission	254,744	3,082
Due from other State agencies	<u>268,678</u>	<u>193,621</u>
	<u>\$ 911,276</u>	<u>\$ 542,097</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital asset transactions for the College for the year ended June 30:

	2010			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 277,942	\$ -	\$ -	\$ 277,942
Construction in progress	<u>942,633</u>	<u>386,998</u>	<u>545,261</u>	<u>784,370</u>
Total capital assets not being depreciated	<u>\$ 1,220,575</u>	<u>386,998</u>	<u>545,261</u>	<u>1,062,312</u>
Other capital assets:				
Land improvements	\$ 4,381,817	\$ -	\$ -	\$ 4,381,817
Buildings	17,598,428	881,051	109,860	18,369,619
Equipment	4,054,674	178,639	446,231	3,787,082
Library books	<u>1,369,619</u>	<u>6,040</u>	<u>-</u>	<u>1,375,659</u>
Total other capital assets	<u>27,404,538</u>	<u>1,065,730</u>	<u>556,091</u>	<u>27,914,177</u>
Less accumulated depreciation for:				
Land improvements	1,209,201	290,752	-	1,499,953
Buildings	11,539,892	500,313	74,154	11,966,051
Equipment	3,243,083	225,394	428,376	3,040,101
Library books	<u>1,314,168</u>	<u>18,837</u>	<u>-</u>	<u>1,333,005</u>
Total accumulated depreciation	<u>17,306,344</u>	<u>1,035,296</u>	<u>502,530</u>	<u>17,839,110</u>
Other capital assets – net	<u>\$ 10,098,194</u>	<u>\$ 30,434</u>	<u>\$ 53,561</u>	<u>\$ 10,075,067</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,220,575	\$ 386,998	\$ 545,261	\$ 1,062,312
Other capital assets	<u>27,404,538</u>	<u>1,065,730</u>	<u>556,091</u>	<u>27,914,177</u>
Total cost of capital assets	28,625,113	1,452,728	1,101,352	28,976,489
Less accumulated depreciation	<u>17,306,344</u>	<u>1,035,296</u>	<u>502,530</u>	<u>17,839,110</u>
Capital assets – net	<u>\$ 11,318,769</u>	<u>\$ 417,432</u>	<u>\$ 598,822</u>	<u>\$ 11,137,379</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 5 - CAPITAL ASSETS (Continued)

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 277,942	\$ -	\$ -	\$ 277,942
Construction in progress	<u>386,495</u>	<u>731,068</u>	<u>174,930</u>	<u>942,633</u>
Total capital assets not being depreciated	<u>\$ 664,437</u>	<u>\$ 731,068</u>	<u>\$ 174,930</u>	<u>\$ 1,220,575</u>
Other capital assets:				
Land improvements	\$ 4,329,127	\$ 52,690	\$ -	\$ 4,381,817
Buildings	17,370,238	228,190	-	17,598,428
Equipment	4,534,163	393,559	873,048	4,054,674
Library books	<u>1,375,911</u>	<u>6,452</u>	<u>12,744</u>	<u>1,369,619</u>
Total other capital assets	<u>27,609,439</u>	<u>680,891</u>	<u>885,792</u>	<u>27,404,538</u>
Less accumulated depreciation for:				
Land improvements	918,741	290,460	-	1,209,201
Buildings	11,155,685	384,207	-	11,539,892
Equipment	3,736,595	352,577	846,089	3,243,083
Library books	<u>1,303,524</u>	<u>23,388</u>	<u>12,744</u>	<u>1,314,168</u>
Total accumulated depreciation	<u>17,114,545</u>	<u>1,050,632</u>	<u>858,833</u>	<u>17,306,344</u>
Other capital assets – net	<u>\$ 10,494,894</u>	<u>\$ (369,741)</u>	<u>\$ 26,959</u>	<u>\$ 10,098,194</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 664,437	\$ 731,068	\$ 174,930	\$ 1,220,575
Other capital assets	<u>27,609,439</u>	<u>680,891</u>	<u>885,792</u>	<u>27,404,538</u>
Total cost of capital assets	28,273,876	1,411,959	1,060,722	28,625,113
Less accumulated depreciation	<u>17,114,545</u>	<u>1,050,632</u>	<u>858,833</u>	<u>17,306,344</u>
Capital assets – net	<u>\$ 11,159,331</u>	<u>\$ 361,327</u>	<u>\$ 201,889</u>	<u>\$ 11,318,769</u>

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.

Title for certain real property is with the Commission.

At June 30, 2010, the College had outstanding contractual commitments of approximately \$366,482 for property, plant, and equipment expenditures.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 6 - INVESTMENTS

As of June 30, 2010 and 2009 respectively, investments had a combined carrying value of \$355,946 and \$339,610 of which \$179,161 and \$174,854 is invested with First Community Bank and \$176,785 and \$164,756 is invested with First Century Bank, respectively. Of the funds invested with First Community Bank, 58% is invested in Federal Government Bonds and 42% is invested in a money market fund, the underlying securities of which were securities of the U.S. Government. Of the funds invested with First Century Bank, 68% is invested in equities, 29% is invested in fixed income securities and 3% is invested in money market funds, the underlying securities of which were securities of the Federated Government Obligation Tax Managed Fund and Goldman Sachs Financial Square Government Fund.

The investments are held with a third-party trustee. The money market funds invest in U.S. Government Securities and Federated Prime Value Obligation Funds. These funds are rated AAA by Standard and Poor's. The U.S. Government Securities are also rated Aaa by Moody's. The Federal Government Bonds are rated AAA by Standard and Poor's and Aaa by Moody's. The fixed income securities invest in Federal Home Loan Bank Bonds, Freddie Mac Notes and certificates of deposit under the CDARS program. The equity market securities, fixed income securities and limited partnerships are rated AAA by Standard and Poor's. Management believes that there is no significant custodial credit risk nor interest rate risk for any of the funds. Furthermore, the funds are not exposed to any significant concentration of credit risk nor any foreign currency risk.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the year ended June 30:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 142,055	\$ -	\$ 25,366	\$ 116,689	\$ -
Accrued compensated absences	764,134	-	45,356	718,778	443,841
OPEB liability	440,355	1,898,947	321,004	2,018,298	-
Debt obligation due Commission	<u>55,510</u>	<u>-</u>	<u>22,093</u>	<u>33,417</u>	<u>22,902</u>
Total noncurrent liabilities	<u>\$ 1,402,054</u>	<u>\$ 1,898,947</u>	<u>\$ 413,819</u>	<u>\$ 2,887,182</u>	<u>\$ 466,743</u>

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 162,608	\$ -	\$ 20,553	\$ 142,055	\$ -
Accrued compensated absences	753,420	10,714	-	764,134	438,368
OPEB liability	210,624	612,027	382,296	440,355	-
Debt obligation due Commission	<u>76,837</u>	<u>-</u>	<u>21,327</u>	<u>55,510</u>	<u>22,093</u>
Total noncurrent liabilities	<u>\$ 1,203,489</u>	<u>\$ 622,741</u>	<u>\$ 424,176</u>	<u>\$ 1,402,054</u>	<u>\$ 460,461</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 8 - 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 \$2,018,298 and \$440,355, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,898,447 and \$321,004, respectively, during 2010, \$804,371 and \$382,296, respectively, during 2009 and \$1,021,506 and \$466,682, respectively, during 2008. As of the years ended June 30, 2010, 2009 and 2008, there were 15, 15 and 18 retirees receiving these benefits, respectively.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The College is a State institution of higher education. It receives a State appropriation in partial support of its operations. In addition, the College 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 assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State College 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. During 2010 and 2009, the College paid \$22,093 and \$21,327 to the Commission against the debt obligation. The amount due to Commission at June 30, 2010 is \$33,417.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)

During the year ended June 30, 2005, the West Virginia Higher Education Policy Commission issued \$167 million of 2004 series B Revenue Bonds (Higher Education Facilities) bonds. The College was approved for \$0.8 million of the bond proceeds for capital projects from this bond issuance. The capital project was the Bluefield campus ADA project. As of June 30, 2010, the College has drawn all of the available bond funds to pay for capital projects. State lottery funds will be used to repay the debt, although College revenues are pledged if lottery funds prove insufficient.

NOTE 10 - UNRESTRICTED NET ASSETS

The College's unrestricted net assets at June 30, 2010 and 2009, include certain undesignated net assets, as follows:

	<u>2010</u>	<u>2009</u>
Designated for repair and replacement	\$ 176,785	\$ 143,323
Undesignated	<u>5,451,169</u>	<u>4,403,384</u>
 Total unrestricted net assets before OPEB liability	 5,627,954	 4,546,707
Less: OPEB liability	<u>2,018,298</u>	<u>440,355</u>
 Total unrestricted net assets	 <u>\$ 3,609,656</u>	 <u>\$ 4,106,352</u>

NOTE 11 - RETIREMENT PLANS

Substantially all full-time employees of the College participate in either the West Virginia 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.

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 new Educators Money 401(a) basic retirement plan. New hires have a choice of either plan. As of June 30, 2009, there were no employees enrolled in the new Educators Money 401(a) basic retirement plan.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 11 - RETIREMENT PLANS (Continued)

The STRS is a cost sharing, multiple employer 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 years ended June 30, 2010 and 2009. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2010 and 2009. 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 five 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 \$186,771, \$198,062 and \$181,762, which consisted of \$133,408, \$141,473, and \$129,830, from the College, and \$53,363, \$56,589, and \$51,932 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 \$1,074,514, \$1,068,704, and \$1,038,522 which consisted of equal contributions of \$537,257, \$534,352, and \$519,261, respectively, from both the College and covered employees.

The Great West benefit program is also available to new employees. Total contributions to the Great West for year ended June 30, 2010, 2009, and 2008 were \$23,582, \$18,970 and \$17,034, which consisted of equal contributions \$11,791, \$9,485 and \$8,517, respectively, from both College and employees.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 11 - RETIREMENT PLANS (Continued)

The College's total payroll for the years ended June 30, 2010, 2009 and 2008 was \$11,501,909, \$11,417,684, and \$10,817,817. Total covered employees' salaries in the STRS and TIAA-CREF and Great West were \$889,383, \$8,954,283, and \$196,516, respectively, in 2010; \$943,155, \$8,905,890, and \$158,090, respectively in 2009; and \$865,532, \$8,654,350, and \$141,950, respectively in 2008.

NOTE 12 - LEASES

The College leases a branch campus facility in the State. Rental payments for the facility were \$140,808 for the year end June 30, 2010. Following is a schedule of future minimum lease payments for the term of this operating lease.

Year Ending <u>June 30</u>	Rental <u>Payments</u>
2011	\$149,000

NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS

The Bluefield State College Foundation, Incorporated (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 employs management, forms policy and maintains 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. Complete financial statements for the Foundation can be obtained from the President of the Bluefield State College Foundation at College Avenue, Bluefield, Virginia 24605.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The Bluefield State College Research and Development Corporation (the "Corporation") is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...form partnerships and develop commitments for assistance from a wide spectrum of community based organizations in both the public and private sectors. The corporation will work to identify and eliminate barriers that inhibit access to technology training and market based development activities in communities served by the College..." Oversight of the Corporation 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 Corporation employs management, forms policy and maintains fiscal accountability over funds administered by the Corporation. Although the College does not control the timing or amount of receipts from the Corporation, the majority of resources, or income thereon, that the Corporation holds and invests are restricted to the activities of the College by donors or grant restrictions. Because these restricted resources held by the Corporation can only be used by, or for the benefit of, the College, the Corporation can only be used by, or for the benefit of, the College, the Corporation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB. Complete financial statements for the Corporation can be obtained from the President of the Bluefield State College Research and Development Corporation at 704 Bland Street, Bluefield, Virginia 24605.

During the years ended June 30, 2010 and 2009, the Foundation contributed \$137,260 and \$243,222, to the College for scholarships and grants and employee compensation.

NOTE 14 - AFFILIATED ORGANIZATIONS (UNAUDITED)

The College has separately incorporated affiliated organizations including the Center for Applied Research and Technology of Bluefield State College and the Bluefield State College Alumni Association. Oversight responsibility for these entities rests with independent boards and management not otherwise affiliated with the College. Accordingly, the financial statements of such organizations are not included in the accompanying combined financial statements under the blended component unit requirements. They are not included in the College's accompanying combined financial statements under directly presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the College).

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

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NOTE 15 - CONTINGENCIES

The nature of the educational industry is such that, from time to time, claims will be presented against colleges 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 position of the College.

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 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 under 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.

NOTE 16 - SUBSEQUENT EVENT

During August 2010, the West Virginia Development Office issued approximately \$162 million of Education, Arts, Science and Tourism (EAST) bonds. The Commission, as provided in the State Code, received 60%, or \$97.2 million, of the proceeds to help fund various building and campus renewal projects. The College has been approved to receive \$6 million of these proceeds. The West Virginia Development Office is responsible for repayment of the debt.

NOTE 17 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's (pages 49-56) and the Research and Development Corporation's (pages 57-64) financial statements starting on the following page:

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. **Significant Accounting Policies and Other Matters**Nature of Foundation:

Bluefield State College Foundation, Inc. (the "Foundation") is incorporated as a non-profit corporation under the laws of the State of West Virginia. The purpose of the Foundation is to provide for student scholarships and faculty and staff development at Bluefield State College (the "College").

The Foundation is managed by an independently elected Board of Directors not otherwise affiliated with the College. All contributions generally are for the benefit of the College and are administered by the Foundation.

Basis of accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accompanying financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds and funds held in trust by others.

Cash and short-term investments:

The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. **Significant Accounting Policies and Other Matters** (continued)

The money market investment accounts are approximately \$814,000 and \$861,000 for June 30, 2010 and 2009, respectively, and the principal underlying assets are securities of the U.S. Government, its agencies, authorities and instrumentality's and obligations of U.S. banks. The estimated fair value of short-term investments approximates cost. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investment.

Contributions receivable:

Unconditional promises are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises are recognized when the conditions on which they depend are substantially met.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. The fair value of investments in equities, bonds, U.S. securities, exchange traded mutual funds, and short-term assets is determined by reference to quoted market prices. Net unrealized and realized gains or losses are reflected in the Statements of Activities. Certain land and other investments, which are not readily marketable, are carried at cost.

Gifts of investments are recorded at their fair value (based on quotations or appraisals) at date of gift. Purchases and sales of investments are recorded on the trade date.

Income and realized and unrealized net gains on investments of endowment and similar net asset classes are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets in all other cases.

Amounts held on behalf of others:

Amounts held on behalf of others are used to account for assets held by the Foundation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. **Significant Accounting Policies and Other Matters** (continued)Contributions:

Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions in the period received.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

The Foundation occasionally utilizes office space located in a college owned building and receives assistance in development and administration of the Foundation by an employee of the College.

The value of these services as well as other donated volunteer services are not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Income tax status:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, when applicable, any income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Credit risk concentration:

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Foundation places its temporary cash investments with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on cash and cash equivalents. Concentration of credit risk for investments is limited by the Foundation's policy of diversification of investments.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. **Significant Accounting Policies and Other Matters** (continued)Subsequent events:

Subsequent events have been evaluated through August 31, 2010, the date the financial statements were available to be issued.

Note 2. **Contributions Receivable**

Contributions receivable and the related allowance at June 30 consist of:

	2010	2009
Cash pledges, less allowance for uncollectible promises 2010 and 2009, \$-0-	<u>\$ 3,581</u>	<u>\$ 4,563</u>
Expected to be collected in:		
Less than one year	\$ 918	\$ 1,696
One to five years	<u>2,663</u>	<u>2,867</u>
	<u>\$ 3,581</u>	<u>\$ 4,563</u>

The ownership of pledges receivable for each class of net assets as of June 30 is as follows:

	2010	2009
Temporarily restricted	<u>\$ 3,581</u>	<u>\$ 4,563</u>

Note 3. **Investments**

Investments are comprised of the following:

	2010	2009
Certificates of Deposits, 1 to 5 year maturity	\$ 95,000	\$ 45,000
Corporate and Municipal bonds and notes	230,986	241,985
United States Treasury, Government and other obligations	1,114,163	1,147,251
Equity investments	4,403,887	4,038,530
Mutual funds	269,490	119,847
Real estate	372,600	372,600
Limited partnership	<u>17,685</u>	<u>12,470</u>
	<u>\$ 6,503,811</u>	<u>\$ 5,977,683</u>

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

Note 3. **Investments (Continued)**

The ownership of investments for each class of net assets as of June 30 is as follows:

	2010	2009
Unrestricted	\$ 930,371	\$ 914,283
Temporarily restricted	4,826,852	4,441,079
Permanently restricted	746,588	622,321
	<u>\$ 6,503,811</u>	<u>\$ 5,977,683</u>

The Endowed Scholarship fund reported a corpus of \$917,690 as of June 30, 2010. Due to market decline, the fund's market value was \$885,929 requiring \$31,761 of unrestricted funds to be reclassified to cover the deficit.

Note 4. **Unrestricted Net Assets**

Unrestricted net assets as of June 30 include the following:

	2010	2009
Designated:		
Investment in land, leased for charitable purposes	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Undesignated:		
Other	900,241	637,804
Investment in land	<u>122,600</u>	<u>122,600</u>
	<u>1,022,841</u>	<u>760,404</u>
	<u>\$ 1,272,841</u>	<u>\$ 1,010,404</u>

Land is leased to another non-profit entity for \$1 per year to assist in its charitable purpose. The lease renews in 10 year terms, but automatically terminates May 31, 2083 or if the land is not used for the stated purpose. The lease provides that the lessee must maintain liability coverage of one million dollars to protect the Foundation.

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

Note 5. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	2010	2009
Provide scholarship assistance and operations of the Foundation	\$ 5,230,593	\$ 5,071,103
Engineering technology department	<u>55,465</u>	<u>42,705</u>
	<u>\$ 5,286,058</u>	<u>\$ 5,113,808</u>

Note 6. **Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	2010	2009
Engineering technology department	\$ 150,000	\$ 150,000
Financial aid	<u>920,530</u>	<u>867,190</u>
	<u>\$ 1,070,530</u>	<u>\$ 1,017,190</u>

Note 7. **Fair Value Measurements**

U. S. generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs - Inputs to the valuation methodology are unadjusted quote prices for identical assets or liabilities in active markets the reporting entity has the ability to access.

Level 2 Inputs - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. **Fair Value Measurements (Continued)**

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs - Inputs to the valuation methodology are unobservable and significant to the fair values measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

Fair value of assets and liabilities measured on a recurring basis as of June 30, 2010 and 2009 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010:				
Cash and short-term investments	\$ 785,435	\$ 785,435	\$ -	\$ -
Cash restricted long-term	321,101	321,101	-	-
Investments	6,503,811	6,113,526	-	390,285
	<u>\$ 7,610,347</u>	<u>\$ 7,220,062</u>	<u>\$ -</u>	<u>\$ 390,285</u>
June 30, 2009:				
Cash and short-term investments	\$ 877,723	\$ 877,723	\$ -	\$ -
Cash restricted long-term	265,449	265,449	-	-
Investments	5,977,683	5,592,613	-	385,070
	<u>\$ 7,120,855</u>	<u>\$ 6,735,785</u>	<u>\$ -</u>	<u>\$ 385,070</u>

BLUEFIELD STATE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. **Fair Value Measurements** (continued)

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2010. Gains and losses (realized and unrealized) included in earnings for the year are reported as non-interest income.

Balance, beginning of year	\$ 385,070
Unrealized gains relating to assets still held at year end	<u>5,215</u>
Balance, end of year	<u>\$ 390,285</u>

Note 8. **Related Party Transactions**

Certain local financial institutions hold substantially all the Foundation's assets in their trust departments. Some of the Foundation's board members also serve as officers and directors of these institutions. The Foundation paid \$13,051 and \$13,603 in management fees to these related parties for the years ended June 30, 2010 and 2009, respectively.

Note 9. **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 10. **Net Assets Released From Restrictions**

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30, 2010 and 2009:

	2010	2009
Operating:		
Financial aid	\$ 148,765	\$ 148,050
General operations	1,045	2,139
Reclassifications from unrestricted funds for underwater endowments	(31,761)	-
Release of Title III 1989 to unrestricted funds	325,397	-
Reclassifications to permanent funds	<u>3,191</u>	<u>17,000</u>
	<u>\$ 446,637</u>	<u>\$ 167,189</u>

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Bluefield State College Research & Development Corporation (the "Corporation"), is organized for the purpose of operating a non-profit organization exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code. In 2008, the Corporation purchased a college dormitory facility to house students. Revenues are derived from federal, state or private sources in the form of grants. The majority of revenues are derived from office space rent to start-up businesses and dormitory rooms rented to students.

The Corporation provides most of its resources for the benefit of Bluefield State College. Furthermore, because of the relationship with Bluefield State College the Corporation is considered a discretely presented component unit of the Bluefield State College.

BASIS OF ACCOUNTING - The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION - Financial statement presentation follows the requirements of the Financial Accounting Standards Board and report using accounting principles generally accepted in the United States of America. The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS - For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash restricted for funds held for others was \$17,072 and \$65,869 for the years ended June 30, 2010 and 2009, respectively.

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes that the bank is credit worthy and that it is not exposed to any significant credit risk on cash and cash equivalents.

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES - The Corporation has receivables from grants, other State Agencies and also leases office space to businesses and dormitory rooms to students based on contractual agreements. Receivables are stated at face amount with an allowance for doubtful accounts, based on historical collection experience, and an evaluation of the accounts receivables are deemed delinquent based on billing due dates or other contractual terms, with no interest accrued. Accounts delinquent greater than ninety (90) days totaled \$5,549 and \$8,704 as of June 30, 2010 and 2009, respectively. When accounts are deemed uncollectible, they are charged against the allowance. The allowance for bad debt expense for the years ended June 30, 2010 and 2009 was \$8,625 and \$8,625, respectively.

INVENTORIES - Inventories consisting of food items are stated at the lower of cost or market, with cost determined primarily on the first-in, first-out method.

FUNDS HELD FOR OTHERS - Funds held for others are used to account for assets held by the Corporation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost at the date of acquisition or fair value at the date of the gift, less accumulated depreciation. Additions, improvements and expenditures that materially improve or extend the life of an asset are capitalized. The Corporation utilizes a capitalization threshold of \$5,000. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the property accounts. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets.

INTANGIBLES - As part of the dormitory facility purchase in 2008, the Corporation has recorded a covenant not to compete, amortized over the life of the agreement, and facility start up costs, amortized over 15 years, in the amount of \$111,042. Amortization for the years ended June 30, 2010 and 2009 was \$21,380 and \$12,828, respectively.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES - Accounts payable and accrued expenses consist primarily of expenses incurred for the operation of the Mountain View Dormitory and related payroll liabilities. Related party payables due to Bluefield State College as of the years ended June 30, 2010 and 2009 were \$43,370 and \$27,662, respectively.

DEFERRED REVENUE - Deferred revenue consists of grants that have been received for a specific purpose, but have not yet met revenue recognition criteria.

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

UNRESTRICTED NET ASSETS - The unrestricted category consists of funds whose use is limited only to the extent that the Corporation's bylaws limit the activities of the organization. Contributions with donor-imposed restrictions met in the same year in which the contribution is recognized are reported as changes in unrestricted net assets.

TEMPORARILY RESTRICTED NET ASSETS - Temporarily restricted net assets are comprised of funds whose use has been limited by donors to a specific time period and/or purpose. At year end, the entire balance of temporarily restricted net assets is comprised of property and equipment restricted to the use of certain federal grant programs. The Corporation currently has no temporarily restricted net assets.

PERMANENTLY RESTRICTED NET ASSETS - Permanently restricted net assets are comprised of funds whose use have been restricted by the donor and must be maintained permanently by the Corporation. The Corporation currently has no permanently restricted net assets.

SUPPORT AND REVENUE - Support received under conditional contracts and grants are reported as deferred revenue until qualifying expenses have been incurred or other conditions have been substantially met. Contracts and grants receivable represent amounts expected to be received after year-end on approved grants. Deferred revenue represents amounts received or receivable in advance of incurring the related expenditures. Cash received but not yet expended for these contracts is restricted to the purposes of the contribution or contract.

CONTRIBUTED SERVICES, SUPPLIES, AND SPACE - Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services that are recognized are valued at the estimated cost that would have been incurred by the Corporation to purchase similar services. Donated space is valued at the estimated fair rental value. Donations of occupancy costs and other non-inventory items are expensed during the year the contributions are provided.

FUNCTIONAL REPORTING - Expenses are reported on a functional basis that discloses the purposes for which the expenses have been incurred. A brief description of each of the functional classifications is as follows:

- **Program Services** - Represent funds expended primarily to provide support for certain federal, state and private research and development programs.

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Management and General - Represent expenses incurred principally for (1) executive level activities concerned with management of the operations, (2) legal and fiscal operations, and (3) other administrative related expenses.
- Fundraising - Represents expenses related to community and other development costs expended to perform fundraising for the Corporation. The Corporation had no fundraising expenditures for the years ended June 30, 2010 and 2009.

CONCENTRATIONS - Approximately 12% and 7% of the Corporation's support was provided by grants from the Federal Government for the years ended June 30, 2010 and 2009, respectively.

INCOME TAX STATUS - The Corporation is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - RECEIVABLES

The following is a summary of receivables due the Corporation under grant or lease contractual agreements at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
NASA grants	\$ 6,985	\$ 1,453
I.N.B.R.E. grants	19,108	9,174
HSTA grants	10,614	-
Student rent receivable	19,621	14,644
Related party receivable	12,000	15,000
Other accounts receivables	21,613	16,354
Allowance for doubtful accounts	<u>(8,625)</u>	<u>(8,625)</u>
	<u>\$ 81,316</u>	<u>\$ 48,000</u>

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 492,289	\$ 492,289
Land improvements	7,076	7,076
Buildings	4,714,694	4,714,694
Furniture and fixtures	<u>152,292</u>	<u>145,941</u>
	5,366,351	5,360,000
Less accumulated depreciation	<u>667,386</u>	<u>430,714</u>
	<u>\$ 4,698,965</u>	<u>\$ 4,929,286</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$236,672 and \$265,630, respectively.

NOTE 4 - LONG TERM DEBT

Long-term debt consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
The Corporation borrowed \$1.8 million in January 2008 by issuing bonds through the City of Bluefield. The bonds mature in 2028. Bond proceeds were used to purchase a dormitory facility. Monthly payments are \$12,392 including a fixed rate of interest at 5.5% per annum. The debt is secured by land, building, furniture, fixtures and equipment. The debt agreement also contains a number of financial covenants. The Corporation is in compliance with all such covenants.	\$ 1,672,157	\$ 1,727,121
The Corporation assumed \$2.0 million in debt as part of a transaction where the Corporation acquired a dormitory facility. Debt is secured by a second lien on land, building, furniture, fixtures and equipment. Annual payments are \$100,000 including a fixed rate of interest at 5.0% per annum.	<u>2,000,000</u>	<u>2,000,000</u>
	3,672,157	3,727,121
Less current portion:	<u>58,064</u>	<u>54,963</u>
Long-term portion	<u>\$ 3,614,093</u>	<u>\$ 3,672,158</u>

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 4 - LONG TERM DEBT (Continued)

Debt matures as follows at June 30:

2011	\$	58,064
2012		61,340
2013		64,800
2014		68,455
2015		72,316
Thereafter		<u>3,347,182</u>
		<u>\$ 3,672,157</u>

Interest expense was \$193,454 and \$196,398 for the years ended June 30, 2010 and 2009, respectively.

NOTE 5 - CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The Corporation's management believes disallowances, if any, will not have a significant financial impact on the Corporation's financial position.

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 6 - DETAILS OF PROGRAM SERVICES AND SUPPORT SERVICES

Details of Program Services and Support Services at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Federal Programs		
NIH/DHHS Grant	\$ 396	\$ -
MUR/INBRE Grant	109,113	19,044
NASA Grant	11,320	4,894
WVU HSTA Grant	19,086	-
Morehouse School of Medicine Grant	5,531	4,469
Reach WV Grant	-	61,578
WVDHHS Tobacco Grant	<u>1,357</u>	<u>48,055</u>
	<u>146,803</u>	<u>138,040</u>
State Programs		
Tobacco Control Grant	5,344	5,250
BSC International Initiatives	3,122	3,000
International Education Grant	<u>455</u>	<u>225</u>
	<u>8,921</u>	<u>8,475</u>
Private and Unrestricted Programs		
Mountainview Dormitory Facility	963,808	935,133
WV Humanities Council Grant	1,365	-
Norfolk Southern Grant	<u>54,328</u>	<u>-</u>
	<u>1,019,501</u>	<u>935,133</u>
Support Services		
Management and General	<u>197,489</u>	<u>206,791</u>
	<u>\$ 1,372,714</u>	<u>\$ 1,288,439</u>

BLUEFIELD STATE COLLEGE RESEARCH & DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 7 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The natural classifications with functional classifications at June 30, 2010 and 2009 are as follows:

	Salaries and <u>Wages</u>	<u>Benefits</u>	Supplies and Other <u>Services</u>	<u>Utilities</u>	Scholarships Fellowships and Support <u>Services</u>	Depreciation and <u>Amortization</u>	<u>Total</u>
2010							
Research	\$ 50,201	\$ 8,569	\$ 80,750	\$ -	\$ -	\$ -	\$ 139,520
Student support	-	-	-	-	583,831	-	583,831
Depreciation and amortization	-	-	-	-	-	245,224	245,224
Other	<u>6,098</u>	<u>-</u>	<u>65,801</u>	<u>332,240</u>	<u>-</u>	<u>-</u>	<u>404,139</u>
	<u>\$ 56,299</u>	<u>\$ 8,569</u>	<u>\$146,551</u>	<u>\$332,240</u>	<u>\$ 583,831</u>	<u>\$ 245,224</u>	<u>\$1,372,714</u>
2009							
Research	\$ 8,630	\$ 1,553	\$ 13,754	\$ -	\$ -	\$ -	\$ 23,937
Student support	-	-	-	-	547,368	-	547,368
Depreciation and amortization	-	-	-	-	-	274,183	274,183
Other	<u>30,691</u>	<u>6,437</u>	<u>85,450</u>	<u>320,373</u>	<u>-</u>	<u>-</u>	<u>442,951</u>
	<u>\$ 39,321</u>	<u>\$ 7,990</u>	<u>\$ 99,204</u>	<u>\$320,373</u>	<u>\$ 547,368</u>	<u>\$ 274,183</u>	<u>\$1,288,439</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 18 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the year ended June 30:

	2010							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 6,383,561	\$ 2,298,208	\$ 780,416	\$ 85	\$ -	\$ -	\$ -	\$ 9,462,270
Research	55,033	23,467	12,261	-	-	-	-	90,761
Public service	196,223	85,281	110,662	1	-	-	-	392,167
Academic support	542,819	228,046	313,832	707	-	-	-	1,085,404
Student services	1,116,333	418,076	384,307	659	-	-	-	1,919,375
General institutional support	2,029,142	789,835	520,156	44,618	-	-	-	3,383,751
Operations and maintenance of plant	674,903	289,230	542,102	390,183	-	-	-	1,896,418
Student financial aid	-	-	-	-	2,447,050	-	-	2,447,050
Auxiliary enterprises	503,895	181,825	1,296,350	68,554	-	-	-	2,050,624
Depreciation	-	-	-	-	-	1,035,296	-	1,035,296
Other	-	-	-	-	-	-	84,472	84,472
Total	\$ 11,501,909	\$ 4,313,968	\$ 3,960,086	\$ 504,807	\$ 2,447,050	\$ 1,035,296	\$ 84,472	\$ 23,847,588

	2009							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 5,743,893	\$ 1,550,645	\$ 984,032	\$ 11,523	\$ -	\$ -	\$ -	\$ 8,290,093
Research	121,341	31,868	11,763	-	-	-	-	164,972
Public service	211,239	65,388	97,892	-	-	-	-	374,519
Academic support	566,885	176,464	539,063	575	-	-	-	1,282,987
Student services	1,198,317	329,516	626,266	596	-	-	-	2,154,695
General institutional support	2,268,737	611,921	941,946	36,667	-	-	-	3,859,271
Operations and maintenance of plant	790,921	248,419	595,182	502,147	-	-	-	2,136,669
Student financial aid	-	-	-	-	1,858,852	-	-	1,858,852
Auxiliary enterprises	516,351	113,839	1,920,322	79,925	-	-	-	2,630,437
Depreciation	-	-	-	-	-	1,050,632	-	1,050,632
Other	-	-	-	-	-	-	75,170	75,170
Total	\$ 11,417,684	\$ 3,128,060	\$ 5,716,466	\$ 631,433	\$ 1,858,852	\$ 1,050,632	\$ 75,170	\$ 23,878,297



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 Governing Board
Bluefield State College
Bluefield, West Virginia

We have audited the financial statements of Bluefield State College (the "College") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 12, 2010, which states reliance on other auditors for the discretely presented component unit. Our report was modified to include a reference to other auditors. 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. The financial statements of The Bluefield State College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of The Bluefield State College Foundation, Inc., as described in our report on the College's financial statements. This report does not include results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 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.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's 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*.

We noted certain matters that we have reported to management of the College in a separate letter dated October 12, 2010.

This report is intended solely for the information and use of the College's management, the Members of the College's Governing Board, the West Virginia Higher Education Policy Commission, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.



Charleston, West Virginia

October 12, 2010