

New River
Community and Technical College

Financial Statements
Years Ended June 30, 2013 and 2012

and

Independent Auditor's Reports

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
TABLE OF CONTENTS**

| | Page |
|--|---------|
| INDEPENDENT AUDITOR’S REPORT | 3 - 4 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED) | 5 - 11 |
| FINANCIAL STATEMENTS: | |
| Statements of Net Position | 12 |
| Component Unit - Statements of Financial Position | 13 |
| Statements of Revenues, Expenses and Changes in Net Position | 14 |
| Component Unit - Statements of Activities and Changes in Net Assets | 15 - 16 |
| Statements of Cash Flows | 17 |
| Notes to Financial Statements | 18 - 53 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 54 - 55 |
| SCHEDULE OF FINDINGS AND RESPONSES | 56 |

INDEPENDENT AUDITOR'S REPORT

Board of Governors
New River Community and Technical College
Beckley, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New River Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical Education, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented New River Community and Technical College Foundation, Inc. (a component unit of the College) for 2013 and 2012. 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 New River Community and Technical College Foundation, Inc. is based solely on the reports of other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report 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 aggregate discretely presented component unit of the College as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the College early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Charleston, West Virginia

October 28, 2013

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Our discussion and analysis of New River Community and Technical College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2013 and 2012. 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 12 to 17 and the notes to financial statements on pages 18 to 53.

Financial Highlights

With the passage of Senate Bill 448, the College was established and attained independent accreditation in February, 2005, separating from Bluefield State College (BSC). Senate Bill 401 defined the process for separation of assets and liabilities from BSC to BSC and the College. The attached statements represent separate financial information for the College. The following are brief summaries for the College:

- The College's assets exceeded its liabilities by approximately \$15.0 million for FY2013 and approximately \$14.2 million for FY2012.
- Net operating loss was approximately \$(14.0) million in FY2013 and approximately \$(13.6) million in FY2012.

Overview of the Financial Statements

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB 35 requires the College to present financial information as a whole rather than focusing on individual funds.

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 position; statement of revenues, expenses, changes in net position ; and statement of cash flows.

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

Changes in net position during the year are reported in the statement of revenues, expenses, and changes in net position. 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.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

The New River Community & Technical College Foundation, Inc. (Foundation) is significant enough to be included in the financial statements of the College in accordance with GASB 39. As such, the Foundation audited financial statements are discretely presented as part of the College's financial statements. The assets of the Foundation are controlled by an independent board.

Financial Analysis of the College

Total net position of the College for FY2013 and FY2012 was approximately \$15.0 million and approximately \$14.2 million, with net investment in capital assets comprising approximately \$15.5 million and approximately \$13.9 million of the total, respectively, an increase of 12% from FY2012 to FY2013. These capital assets are utilized to provide educational and related services to students and the communities but are not readily available for future spending. The unrestricted net position was approximately \$(1.5) million deficit (10%) and approximately \$(1.2) million (8%) of the total net position for FY2013 and FY2012, respectively. The deficit in unrestricted net position is primarily due to the accumulation of the OPEB liability. The unrestricted net position represents amounts not restricted by plant operations, grant and loan funds, and State code restrictions.

**Condensed Schedules of Net Position
June 30, 2013, 2012 and 2011
(in millions)**

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-------------------------------------|----------------|----------------|----------------|
| Cash | \$ 4.0 | \$ 3.5 | \$ 4.6 |
| Other current assets | <u>1.0</u> | <u>1.2</u> | <u>1.2</u> |
| Total current assets | <u>5.0</u> | <u>4.7</u> | <u>5.8</u> |
| Capital assets | <u>15.8</u> | <u>14.1</u> | <u>13.1</u> |
| Total noncurrent assets | <u>15.8</u> | <u>14.1</u> | <u>13.1</u> |
| Total assets | <u>20.8</u> | <u>18.8</u> | <u>18.9</u> |
| Deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 20.8</u> | <u>\$ 18.8</u> | <u>\$ 18.9</u> |
| Current liabilities | \$ 3.3 | \$ 2.1 | \$ 3.1 |
| Noncurrent liabilities | <u>2.5</u> | <u>2.5</u> | <u>1.8</u> |
| Total liabilities | <u>5.8</u> | <u>4.6</u> | <u>4.9</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position (deficit) | | | |
| Invested in capital assets | 15.5 | 13.9 | 12.8 |
| Restricted, expendable | 1.0 | 1.5 | 2.2 |
| Unrestricted net position (deficit) | <u>(1.5)</u> | <u>(1.2)</u> | <u>(1.0)</u> |
| Total net position | <u>15.0</u> | <u>14.2</u> | <u>14.0</u> |
| Total | <u>\$ 20.8</u> | <u>\$ 18.8</u> | <u>\$ 18.9</u> |

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

For the years ended June 30, 2013 and 2012 the income (loss) before other revenues, expenses, gains or losses was approximately \$(0.9) million and approximately \$(0.6) million. The College has continued to experience increased enrollment growth and expansion of workforce education training programs. Our net tuition revenue increased for FY2013 by approximately \$0.4 million to approximately \$3.8 million due to an increase in tuition rates during the year. Financial aid assistance is reflected in the appropriate Federal, State or Pell grant revenue source from which the financial aid was issued. The State appropriation for FY2013 increased by approximately \$0.8 million to approximately \$6.4 million as the State implemented a budget increase.

**Condensed Schedules of Operating Results
Years Ended June 30, 2013, 2012 and 2011
(in millions)**

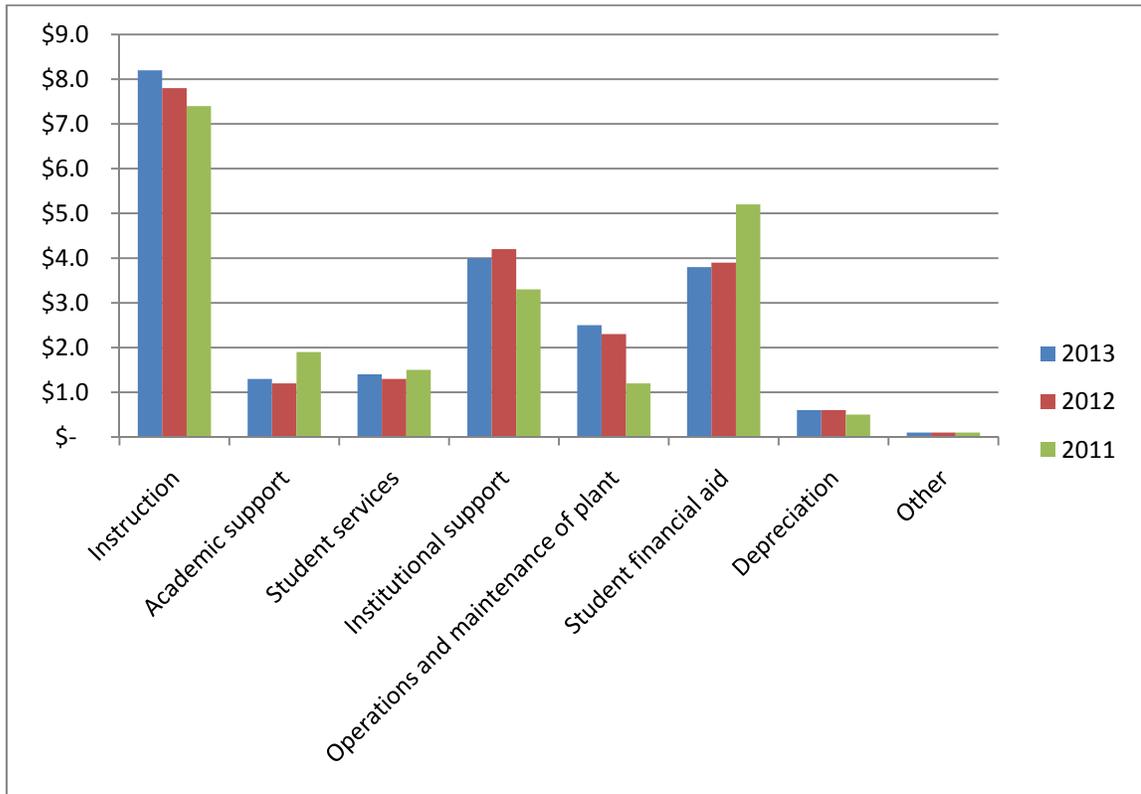
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|-------------------|
| Operating revenues | | | |
| Tuition and fees | \$ 3.8 | \$ 3.4 | \$ 3.1 |
| Contracts and grants | 3.6 | 4.0 | 2.9 |
| Other | <u>0.5</u> | <u>0.4</u> | <u>0.4</u> |
| Total operating revenues | 7.9 | 7.8 | 6.4 |
| Less: operating expenses | <u>21.9</u> | <u>21.4</u> | <u>21.1</u> |
| Operating loss | (14.0) | (13.6) | (14.7) |
| Nonoperating revenues | | | |
| State appropriation | 6.4 | 5.6 | 5.3 |
| Pell grant revenue | 6.8 | 7.4 | 8.4 |
| Other | <u>(0.1)</u> | <u>-</u> | <u>-</u> |
| Net nonoperating revenue | <u>13.1</u> | <u>13.0</u> | <u>13.7</u> |
| Decrease in net position before other revenues, expenses, gains or losses | <u>(0.9)</u> | <u>(0.6)</u> | <u>(1.0)</u> |
| Capital payments on behalf of the College | <u>1.8</u> | <u>0.7</u> | <u>3.5</u> |
| Increase in net position | <u>\$ 0.9</u> | <u>\$ 0.1</u> | <u>\$ 2.5</u> |

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

**Schedules of Operating Expenses
Years Ended June 30, 2013, 2012 and 2011
(in millions)**

| FUNCTIONAL CLASSIFICATION OF EXPENSES | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------------|--------------------|--------------------|--------------------|
| Instruction | \$ 8.2 | \$ 7.8 | \$ 7.4 |
| Academic support | 1.3 | 1.2 | 1.9 |
| Student services | 1.4 | 1.3 | 1.5 |
| Institutional support | 4.0 | 4.2 | 3.3 |
| Operations and maintenance of plant | 2.5 | 2.3 | 1.2 |
| Student financial aid | 3.8 | 3.9 | 5.2 |
| Depreciation | 0.6 | 0.6 | 0.5 |
| Other | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> |
| Total | <u>\$ 21.9</u> | <u>\$ 21.4</u> | <u>\$ 21.1</u> |

**New River Community & Technical College
Functional Classifications of Expenditures FY 2013**

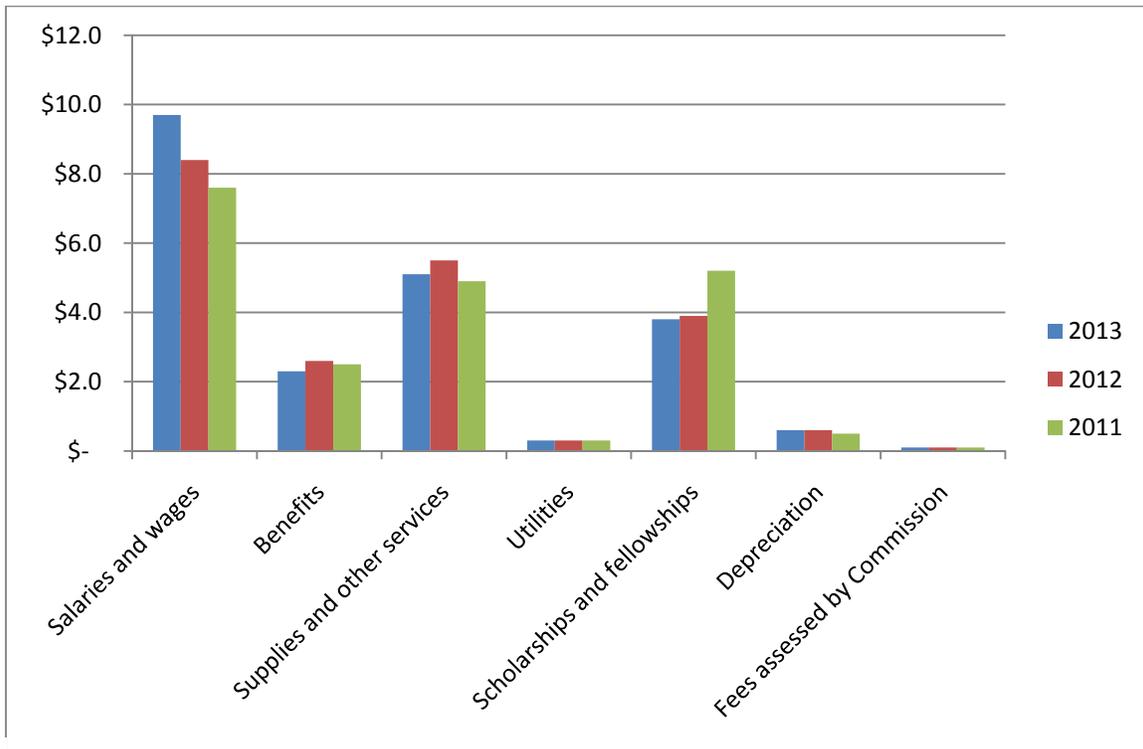


**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

**Schedules of Natural Expenses
Years Ended June 30, 2013, 2012 and 2011
(in millions)**

| NATURAL CLASSIFICATION OF EXPENSES | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------------|--------------------|--------------------|--------------------|
| Salaries and wages | \$ 9.7 | \$ 8.4 | \$ 7.6 |
| Benefits | 2.3 | 2.6 | 2.5 |
| Supplies and other services | 5.1 | 5.5 | 4.9 |
| Utilities | 0.3 | 0.3 | 0.3 |
| Scholarships and fellowships | 3.8 | 3.9 | 5.2 |
| Depreciation | 0.6 | 0.6 | 0.5 |
| Fees assessed by Commission | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> |
| Total | <u>\$ 21.9</u> | <u>\$ 21.4</u> | <u>\$ 21.1</u> |

**New River Community & Technical College
Natural Classifications of Expenditures FY 2013**



**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

The Statement of Cash Flows presents detailed information about the cash activities of the 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 non-operating, non-investing, 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 Position. Cash and cash equivalents for the years ended June 30, 2013 and 2012 were approximately \$4.0 million and approximately \$3.5 million, an increase of approximately \$0.5 million from FY2012 to FY2013.

**Condensed Schedules of Cash Flows
Years Ended June 30, 2013, 2012 and 2011
(in millions)**

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|---------------|---------------|---------------|
| Cash provided by (used in) | | | |
| Operating activities | \$ (12.3) | \$ (13.5) | \$ (13.4) |
| Non capital financing activities | 13.4 | 13.4 | 13.0 |
| Capital and related financing activities | <u>(0.6)</u> | <u>(1.0)</u> | <u>(1.2)</u> |
| Increase (decrease) in cash and cash equivalents | 0.5 | (1.1) | (1.6) |
| Cash and cash equivalents, beginning of year | <u>3.5</u> | <u>4.6</u> | <u>6.2</u> |
| Cash and cash equivalents, end of year | <u>\$ 4.0</u> | <u>\$ 3.5</u> | <u>\$ 4.6</u> |

Capital Asset and Debt Administration

The debt service obligation for the College as of June 30, 2013 and 2012, respectively, was \$100,000 and \$200,000. During FY2009 the College took on an additional \$500,000 debt service obligation by entering into a capital project loan with the Higher Education Policy Commission (HEPC) to fund a networking project. During FY2013 the College made \$100,000 in payments toward the capital project loan.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

During December 2009 HEPC, on behalf of the Council for Community and Technical College Education, issued approximately \$78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was approximately \$16.5 million, of which approximately \$13.5 million will be used to finance the construction of the Beckley Higher Education Center. The remaining approximately \$3.0 million will be used for classroom renovations at the College's Greenbrier campus. The College's construction in progress of approximately \$2.8 million as of June 30, 2013 was paid on behalf of the College by HEPC from the bond proceeds for the Beckley Higher Education Center. In FY2013, the College purchased approximately \$594 thousand in equipment and \$7 thousand in library books. Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 4 and 5 to the financial statements.

Economic Outlook

Accreditation for the College was approved for a seven year period from the Higher Learning Commission following an institutional visitation in September 2008 providing for solid academic standards that potential students will likely consider when selecting a school to attend. Management is monitoring both the national and State economic conditions for changes which may impact the ability to meet the College mission. During times of economic distress, community colleges traditionally experience growth and management is confident that the College will be able to withstand economic downturns.

The other post employment benefit liability continues to present a challenge state wide. However, during the 2012 legislative session the State of West Virginia took proactive measure to address the unfunded liability which will take effect in future years and fully fund the liability by 2037.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report should be addressed to the Vice President for Finance and Administration, 200 George Street Suite 7, Beckley, West Virginia, 25801.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 4,045,982 | \$ 3,526,448 |
| Accounts receivable, net of allowance of \$448,404 and \$381,556 | 701,906 | 515,930 |
| Due from Commission/Council | 167,983 | 302 |
| Due from Bluefield State College | 55,080 | - |
| Grants receivable | 40,997 | 336,425 |
| Due from Federal government | 27,349 | 327,621 |
| Total current assets | <u>5,039,297</u> | <u>4,706,726</u> |
| NONCURRENT ASSETS: | | |
| Capital assets, net of accumulated depreciation | 15,748,300 | 14,074,042 |
| Total noncurrent assets | <u>15,748,300</u> | <u>14,074,042</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Total deferred outflows of resources | - | - |
| Total | <u>\$ 20,787,597</u> | <u>\$ 18,780,768</u> |
| LIABILITIES, DEFERRED INFLOWS AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 387,507 | \$ 632,885 |
| Accrued liabilities | 716,618 | 416,398 |
| Due to the Commission/Council | 155,407 | 9,011 |
| Due to Bluefield State College | 268,678 | 268,678 |
| Unearned revenue | 1,291,790 | 403,951 |
| Compensated absences - current portion | 340,930 | 308,049 |
| Capital lease payable - current portion | 26,158 | - |
| Debt service obligation payable to the Commission - current portion | 100,000 | 100,000 |
| Total current liabilities | <u>3,287,088</u> | <u>2,138,972</u> |
| NONCURRENT LIABILITIES: | | |
| Compensated absences | 138,124 | 153,103 |
| Capital lease payable | 55,031 | - |
| Other post employment benefits liability | 2,288,715 | 2,216,066 |
| Debt service obligation payable to the Commission | - | 100,000 |
| Total noncurrent liabilities | <u>2,481,870</u> | <u>2,469,169</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Total deferred inflows of resources | - | - |
| NET POSITION: | | |
| Net invested in capital assets | 15,567,111 | 13,874,042 |
| Restricted for-expendable-other | | |
| Expendable: | 978,902 | 1,452,827 |
| Unrestricted net position (deficit) | <u>(1,527,374)</u> | <u>(1,154,242)</u> |
| Total net position | <u>15,018,639</u> | <u>14,172,627</u> |
| Total | <u>\$ 20,787,597</u> | <u>\$ 18,780,768</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC. 13
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,532,788 | \$ 309,899 |
| Unconditional promises to give | 88,387 | 104,750 |
| Miscellaneous receivables and deposits | - | 2,103 |
| Marketable equity securities, at fair market value | 220,784 | - |
| Beneficial interest in assets held by community foundation | 1,007,442 | 982,450 |
| Rental real estate land | 66,808 | - |
| Rental buildings, net of accumulated depreciation of \$5,129 | 302,617 | - |
| Donated personal property | - | 28,000 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 3,218,826</u> | <u>\$ 1,427,202</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 8,430 | \$ 7,053 |
| Scholarships payable | 57,825 | 34,489 |
| Accrued expenses | 10,505 | 8,680 |
| Deferred rental revenue | 56,712 | - |
| Amount due Greenbrier County Commission | 300,000 | - |
| Lease purchase payable | 277,509 | - |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>710,981</u> | <u>50,222</u> |
| NET ASSETS | | |
| Unrestricted | (204,047) | (145,549) |
| Temporarily restricted | 1,505,717 | 338,966 |
| Permanently restricted | <u>1,206,175</u> | <u>1,183,563</u> |
| Total net assets | <u>2,507,845</u> | <u>1,376,980</u> |
| | <u> </u> | <u> </u> |
| Total liabilities and net assets | <u>\$ 3,218,826</u> | <u>\$ 1,427,202</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012

14

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Student tuition and fees, net of scholarship allowance of \$5,109,830 and \$5,683,130 for 2013 and 2012, respectively | \$ 3,794,381 | \$ 3,422,635 |
| Contracts and grants: | | |
| Federal | 1,179,723 | 1,265,924 |
| State | 2,442,658 | 2,727,960 |
| Sales and services of educational activities | 118,297 | 145,812 |
| Miscellaneous, net | <u>360,742</u> | <u>279,427</u> |
| Total operating revenues | <u>7,895,801</u> | <u>7,841,758</u> |
| OPERATING EXPENSES: | | |
| Salaries and wages | 9,661,880 | 8,397,250 |
| Benefits | 2,301,493 | 2,600,744 |
| Supplies and other services | 5,107,687 | 5,513,530 |
| Utilities | 350,537 | 301,904 |
| Student financial aid - scholarships and fellowships | 3,799,195 | 3,920,618 |
| Depreciation | 641,352 | 592,881 |
| Assessments by the Commission for operations | <u>81,466</u> | <u>80,503</u> |
| Total operating expenses | <u>21,943,610</u> | <u>21,407,430</u> |
| OPERATING LOSS | <u>(14,047,809)</u> | <u>(13,565,672)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | 6,386,280 | 5,617,112 |
| Federal Pell grants | 6,791,706 | 7,422,041 |
| Investment income | 4,108 | 3,104 |
| Loss on disposal of fixed assets | (128,208) | - |
| Assessments by the Commission for debt service | <u>(3,101)</u> | <u>(1,914)</u> |
| Net nonoperating revenues | <u>13,050,785</u> | <u>13,040,343</u> |
| DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES | <u>(997,024)</u> | <u>(525,329)</u> |
| Capital payments made and expenses incurred on behalf of the College | <u>1,843,036</u> | <u>658,067</u> |
| INCREASE IN NET POSITION | 846,012 | 132,738 |
| NET POSITION, Beginning of year | <u>14,172,627</u> | <u>14,039,889</u> |
| NET POSITION, End of year | <u>\$ 15,018,639</u> | <u>\$ 14,172,627</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <u>Public Support and Revenue</u> | | | | |
| Road scholar program revenue | \$ 95,620 | \$ - | \$ - | \$ 95,620 |
| Rental revenue | 33,288 | - | - | 33,288 |
| Contributed services and supplies revenue | 127,185 | - | - | 127,185 |
| Contributions | 13,349 | 74,831 | 22,612 | 110,792 |
| Allocation from Greenbrier County Commission | - | 1,000,000 | - | 1,000,000 |
| Grants | - | 115,000 | - | 115,000 |
| Interest and dividends income | 4,562 | 32,319 | - | 36,881 |
| Realized losses on investment securities, net | 450 | 8,138 | - | 8,588 |
| Unrealized losses on investment securities, net | 5,296 | 35,507 | - | 40,803 |
| Bank and investment fees | (1,515) | (13,614) | - | (15,129) |
| Fundraising revenue | 7,262 | - | - | 7,262 |
| Net assets released from restrictions due to expiration of spending purpose restrictions | 85,430 | (85,430) | - | - |
| Total public support and revenue | <u>370,927</u> | <u>1,166,751</u> | <u>22,612</u> | <u>1,560,290</u> |
| <u>Expenses</u> | | | | |
| Student support and program services | 282,317 | - | - | 282,317 |
| Rental activity | 9,909 | - | - | 9,909 |
| Management and general | 40,086 | - | - | 40,086 |
| Fundraising | 97,113 | - | - | 97,113 |
| Total expenses | <u>429,425</u> | <u>-</u> | <u>-</u> | <u>429,425</u> |
| Excess of (Expenses Over Public Support and Revenue) | | | | |
| Public Support and Revenues Over Expenses | (58,498) | 1,166,751 | 22,612 | 1,130,865 |
| Net Assets, Beginning of Year | <u>(145,549)</u> | <u>338,966</u> | <u>1,183,563</u> | <u>1,376,980</u> |
| Net Assets, End of Year | <u>\$ (204,047)</u> | <u>\$ 1,505,717</u> | <u>\$ 1,206,175</u> | <u>\$ 2,507,845</u> |

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <u>Public Support and Revenue</u> | | | | |
| Road scholar program revenue | \$ 142,515 | \$ - | \$ - | \$ 142,515 |
| Contributed services and supplies revenue | 142,392 | - | - | 142,392 |
| Contributions | 28,815 | 113,004 | 95,075 | 236,894 |
| Grants | - | 55,500 | - | 55,500 |
| Interest and dividends income | 3,150 | 24,558 | - | 27,708 |
| Realized losses on investment securities, net | 79 | 660 | (5,259) | (4,520) |
| Bank and investment fees | (1,597) | (13,997) | - | (15,594) |
| Unrealized losses on investment securities, net | 532 | 4,865 | - | 5,397 |
| | | | | - |
| Net assets released from restrictions due to expiration of spending purpose restrictions | 41,747 | (41,747) | - | - |
| Total public support and revenue | <u>357,633</u> | <u>142,843</u> | <u>89,816</u> | <u>590,292</u> |
| <u>Expenses</u> | | | | |
| Student support and program services | 230,960 | - | - | 230,960 |
| Management and general | 34,691 | - | - | 34,691 |
| Fundraising | 137,176 | - | - | 137,176 |
| Total expenses | <u>402,827</u> | <u>-</u> | <u>-</u> | <u>402,827</u> |
| Excess of (Expenses Over Public Support and Revenue) | | | | |
| Public Support and Revenues Over Expenses | (45,194) | 142,843 | 89,816 | 187,465 |
| Transfer between net asset classifications, resulting from recoupment of 2009 year underwater funds transfer | 5,595 | (5,595) | - | - |
| Increase (Decrease) in Net Assets | (39,599) | 137,248 | 89,816 | 187,465 |
| Net Assets, Beginning of Year | <u>(105,950)</u> | <u>201,718</u> | <u>1,093,747</u> | <u>1,189,515</u> |
| Net Assets, End of Year | <u>\$ (145,549)</u> | <u>\$ 338,966</u> | <u>\$ 1,183,563</u> | <u>\$ 1,376,980</u> |

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

17

| | <u>2013</u> | <u>2012</u> |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | \$ 3,608,405 | \$ 3,316,802 |
| Contracts and grants | 4,752,290 | 2,845,005 |
| Payments to and on behalf of employees | (11,572,602) | (10,284,025) |
| Payments to suppliers | (5,342,864) | (5,199,109) |
| Payments to utilities | (360,737) | (296,385) |
| Payments for scholarships and fellowships | (3,799,195) | (3,920,618) |
| Sales and service of educational activities | 118,297 | 145,812 |
| Fees assessed by Commission | (81,466) | (80,503) |
| Other receipts (payments)-net | <u>360,742</u> | <u>(10,356)</u> |
| Net cash (used in) operating activities | <u>(12,317,130)</u> | <u>(13,483,377)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 6,386,280 | 5,617,112 |
| Pell grants | 7,068,971 | 7,749,246 |
| William D. Ford direct lending receipts | 3,552,721 | 3,059,392 |
| William D. Ford direct lending payments | <u>(3,552,721)</u> | <u>(3,059,392)</u> |
| Net cash provided by noncapital financing activities | <u>13,455,251</u> | <u>13,366,358</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Purchases of capital assets | (498,160) | (899,297) |
| Payments for capital leases | (24,535) | - |
| Payments to Commission for debt service | <u>(100,000)</u> | <u>(109,095)</u> |
| Net cash (used in) capital financing activities | <u>(622,695)</u> | <u>(1,008,392)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | <u>4,108</u> | <u>3,104</u> |
| Net cash provided by investing activities | <u>4,108</u> | <u>3,104</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 519,534 | (1,122,307) |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>3,526,448</u> | <u>4,648,755</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 4,045,982</u> | <u>\$ 3,526,448</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES: | | |
| Operating loss | \$ (14,047,809) | \$ (13,565,672) |
| Adjustments to reconcile operating loss to net cash (used in) operating activities | | |
| Depreciation expense | 641,352 | 592,881 |
| Changes in assets and liabilities: | | |
| Accounts receivables, net allowance for doubtful accounts | (185,976) | (105,833) |
| Due from Commission/Council | (167,681) | (230) |
| Grant receivable | 295,428 | (336,425) |
| Due from Bluefield State College | (55,080) | - |
| Due from Federal government | 23,007 | 69,105 |
| Accounts payable | (245,377) | 319,940 |
| Cash overdraft | - | (289,783) |
| Accrued liabilities | 300,220 | (125,836) |
| Due to the Commission/Council | 146,396 | 7,511 |
| Unearned revenue | 887,839 | (888,840) |
| Compensated absences | 17,902 | 73,360 |
| Other post employment benefits | <u>72,649</u> | <u>766,445</u> |
| Net cash (used in) operating activities | <u>\$ (12,317,130)</u> | <u>\$ (13,483,377)</u> |
| NONCASH TRANSACTIONS: | | |
| Capital payments made and expenses incurred on behalf of the College | <u>\$ 1,843,036</u> | <u>\$ 658,067</u> |

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

18

NOTE 1 - ORGANIZATION

New River Community and Technical College (the “College”) is governed by the New River Community and Technical 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 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. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the “Council”) the responsibility of developing overseeing, and advancing the State’s Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net position from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the New River Community and Technical College Foundation, Inc. (the “Foundation”).

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.

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The combined financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the College’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

19

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the 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 accompanying financial statements present all funds under the authority of the College. 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.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College combined financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the years ended June 30, 2013 and 2012. The Foundation 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 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.

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 position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net position is classified as follows:

- *Net investment in capital assets* - This represents the College's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets, net of related debt.
- *Restricted net position, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted net position, 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 position* - Unrestricted net position includes 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 position is 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 position, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalent balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other funds of the State for investment purposes by the West Virginia Board of Treasury Investments ("BTI"). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, 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 and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multi-participant 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 audited financial report. A copy of this annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or <http://www.wvbt.com>.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

21

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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; certificates 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.

Appropriations Due from Primary Government - For financial reporting purposes, appropriations due from the State are presented separate from cash and cash equivalents, as amounts are not specific deposits with the State Treasurer but are obligations of the State.

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

Capital Assets - Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. 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, 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 2013 or 2012. The accompanying financial statements reflect all adjustments required by GASB.

Unearned Revenue - Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned 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 (OPEB) - GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The College is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

22

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

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage, and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the College. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

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

Deferred Outflows of Resources - Consumption of net position by the College that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position.

Deferred Inflows of Resources - An acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position.

Risk Management - The State's Board of Risk and Insurance Management ("BRIM") provides general, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 began 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.
- *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, Federal Pell Grants, and investment income, and sale of capital assets (including natural resources).
- *Other Revenue* - Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Position - 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 position are available. Generally, the College attempts to utilize restricted net position first when practicable.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

24

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the College. Direct student loan receivables are not included in the College's statement of net position as the loans are repayable directly to the U.S. Department of Education. In 2013 and 2012, respectively, the College received and disbursed approximately \$3.6 million and \$3.1 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 position.

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 and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2013 and 2012, respectively the College received and disbursed approximately \$7.2 million and \$7.6 million, 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 position. 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 financial statements.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The College has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of net position and related disclosures. The adoption of this statement resulted in the addition of deferred outflows of resources and deferred inflows of resources to the statements of net position.

The College has early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this statement resulted in the addition of deferred outflows of resources and deferred inflows of resources to the statements of net position.

The College has early adopted GASB Statement No. 66, *Technical Corrections — 2012: An Amendment of GASB Statements No. 10 and No. 64*. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. 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 GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The College has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The College has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. Early application is encouraged. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The College has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Cash on deposit with the State Treasurer/BTI | \$ 3,798,768 | \$ 2,854,397 |
| Cash in bank | 244,964 | 670,401 |
| Cash on hand | <u>2,250</u> | <u>1,650</u> |
| | <u>\$ 4,045,982</u> | <u>\$ 3,526,448</u> |

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2013 and 2012 respectively, \$2,288,653 and \$1,592,180 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The combined carrying amount of cash in the bank was \$244,964 and \$670,401 as compared with the combined bank balance of \$386,375 and \$834,859 at June 30, 2013 and 2012, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. 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.

Amounts with the State Treasurer as of June 30, 2013 and 2012, are comprised of the following investment pools:

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

WV Money Market Pool - 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, 2013 and 2012, 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 P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2013 and 2012, the WV Money Market Pool investments had a total carrying value of \$2,495,868,000 and \$2,786,968,000, respectively, of which the College's ownership represents 0.14% and 0.09% respectively.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

28

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

WV Government Money Market Pool - Credit Risk - For the years ended June 30, 2013 and 2012, the WV Government 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 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, 2013 and 2012, the WV Government Money Market Pool investments had a total carrying value of \$287,184,000 and \$299,629,000, respectively, of which the College's ownership represents 0.01% 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 P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

| Security Type | Credit Rating* | | 2013 | | 2012 | |
|--|---------------------------|------------------|----------------|------------------------|----------------|------------------------|
| | Moody's | S&P | Carrying Value | Percent of Pool Assets | Carrying Value | Percent of Pool Assets |
| Corporate asset-backed securities | Aaa | AAA | \$ 53,681 | 8.72 % | \$ 95,628 | 18.99 % |
| | Aaa | NR * | 59,810 | 9.71 | 38,524 | 7.64 |
| | B1 | CCC ** | | | 896 | 0.18 |
| | B3 | BB ** | | | 311 | 0.06 |
| | B3 | BBB- ** | | | 53 | 0.01 |
| | B3 | CCC ** | | | 280 | 0.06 |
| | Ca | CCC ** | 308 | 0.05 | 586 | 0.12 |
| | Ca | D ** | 95 | 0.02 | | |
| | Caa1 | CCC ** | 932 | 0.15 | | |
| | Caa2 | CCC ** | | | 186 | 0.04 |
| | Caa3 | CCC ** | | | 243 | 0.05 |
| | Caa3 | D ** | 367 | 0.06 | 26 | 0.01 |
| | Caa3 | NR ** | 24 | 0.00 | | |
| | NR | AAA | 37,411 | 6.07 | | |
| | NR | AA+ | 2,514 | 0.41 | 3,900 | 0.77 |
| | NR | * NR * | 3,819 | 0.62 | 3,786 | 0.75 |
| | | | <u>158,961</u> | <u>25.81</u> | <u>144,419</u> | <u>28.68</u> |
| | Corporate bonds and notes | Aa2 | AA+ | 3,002 | 0.49 | 9,025 |
| Aa2 | | AA | 12,731 | 2.07 | | |
| Aa2 | | AA- | 9,192 | 1.49 | | |
| Aa3 | | AA- | 33,034 | 5.36 | 15,666 | 3.11 |
| Aa3 | | A+ | 11,693 | 1.90 | | |
| Aa3 | | A | | | 23,032 | 4.57 |
| A1 | | AA+ | 13,295 | 2.16 | | |
| A1 | | AA | 4,118 | 0.67 | 12,145 | 2.41 |
| A1 | | A+ | 47,500 | 7.71 | 30,684 | 6.09 |
| A1 | | A | 13,522 | 2.19 | | |
| A2 | | A+ | 9,348 | 1.52 | | |
| A2 | | A | 47,709 | 7.75 | 39,064 | 7.76 |
| A2 | | A- | 5,052 | 0.82 | | |
| A3 | | A- | 7,986 | 1.30 | 7,755 | 1.54 |
| A3 | | BBB+ | | | 3,006 | 0.60 |
| Baa1 | | A- ** | 2,416 | 0.39 | 4,162 | 0.83 |
| Baa2 | | A- ** | 6,959 | 1.13 | 6,709 | 1.33 |
| | | | <u>227,557</u> | <u>36.95</u> | <u>151,248</u> | <u>30.03</u> |
| U.S. agency bonds | Aaa | AA+ | 9,986 | 1.62 | 45,024 | 8.94 |
| U.S. Treasury notes*** | Aaa | AA+ | 140,154 | 22.76 | 44,251 | 8.79 |
| U.S. agency mortgage backed securities**** | Aaa | AA+ | 73,692 | 11.97 | 77,065 | 15.30 |
| Money market funds | Aaa | AAAm | 5,457 | 0.89 | 41,610 | 8.26 |
| | | <u>\$615,807</u> | <u>100 %</u> | <u>\$503,617</u> | <u>100 %</u> | |

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. 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 explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2013 and 2012, the College's ownership represents 0.04% and 0.07%, 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

| Security Type | 2013 | | 2012 | |
|----------------------------|----------------------------------|---------------|----------------------------------|---------------|
| | Carrying Value (In thousands) | WAM (Days) | Carrying Value (In thousands) | WAM (Days) |
| Repurchase agreements | \$ 229,326 | 3 | \$ 90,204 | 3 |
| U.S. Treasury notes | 279,755 | 132 | 330,865 | 122 |
| U.S. Treasury bills | 34,993 | 77 | 237,978 | 37 |
| Commercial paper | 970,395 | 43 | 853,470 | 35 |
| Certificates of deposit | 259,000 | 66 | 110,000 | 10 |
| U.S. agency discount notes | 445,784 | 47 | 738,706 | 44 |
| Corporate bonds and notes | 10,000 | 60 | 36,000 | 48 |
| U.S. agency bonds/notes | 66,603 | 139 | 189,691 | 68 |
| Money market funds | <u>200,012</u> | 1 | <u>200,054</u> | 1 |
| | <u>\$2,495,868</u> | 52 | <u>\$2,786,968</u> | 46 |

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, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

| Security Type | 2013 | | 2012 | |
|----------------------------|----------------------------------|---------------|----------------------------------|---------------|
| | Carrying Value (In thousands) | WAM (Days) | Carrying Value (In thousands) | WAM (Days) |
| Repurchase agreements | \$ 101,500 | 3 | \$ 91,900 | 3 |
| U.S. Treasury notes | 50,112 | 103 | 103,324 | 111 |
| U.S. Treasury bills | 4,999 | 76 | 4,999 | 62 |
| U.S. agency discount notes | 125,474 | 67 | 76,397 | 52 |
| U.S. agency bonds/notes | 5,000 | 34 | 23,004 | 9 |
| Money market funds | <u>99</u> | 1 | <u>5</u> | 1 |
| | <u>\$ 287,184</u> | 50 | <u>\$ 299,629</u> | 54 |

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration 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:

| Security Type | 2013 | | 2012 | |
|--|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | Carrying Value (in Thousands) | Effective Duration (Days) | Carrying Value (in Thousands) | Effective Duration (Days) |
| U. S. Treasury bonds/notes | \$ 140,154 | 491 | \$ 44,251 | 366 |
| Corporate bonds/notes | 227,557 | 293 | 151,248 | 242 |
| Corporate asset-backed securities | 158,961 | 471 | 144,419 | 250 |
| U.S. agency bonds/notes | 9,986 | 583 | 45,024 | 23 |
| U.S. agency mortgage-backed securities | 73,692 | 60 | 77,065 | 13 |
| Money market funds | <u>5,457</u> | 1 | <u>41,610</u> | 1 |
| | <u>\$ 615,807</u> | 358 | <u>\$ 503,617</u> | 180 |

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net position is invested in a pool managed by the securities lending agent. 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 - CAPITAL ASSETS

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

| | 2013 | | | |
|--|----------------------|---------------------|-------------------|----------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,184,000 | \$ - | \$ - | \$ 1,184,000 |
| Construction in progress | <u>940,848</u> | <u>1,843,037</u> | <u>-</u> | <u>2,783,885</u> |
| Total capital assets not being depreciated | <u>\$ 2,124,848</u> | <u>1,843,037</u> | <u>\$ -</u> | <u>\$ 3,967,885</u> |
| Other capital assets: | | | | |
| Land improvements | \$ 97,937 | \$ - | \$ - | \$ 97,937 |
| Buildings | 12,260,995 | - | - | 12,260,995 |
| Equipment | 2,280,291 | 594,015 | 529,420 | 2,344,886 |
| Library books | <u>501,606</u> | <u>6,766</u> | <u>-</u> | <u>508,372</u> |
| Total other capital assets | <u>15,140,829</u> | <u>600,781</u> | <u>529,420</u> | <u>15,212,190</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 48,761 | 6,529 | - | 55,290 |
| Buildings | 1,874,048 | 367,364 | - | 2,241,412 |
| Equipment | 895,096 | 240,163 | 401,212 | 734,047 |
| Library books | <u>373,730</u> | <u>27,296</u> | <u>-</u> | <u>401,026</u> |
| Total accumulated depreciation | <u>3,191,635</u> | <u>641,352</u> | <u>401,212</u> | <u>3,431,775</u> |
| Other capital assets, net | <u>\$ 11,949,194</u> | <u>\$ (40,571)</u> | <u>\$ 128,208</u> | <u>\$ 11,780,415</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 2,124,848 | \$ 1,843,037 | \$ - | \$ 3,967,885 |
| Other capital assets | <u>15,140,829</u> | <u>600,781</u> | <u>529,420</u> | <u>15,212,190</u> |
| Total cost of capital assets | 17,265,677 | 2,443,818 | 529,420 | 19,180,075 |
| Less accumulated depreciation | <u>3,191,635</u> | <u>641,352</u> | <u>401,212</u> | <u>3,431,775</u> |
| Capital assets, net | <u>\$ 14,074,042</u> | <u>\$ 1,802,466</u> | <u>\$ 128,208</u> | <u>\$ 15,748,300</u> |

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - CAPITAL ASSETS (Continued)

| | 2012 | | | |
|--|----------------------|-------------------|-------------|----------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,184,000 | \$ - | \$ - | \$ 1,184,000 |
| Construction in progress | <u>282,781</u> | <u>658,067</u> | <u>-</u> | <u>940,848</u> |
| Total capital assets not being depreciated | <u>\$ 1,466,781</u> | <u>\$ 658,067</u> | <u>\$ -</u> | <u>\$ 2,124,848</u> |
| Other capital assets: | | | | |
| Land improvements | \$ 97,937 | \$ - | \$ - | \$ 97,937 |
| Buildings | 11,946,579 | 314,416 | - | 12,260,995 |
| Equipment | 1,737,847 | 542,444 | - | 2,280,291 |
| Library books | <u>461,305</u> | <u>40,301</u> | <u>-</u> | <u>501,606</u> |
| Total other capital assets | <u>14,243,668</u> | <u>897,161</u> | <u>-</u> | <u>15,140,829</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 42,232 | 6,529 | - | 48,761 |
| Buildings | 1,508,417 | 365,631 | - | 1,874,048 |
| Equipment | 703,163 | 191,933 | - | 895,096 |
| Library books | <u>344,942</u> | <u>28,788</u> | <u>-</u> | <u>373,730</u> |
| Total accumulated depreciation | <u>2,598,754</u> | <u>592,881</u> | <u>-</u> | <u>3,191,635</u> |
| Other capital assets, net | <u>\$ 11,644,914</u> | <u>\$ 304,280</u> | <u>\$ -</u> | <u>\$ 11,949,194</u> |
| Capital asset summary: | | | | |
| Capital assets not being depreciated | \$ 1,466,781 | \$ 658,067 | \$ - | \$ 2,124,848 |
| Other capital assets | <u>14,243,668</u> | <u>897,161</u> | <u>-</u> | <u>15,140,829</u> |
| Total cost of capital assets | 15,710,449 | 1,555,228 | - | 17,265,677 |
| Less accumulated depreciation | <u>2,598,754</u> | <u>592,881</u> | <u>-</u> | <u>3,191,635</u> |
| Capital assets, net | <u>\$ 13,111,695</u> | <u>\$ 962,347</u> | <u>\$ -</u> | <u>\$ 14,074,042</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.

At June 30, 2013, the College had \$543,491 in outstanding contractual commitments for property, plant, and equipment expenditures.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5 - LONG-TERM LIABILITIES

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

| | 2013 | | | | |
|-------------------------------------|-----------------------------|--------------------------|--------------------------|----------------------------|---------------------------|
| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending <u>Balance</u> | Current <u>Portion</u> |
| Compensated absences | \$ 461,152 | \$ 17,902 | \$ - | \$ 479,054 | \$ 340,930 |
| Debt obligation due Commission | 200,000 | - | 100,000 | 100,000 | 100,000 |
| OPEB liability | 2,216,066 | 72,649 | - | 2,288,715 | - |
| Capital lease payable | - | 105,724 | 24,535 | 81,189 | 26,158 |
| Due to Bluefield State College | <u>268,678</u> | <u>-</u> | <u>-</u> | <u>268,678</u> | <u>268,678</u> |
| Total noncurrent liabilities | <u>\$ 3,145,896</u> | <u>\$ 196,275</u> | <u>\$ 124,535</u> | <u>\$ 3,217,636</u> | <u>\$ 735,766</u> |

| | 2012 | | | | |
|-------------------------------------|-----------------------------|--------------------------|--------------------------|----------------------------|---------------------------|
| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending <u>Balance</u> | Current <u>Portion</u> |
| Compensated absences | \$ 387,792 | \$ 73,360 | \$ - | \$ 461,152 | \$ 308,049 |
| Debt obligation due Commission | 309,095 | - | 109,095 | 200,000 | 100,000 |
| OPEB liability | 1,449,621 | 766,445 | - | 2,216,066 | - |
| Due to Bluefield State College | <u>268,678</u> | <u>-</u> | <u>-</u> | <u>268,678</u> | <u>268,678</u> |
| Total noncurrent liabilities | <u>\$ 2,415,186</u> | <u>\$ 839,805</u> | <u>\$ 109,095</u> | <u>\$ 3,145,896</u> | <u>\$ 676,727</u> |

NOTE 6 - 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, 2013, 2012, and 2011, the noncurrent liability related to OPEB costs was \$2,288,715, \$2,216,066, and \$1,449,621 respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$341,684 and \$269,035, respectively, during 2013, or 79%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$982,179 and \$215,734, respectively, during 2012, or 22%. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$929,889 and \$189,987, respectively, during 2011, or 20%. As of the years ended June 30, 2013, 2012 and 2011, there were one, five and five retirees receiving these benefits, respectively. During the 2012 legislative session, the State took proactive measures to address the unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7 - 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 Municipal Bond 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 2005, the College assumed \$119,300 in additional debt obligation from the Commission, including amounts from Glenville State College for the Nicholas County Campus. During 2013, and 2012, respectively the College paid \$0 and \$9,095 to the Commission against the debt obligation.

During fiscal year 2009, the College entered into a \$500,000 capital project loan with the Higher Education Policy Commission to fund a networking project. The loan is to be repaid over five years in semi-annual payments of \$50,000. During 2013, and 2012, respectively the College paid \$100,000 and \$100,000 to the Commission against the loan. The amount due to Commission at June 30, 2013 is \$100,000.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2010 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$16,500,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2013, the College had drawn down \$2,783,884 of these funds to pay for capital projects.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 - UNRESTRICTED NET POSITION (DEFICIT)

The College's unrestricted net position at June 30, 2013 and 2012, includes certain undesignated net position, as follows:

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------|-----------------------|
| Total unrestricted net position before OPEB liability | \$ 761,341 | \$ 1,061,824 |
| Less: OPEB liability | <u>2,288,715</u> | <u>2,216,066</u> |
| Total unrestricted net position (deficit) | <u>\$ (1,527,374)</u> | <u>\$ (1,154,242)</u> |

NOTE 9 - 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, 2012, there were no employees enrolled in the new Educators Money 401(a) basic retirement plan.

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, 2013 and 2012. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2013 and 2012. 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, 2013, 2012 and 2011 respectively, were \$53,815 and \$39,813 and \$38,748 which consisted of \$38,439, \$28,438 and \$27,677 from the College, and \$15,376, \$11,375 and \$11,071 from the covered employees in 2013, 2012 and 2011, respectively.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 9 - RETIREMENT PLANS (Continued)

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 is not matched by the College.

Total contributions to the TIAA-CREF for the years ended June 30, 2013, 2012 and 2011 respectively, were \$860,558, \$763,832 and \$676,176 which consisted of equal contributions of \$430,279, \$381,916 and \$338,088 from both the College and covered employees.

Total contributions to Great West for the years ended June 30, 2013, 2012 and 2011 respectively, were \$21,348, \$15,388 and \$14,244, which consisted of equal contributions of \$10,674, \$7,694 and \$7,122 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2013, 2012 and 2011 respectively, was \$9,661,880, \$8,397,250 and \$7,646,553. Total covered employees' salaries in STRS, TIAA-CREF and Great West were \$7,613,196, \$6,683,088 and \$5,938,016.

NOTE 10 - LEASES

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were \$768,650 and \$652,284 for the years ended June 30, 2013 and 2012. Following is a schedule of future minimum lease payments for the term of these operating leases.

| <u>Year Ending June 30</u> | <u>Rental Payments</u> |
|----------------------------|------------------------|
| 2014 | \$ 654,026 |
| 2015 | 374,180 |
| 2016 | 315,424 |
| 2017 | 152,628 |
| 2018 | 19,186 |
| | <u>\$ 1,515,444</u> |

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 10 - LEASES (Continued)

Capital Leases - The College leases certain equipment accounted for as a capital lease.

The College entered into a lease agreement with Key Governmental Finance in August 2011 to cover the acquisition cost for certain technology equipment. The lease is accounted for as a capital lease, with a total cost of \$126,683 and a net book value of \$73,898 as of June 30, 2013. Future annual minimum lease payments on the capital lease for years subsequent to June 30, 2013, are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------|---------------------|----------------------|
| 2014 | \$ 26,158 | \$ 2,778 | \$ 28,936 |
| 2015 | 27,053 | 1,883 | 28,936 |
| 2016 | <u>27,978</u> | <u>957</u> | <u>28,935</u> |
| Total | <u>\$ 81,189</u> | <u>\$ 5,618</u> | <u>\$ 86,807</u> |

NOTE 11 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation 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 is 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 discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements for the years ended June 30, 2013 and 2012, the Foundation's net assets (including unrealized gains) totaled \$2,507,845 and \$1,376,980, respectively. Complete financial statements for the Foundation can be obtained from the President of the New River Community and Technical College Foundation, Inc.

Gifts, grants, pledges and bequests to the College totaled \$110,792 and \$236,894 for the years ended June 30, 2013 and 2012, respectively.

The College entered into an operating lease with the Foundation commencing May 1, 2013 and ending May 1, 2016. The lease calls for annual payments of \$90,000.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

39

NOTE 12 - 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 13 - COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's financial statements starting on the following page.

Note 1 — Description of the Organization

New River Community and Technical College Foundation, Inc. (“**the Organization**”) is a non-profit West Virginia corporation organized to promote educational and fraternal opportunities for current students and alumni of New River Community and Technical College (“**New River**”), located and operating in various communities in southeastern, West Virginia. It has been organized to serve New River, its faculty, students and alumni through fundraising, managing funds, overseeing the distribution of these funds, the undertaking of capital and other educational projects. The Organization currently accomplishes these by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions.
- Investment of available liquid assets.
- Awarding to qualifying students, faculty or staff of New River certain grants or scholarships.
- Operation of Road Scholar program as an enterprise (**See Note 2**).
- Operation of rental real estate in Lewisburg, West Virginia (**See Note 11**).

Note 2 — Summary of Significant Accounting Policies

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation: The Organization has implemented the financial statement presentation required by the Financial Accounting Standards Board Codification of Accounting Standard No. 958 the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted, described as follows:

- **Unrestricted:** Resources over which the Board of Directors has discretionary control as a result of not being restricted by donors or for which the restrictions have been satisfied or expired.
- **Temporarily Restricted:** Resources resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets consist principally of donor-imposed stipulations related to student financial aid or capital projects.
- **Permanently restricted:** Resources resulting from contributions whose use is limited by donor stipulations that neither expire through the passage of time nor by actions of the Organization. Such net assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity; spending of the related investment income is limited to the actual income earned.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 as net assets released from restrictions.

Note 2 — Summary of Significant Accounting Policies (continued)

Use of Estimates: The preparation of financial statements in conformity accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could and will likely differ from those estimates.

Cash and Equivalents: Cash and equivalents include cash, demand deposits with financial institutions and other short-term investments with original maturities of three months or less.

Unconditional Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional (**See Note 3**). The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience concerning the general trends of collection, and managements' analysis of specific promises made.

Beneficial Interest In Assets Held By Community Foundation: The Organization has placed with the Greater Greenbrier Valley Community Foundation, Inc. ("**GGVCF**") certain unrestricted and restricted assets in the form of a "Donor Designated Sub-Fund Agreements" ("the Agreements"). The substance of these agreements provides for the resulting investment returns from the investment of the assets to be distributed to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GGVCF, whereas the others do not. The assets subject to this agreement amount to approximately 10% of the total of such assets at June 30, 2013 and 2012. Notwithstanding this, GGVCF does have variance power with respect to these funds whereby the Board of GGVCF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of this Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GGVCF.

The applicable accounting standards require that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions and accumulated net earnings are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GGVCF as of June 30, 2013 and 2012 are presented in the accompanying statements of financial position in the amount of \$1,007,442 and \$982,450, respectively.

Note 2 — Summary of Significant Accounting Policies (continued)

As of December 31, 2012, the latest reviewed financial statements of GGVCF reflect total investment assets, at market value of \$4,747,809 comprised of the following:

| | <u>Market Value</u> |
|-------------------------|-------------------------|
| Fixed income securities | \$ 1,671,952 |
| Mutual funds | 724,849 |
| Common stocks | 1,982,635 |
| Preferred stocks | 22,119 |
| Equity mutual funds | 346,254 |
| | \$ 4,747,809 |

A condensed statement of financial position as of December 31, 2012, the most recent reviewed financial statements of GGVCF is as follows:

| | |
|---------------------------------------|--------------|
| <u>Assets</u> | |
| Cash and equivalents | \$ 72,973 |
| Accrued interest and dividends | 16,468 |
| Marketable securities | 4,747,809 |
| Office equipment, net | 165 |
| Total Assets | \$ 4,837,415 |
| <u>Liabilities and Net Assets</u> | |
| Funds held for benefit of others | \$ 3,983,846 |
| Accounts payable and accrued expenses | 8,158 |
| Net assets | 845,411 |
| Total Liabilities and Net Assets | \$ 4,837,415 |

These assets essentially represent the fair value of the underlying assets held by GGVCF for the benefit of the Organization.

Rental Buildings: Rental buildings are carried at cost. Depreciation is computed on the straight-line method over the estimated useful live of the buildings, which is twenty-years, using the straight-line method.

Amortization expense (which is entirely amortization of lease purchase buildings) for the years ended June 30, 2013 amounted to \$5,129.

Donated Goods, Facilities and Services: Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense.

Note 2 — Summary of Significant Accounting Policies (continued)

Risks and Uncertainties: A substantial portion of the Organization's assets consist of beneficial interest in assets held by the community foundation, which is supported by investment securities held by the respective community foundation. These investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the beneficial interest in assets held in community foundation reported in the statements of financial position, and the realized and unrealized losses in the statements of activities.

Income Taxes: There is no provision for federal or state income taxes on income since the Organization is an exempt nonprofit association under Internal Revenue Code Section 501(c)(3). Management believes there is no unrelated business taxable income associated with the Organization. The Organization adopted Financial Accounting Standards Codification Topic "Accounting for Uncertainty in Income Taxes", which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement.

The Organization is generally no longer subject to examination by income taxing authorities for years ending prior to June 30, 2009.

Concentrations: The Organization places its cash and cash equivalents with high credit quality financial institutions and brokerage firms. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk.

Investment Risk: The Organization's investments subject it to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Organization's investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks could materially impact the amounts reflected in the accompanying financial statements.

Economic Geographic and Other Dependencies: The Organization generates a significant amount of its support and revenue (including fundraising activities) from within the state of West Virginia. Its economy is largely dependent upon the mineral extraction (coal), timbering, farming, and recreation/resort industries. Changes in economies of these industries could significantly influence the Organization's ability to provide its services.

The Organization is also dependent upon significant amounts of support in the form of salaries, wages and employee benefits and other operating costs provided by New River. The ability or desire of New River to continue to provide this support could significantly influence the Organization's ability to provide its services (**See Note 6**).

Note 2 — Summary of Significant Accounting Policies (continued)

Functional Reporting: The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on management's estimates among program services and supporting services benefited. A brief description of each of the functional classifications is as follows:

- Student Support and Program Services – Funds expended primarily to provide support services for students, alumni and faculty of New River. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well a capital projects.
- Rental Activity – Expenses related to the operation of the real property rental located in Lewisburg, West Virginia (**See Note 11**).
- Management and General – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and administrative data processing.
- Fundraising – Expenses related to community and alumni relations, including development and fundraising.

Compensated Absences: Compensated absences are not provided for in the accompanying statement of financial position as New River Community and Technical College provides all compensation and benefits for employees who serve/operate the Organization (**See Note 6**).

Road Scholar Enterprise: As an enterprise and under terms of a contract the Organization operates as a “program provider” for Road Scholar, Inc. Road Scholar, Inc. is a not-for-profit organization dedicated to providing learning opportunities to adults through short-term academic programs. It is the nation's first and the world's largest educational travel organization primarily for adults. As a program provider the Organization is responsible for providing a variety of approved services to include meals, lodging, instruction, learning opportunities and transportation to groups of adults enlisted into the Road Scholar programs. The current contract commenced January 12, 2009 and ends on January 12, 2014. Revenues recognized for the provision of these services amounted to \$95,620 and \$142,515 for the years ended June 30, 2013 and 2012, respectively and are reported in the accompanying statements of activities.

Date of Management Review: Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through September 27, 2013, which is the date the financial statements were available to be issued.

Note 3 — Unconditional Promises to Give

Unconditional promises to give at June 30, 2013 and 2012 were comprised of the following:

| | <u>2013</u> | <u>2012</u> |
|--|------------------|-------------------|
| Gross unconditional promises to give | \$ 112,964 | \$ 119,193 |
| Less gross allowance for doubtful accounts | (20,000) | (5,960) |
| Less unamortized discounts | <u>(4,577)</u> | <u>(8,483)</u> |
| Net unconditional promises to give | <u>\$ 88,387</u> | <u>\$ 104,750</u> |

These gross amounts are expected to be collected as follows:

Year ended June 30th

| | |
|-------|-------------------|
| 2014 | \$ 44,821 |
| 2015 | 25,281 |
| 2016 | 16,229 |
| 2017 | 13,840 |
| 2018 | <u>12,793</u> |
| Total | <u>\$ 112,964</u> |

An annual rate of three percent was used to discount unconditional promises to give expected to be collected at June 30, 2013.

Note 4 — Marketable Equity Securities

Marketable securities at June 30, 2013 consisted principally of mutual fund investments which are tradable in active markets and are stated at their market values.

Note 5 — Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following or are available for the following purposes as of June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|---------------------|-------------------|
| Ongoing capital campaign | \$ 180,315 | \$ 176,399 |
| Scholarships | 103,624 | 74,233 |
| Endowments | 15,354 | (6,481) |
| Aquatics Center Allocation | 1,000,000 | - |
| Grants | 167,109 | 55,500 |
| Board restricted | 39,267 | 39,267 |
| Other | 48 | 48 |
| Totals | <u>\$ 1,505,717</u> | <u>\$ 338,966</u> |

Note 6 — Related Party Transactions

New River provides facilities, furniture, fixtures and equipment which are used by the Organization. The value of the usage of these items has not been recorded in the accompanying financial statements, as there is no objective basis to determine this value.

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization as well as supplies and other operational needs. These are recorded as contributed services and supplies revenue and contributed salaries, wages, payroll taxes and employee benefits and supplies and operating expenses in the accompanying statements of activities. The total amount of the services, supplies and operating expenses provided were \$127,185 and \$142,392 for the years ended June 30, 2013 and 2012, respectively.

Note 7 — Endowments and Permanently Restricted Net Assets

Substantially all of permanently restricted net assets are made up of endowments. Endowments consist of thirty-four individual funds established for a variety of specific purposes. These represent entirely donor-restricted endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (WVUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by WVUPMIFA.

In accordance with WVUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization.

These permanently restricted scholarship funds are largely held and invested by the Greater Greenbrier Valley Community Foundation, Inc. in the form of Donor Designated Sub-Fund Agreements (**See Note 2**). Only the distributions/disbursements received from GGVCF for these funds have been used to pay scholarships during the year, which management believes have been determined in accordance with the provisions of the WVUPMIFA.

Note 7 — Endowments and Permanently Restricted Net Assets (continued)

The endowment net assets consisted of the following types of funds as of June 30, 2013 and 2012:

| <u>June 30, 2013</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Donor restricted endowment funds | \$ <u>15,354</u> | \$ <u>1,202,698</u> |
| | | |
| <u>June 30, 2012</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
| Donor restricted endowment funds | \$ <u>(6,481)</u> | \$ <u>1,180,086</u> |

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Endowment net assets, June 30, 2011 | \$ <u>(5,064)</u> | \$ <u>1,090,270</u> |
| Contributions | - | 95,075 |
| Investment return: | | |
| Interest and dividends | 24,558 | - |
| Net realized and unrealized gains | 6,847 | (5,259) |
| Bank and investment fees | <u>(13,997)</u> | <u>-</u> |
| Total additions | <u>17,408</u> | <u>89,816</u> |
| | | |
| Scholarship awards | 13,230 | - |
| Transfer of net assets | <u>5,595</u> | <u>-</u> |
| Total reductions | <u>18,825</u> | <u>-</u> |
| Endowment net assets, June 30, 2012 | <u>(6,481)</u> | <u>1,180,086</u> |
| | | |
| Contributions | - | 22,612 |
| Investment return: | | |
| Interest and dividends | 28,047 | - |
| Net realized and unrealized gains | 51,208 | - |
| Bank and investment fees | <u>(13,514)</u> | <u>-</u> |
| Total additions | <u>65,741</u> | <u>-</u> |
| | | |
| Scholarship awards | <u>43,906</u> | <u>-</u> |
| Endowment net assets, June 30, 2013 | <u>\$ 15,354</u> | <u>\$ 1,202,698</u> |

Note 7 — Endowments and Permanently Restricted Net Assets (continued)

From time to time and the fair value of assets associated with individual donor restricted endowment funds have fallen below the level that the individual donor or WVUPMIFA requires the Organization to retain as a fund of perpetual duration, these are remedied in the normal course of business.

Note 8 — Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer as liability in an orderly transaction between market participants at the measurement date. Generally Accepted Accounting Principles (GAAP) require the Organization to disclose fair value of all financial instruments for which it is practicable to estimate fair value, including those which are not reported at fair value in the statements of financial position. At June 30, 2013 and 2012, the fair values of all financial instruments were substantially equal to the carrying values.

The carrying value of certain financial assets and liabilities such as cash, cash equivalents, miscellaneous receivables and deposits, prepaid expenses, accounts payable, accrued expenses, scholarships payable is a reasonable estimate of fair value due to the short term nature of these instruments. Following is a description of the techniques used for the fair values of all other financial instruments. There have been no changes in the techniques used during the year ended June 30, 2013 and 2012.

Beneficial Interest in Assets Held by Community Foundation: This is determined by the community foundation based on the Organization's representative share of the underlying investment assets of the community foundation (See Note 2).

Marketable investments: This is determined based on quoted market prices based in active markets.

Financial Instruments Recorded at Fair Value

For financial instruments recorded at fair value on a recurring basis, GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument'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 measurements.

The inputs are summarized in the three broad levels listed below:

- **Level 1:** Unadjusted quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- **Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

Note 8 — Fair Value Measurements (continued)

The estimated fair value amounts of financial instruments have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

**Fair Value Measurement at Reporting
Date of June 30, 2013 Using**

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|--------------|--|---|
| Marketable investments | \$ 220,784 | \$ 220,784 | \$ - |
| Beneficial interest in assets held by community foundation | \$ 1,007,442 | \$ - | \$ 1,007,442 |

**Fair Value Measurement at Reporting
Date of June 30, 2012 Using**

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|------------|--|---|
| Beneficial interest in assets held by community foundation | \$ 982,450 | \$ - | \$ 982,450 |

Note 9 — Transfer Between Net Asset Classifications

During the year ended June 30, 2009 certain endowment funds that were and currently are permanently restricted as to their usage incurred investment losses and payment of scholarship awards that caused the funds to infringe upon the original corpus (defined as being the accumulated contributions to these permanently restricted funds) (i.e. original gift value) of the fund (“underwater funds”). In accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205-45-28, “Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure”, transfers of net assets sufficient to restore these funds to their original corpus were made from the unrestricted net asset classification. This reclassification of net assets for the year ended June 30, 2009 amounted to \$181,382.

During the year ended 2012 sufficient earnings occurred in these endowment funds to allow for a transfer back to unrestricted net assets a portion of the \$181,382 amount noted above. This was accomplished without impinging upon the original corpus of the respective endowment funds and amounted to \$5,595 for the year ended 2012. This is presented in the accompanying 2012 statement of activities as, “Transfer between net asset classifications, resulting from recoupment of 2009 year underwater funds transfer”. The remainder of \$70,088 will be transferred in future accounting periods as earnings in these endowments allow, without restricting scholarship awards from these endowments.

Note 10 — Title III Grant

During the years ended June 30, 2013 and 2012 the Organization received \$115,000 and \$55,500, respectively in the form of a grant from United States Department of Education under the Title III program, which is officially known as the “English Language Acquisition, Language Enhancement and Academic Achievement Act. The purpose of this grant is to allow for the establishment of an endowment with a specified term of twenty years. The corpus and earnings of this “quasi endowment” are to be used for the professional development of the faculty at New River. The terms of this grant require the Organization to do the following:

- Receive grants which are expected to total \$170,500 and raise matching funds of an equal amount.
- Invest the grant and matching amounts in certain low risk segregated investment assets.
- During the twenty year grant period, one-half of the investment earnings may be used for the purposes of the grant summarized above. The remainder of investment earnings will be utilized to add to the quasi endowed fund.
- At the end of the twenty year grant period the entire corpus and residual earnings may be used for the purposes of the grant as summarized above.

The endowed component of these amounts along with the applicable investment earnings are and will be reflected as a component of temporarily restricted net assets due to the non permanent nature of the grantor restrictions.

Note 11 — Building Lease Purchase and Related Party Lease

Lease Purchase

On February 18, 2013 the Organization entered into a lease purchase agreement with the Board of Education of Greenbrier County, West Virginia (**the Board**) for certain real property located on North Lee Street, Lewisburg, West Virginia (formerly the Lewisburg Elementary School). The property consists of 4.725 acres of land along with 6 buildings having 79,600 square feet of space. The lease calls for the purchase of the subject property by payments to the Board of four annual installments of \$100,000 each, which commenced May 11, 2013 and ceases May 1, 2016. Upon full payment the subject property becomes the property of the Organization. During the term of the lease, the Organization is responsible for all expenses related to its upkeep, such as, but not limited to insurance, utilities, maintenance, repairs and any renovations. Events of default related to this agreement principally relate to nonpayment of lease installments. Remedy of this is the reversion of the property back to the Board.

There is no stated interest rate in this agreement. However, an implied interest rate of 4% has been used to determine the present value of the future lease payments. This present value amounts to \$374,554 and is bifurcated into land having a cost of \$66,808 and buildings having a cost of \$307,746. Interest expense recognized for this lease amounts to \$4,780 for the year ended June 30, 2013 and is reflected in the accompanying statement of activities.

Related Party Lease

Concurrent with the signing of the above disclosed lease purchase the Organization entered into an agreement to lease the identical property to New River (a related party). This is done in consideration for four equal annual lease payments of \$90,000 commencing May 1, 2013 and ending May 1, 2016. The annual lease term begins each February 15th and ends each February 14th. Rental revenue related to this arrangement amounts to \$33,288 for the year ended June 30, 2013, as reflected in the accompanying statement of activities.

New River is responsible for all expenses related to the property such as, but not limited to insurance utilities, maintenance and renovations. This lease is cancellable by New River should the Federal government or State of West Virginia fail to appropriate funds to sustain the facility/property or it is determined unlawful to maintain such as facility on leased premises. Further, the lease is cancellable upon thirty days written notice by New River. New River has the option to renew this lease for two additional one year terms in consideration for annual lease payments of \$90,000, plus escalations not to exceed 5% per annum.

Note 12 — Allocation to Capital Campaign by Greenbrier County (West Virginia) Commission and Related Uncertainty

On January 21, 2010, a Contract of Lease was entered into between New River Community and Technical College Board of Governors and Greenbrier County Commission (the Commission) and New River for the renovation of the swimming pool located at the Student Activities Building (the “Fine Arts & Aquatic Center”) of the Greenbrier Valley Campus of New River. The lease provides that the Commission intends to use the premises as a community swimming pool.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**Note 12 — Donations to Capital Campaign by Greenbrier County (West Virginia) Commission and Related Uncertainty (continued)**

On November 13, 2012, the Commission met and approved transferring \$1,000,000 from its savings account to its checking account and designated for the Fine Arts & Aquatic Center at New River for the construction of the swimming pool. A check for \$1,000,000 was issued by the Commission on November 28, 2012 payable to the Organization. On December 6, 2012 another check in the amount \$300,000 was issued to the Organization by the Commission. All such funds received were directed from the Greenbrier County Hotel/Motel Tax Revenue Fund.

During the 1st quarter of 2013 certain Greenbrier County residents petitioned in the Circuit Court of Greenbrier County for a writ of mandamus (a writ of mandamus is an order from a court of a public authority to do or forbear from doing some specific act which that body is obliged to do or refrain from doing) regarding the actions taken by the Commission in granting at total of \$1,300,000 to the Organization. In doing so, the petitioners asked the Court to rule as unlawful the granting of the funds to the Organization on various grounds.

In a ruling by the presiding Judge dated June 27, 2013 a revised writ of mandamus was granted. No ruling concerning the disposition of the \$1,300,000 was made. In a letter dated July 10, 2013, addressed to the President of New River the Greenbrier County Prosecuting Attorney, acting as legal counsel for the Commission addressed two primary issues as follows:

- 1) Cancellation of the lease dated January 1, 2010, and
- 2) Demand of return of the \$1,300,000 granted to the Organization.

In a letter dated July 17, 2013, the State of West Virginia Office of the Attorney General, acting as legal counsel for New River responded to the letter of July, 10, 2013. In this letter counsel for New River points out that New River was approached by the Commission to develop the Fine Arts & Aquatic Center for the purposes of a swimming pool and that the Commission was in no way required to use funds that were eventually determined to be unlawfully disbursed. Further, it was pointed out that NRCTC was not allowed to be a party to the original litigation and as such the disposition of the funds has not been appropriately adjudicated. In this letter mediation is proposed as a remedy to the issue.

In a Commission meeting dated August 30, 2013, the Commission rejected the offer of mediation and renewed its demand for the return of the funds.

In a Board of Directors meeting of the Organization on September 26, 2013 the remittance of \$300,000 of the funds in question back to the Commission was approved. No decision regarding the remaining \$1,000,000 was made at that time.

The outcome of this issue is uncertain; however the position of the Organization is that the funds were received lawfully as a component of the ongoing "Capital Campaign" for the benefit of New River. As a result, \$1,000,000 is reflected in the 2013 statement of activities as a temporarily restricted receipt entitled Allocation from Greenbrier County Commission. Correspondingly, this amount is reflected as component of temporarily restricted net assets in the accompanying 2013 statement of financial position. The \$300,000 is reflected as liability in the accompanying 2013 statement of financial position entitled Amount Due Greenbrier County Commission.

**NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

| | 2013 | | | | | | | |
|-------------------------------------|--------------------------------------|---------------------|--------------------------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|----------------------|
| | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by Commission | Total |
| Instruction | \$ 5,039,776 | \$ 1,038,319 | \$ 1,999,147 | \$ 133,374 | \$ - | \$ - | \$ - | \$ 8,210,616 |
| Academic support | 534,934 | 126,103 | 667,077 | 49 | - | - | - | 1,328,163 |
| Student services | 923,160 | 271,466 | 173,540 | 6,888 | - | - | - | 1,375,054 |
| General institutional support | 2,455,605 | 697,904 | 852,630 | 9,031 | - | - | - | 4,015,170 |
| Operations and maintenance of plant | 708,405 | 167,701 | 1,415,293 | 201,195 | - | - | - | 2,492,594 |
| Student financial aid | - | - | - | - | 3,799,195 | - | - | 3,799,195 |
| Depreciation | - | - | - | - | - | 641,352 | - | 641,352 |
| Other | - | - | - | - | - | - | 81,466 | 81,466 |
| Total | \$ 9,661,880 | \$ 2,301,493 | \$ 5,107,687 | \$ 350,537 | \$ 3,799,195 | \$ 641,352 | \$ 81,466 | \$ 21,943,610 |
| | | 2012 | | | | | | |
| | Supplies and Other Services | | | | | | | |
| | Salaries and Wages | Benefits | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by Commission | Total | |
| Instruction | \$ 4,138,216 | \$ 825,663 | \$ 2,733,905 | \$ 86,716 | \$ - | \$ - | \$ 7,784,500 | |
| Academic support | 569,282 | 121,646 | 461,371 | - | - | - | 1,152,299 | |
| Student services | 876,221 | 221,478 | 218,462 | 2,077 | - | - | 1,318,238 | |
| General institutional support | 2,218,938 | 1,279,452 | 718,990 | 8,644 | - | - | 4,226,024 | |
| Operations and maintenance of plant | 594,593 | 152,505 | 1,380,802 | 204,467 | - | - | 2,332,367 | |
| Student financial aid | - | - | - | - | 3,920,618 | - | 3,920,618 | |
| Depreciation | - | - | - | - | 592,881 | - | 592,881 | |
| Other | - | - | - | - | - | 80,503 | 80,503 | |
| Total | \$ 8,397,250 | \$ 2,600,744 | \$ 5,513,530 | \$ 301,904 | \$ 3,920,618 | \$ 592,881 | \$ 80,503 | \$ 21,407,430 |

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

Board of Governors
New River Community and Technical College
Beckley, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New River Community and Technical College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 28, 2013, which states reliance on other auditors for the discretely presented component unit. Our report includes a reference to other auditors who audited the financial statements of The New River Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the 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. The financial statements of The New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Charleston, West Virginia
October 28, 2013

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

56

2013-01 FINANCIAL REPORTING

| | |
|---|---|
| Criteria: | Management of the College is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. The College is also responsible for having a financial management system in place to account for the receipt and expenditure of grant and other funds, prepare accurate financial reports and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner. |
| Condition: | As noted in the prior year, several accounts in the general ledger required material adjustments to reconcile to supporting documentation. |
| Context: | Total assets, liabilities, operating revenues, operating expenses and non-operating revenues of the College are \$20.8 million, \$5.8 million, \$7.9 million, \$21.9 million, and \$13.1 million, respectively. The impact of audit adjustments to assets, liabilities, operating revenues, operating expenses and non-operating revenues was \$0.01 million, \$0.1 million, \$3.2 million, \$4.3 million and \$1.1 million, respectively. |
| Cause: | Inaccuracies in the reports generated from Banner for the fiscal year 2013 trial balance resulted in material adjustments to the financial statements. |
| Effect: | The financial statement required material audit adjustments in order to be presented in accordance with Generally Accepted Accounting Principles (GAAP). |
| Recommendation: | We recommend that management review the daily accounting functions, staffing, and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that the accounting system is posted in a timely manner, account reconciliations are prepared and reviewed in a timely manner and supporting schedules are maintained for all account balances. We further recommend that management prepare quarterly financial statements in accordance with GAAP to ensure that any issues with account mapping in the Banner system are addressed during the year and do not result in delays in the yearend audit process. |
| Views of Responsible Officials and Planned Corrective Actions: | The College is continuously working to improve the preparation of the financial statement audit and daily procedures. The finance staff continues to work with West Virginia Network (WVNET) to finalize the mapping of Banner to improve the ability to pull all of the financial data needed for the audit. The finance staff has also contacted and scheduled an appointment with Ellucian, the Banner headquarters, in order to expedite and finalize the complete mapping of Banner. |