GLENVILLE STATE COLLEGE

Glenville, West Virginia

Combined Financial Statements and
Additional Information for the Years
Ended June 30, 2011 and 2010 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Glenville State College ("the College"), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the College's management. Our responsibility is to express opinion on these combined financial statements based on our audits. We did not audit the financial statements of Glenville State College Foundation, Inc., which represents the only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the 2011 and 2010 amounts included for Glenville State College Foundation, Inc. is based on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to previously present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2011 and 2010, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

November 17, 2011

Financial Highlights

Current and non-current assets decreased while capital and total assets both reflected substantial increases. Operating, non-operating, and total revenues each increased as did related espenditures. Current liabilities decreased due to the conversion of the construction loan for the renovation of the Morris Criminal Justice Training Center to monthly payments of principal and interest. Non-current liabilities increased due to the loan for the construction of Goodwin Hall. The College continued to receive significant funding through various operational and research grants.

Combined Statement of Net Assets

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

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

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

Combined Statements of Net Assets
For the Years Ended June 30, 2011, 2010 and 2009

Assets:	2011	2010	2009	% Change
Current assets	$ 4,760,731	$ 5,148,587	$ 5,585,294	(7.53%)
Non-current assets	4,724,343	4,646,346	1,678,541	1.68%
Capital assets, net	61,662,637	51,794,739	34,477,094	19.05%
Total Assets	$ 71,147,711	$ 61,589,672	$ 41,740,929	15.52%
Liabilities				
Current Liabilities	$ 3,312,825	$ 4,128,069	$ 2,805,855	(19.75%)
Non-current Liabilities	43,363,061	31,340,157	12,017,658	38.36%
Total Liabilities	$ 46,675,886	$ 35,468,226	$	

Net Assets (Deficit)				
Invested in capital assets, net of related debt	$ 22,760,677	$ 23,441,533	22,163,043	(2.90%)
Restricted – expendable	3,495,486	3,755,881	2,248,406	(6.93%)
Unrestricted	(1,784,338)	(1,075,968)	2,505,967	(65.84%)
Total Net Assets	$ 24,471,825	$ 26,121,446	$ 26,917,416	(6.32%)
Total Liabilities and Net Assets	$ 71,147,711	$61,589,672	$ 41,740,929	15.52%

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was 1.44, 1.25, and 2.0 as of June 30, 2011, 2010, and 2009, respectively. These indicate that the College has sufficient available resources to meet its current obligations.

Significant Changes in Net Assets

At June 30, 2011, the College's total net assets decre

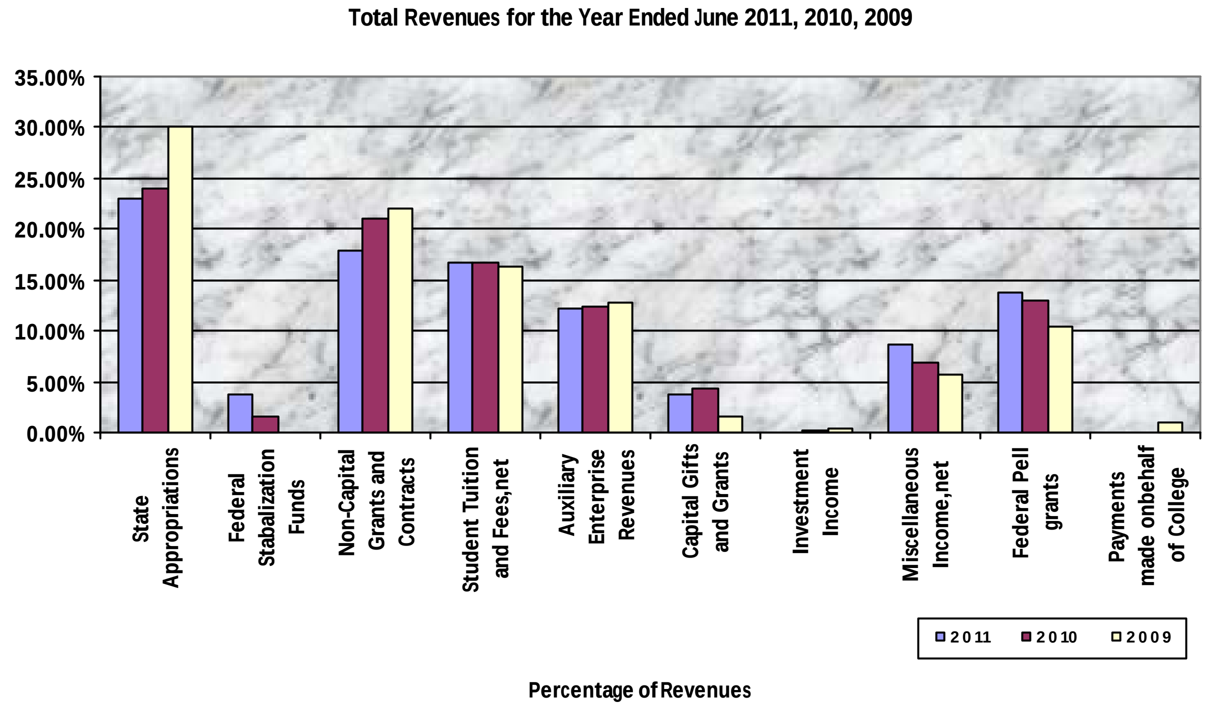
Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011, 2010, and 2009

	2011	2010	2009	% Change
Operating revenues	$ 14,867,897	$ 14,421,354	$12,734,211	3.10%
Operating expenses	27,187,513	25,424,891	21,372,651	6.93 %
Operating loss	(12,319,616)	(11,003,537)	(8,638,440)	11.96%
Non-operating Revenues	10,905,190	9,775,310	9,362,760	11.56%
Non-operating Expenses	1,247,495	643,934	660,069	93.73%
Net Non-operating revenues	9,657,695	9,131,376	8,702,691	5.76%
(Loss) income before other revenues, expenses, gains or losses	(2,661,921)	(1,872,161)	64,251	(42.18%)
Capital Projects Proceeds	1,012,300	406,191	344,714	149.22%
Capital Gifts and Grants		670,000		(100.00%)
Increase in net assets	(1,649,621)	(795,970)	408,965	(107.25%)
Net assets, beginning of year	26,121,446	26,917,416	26,508,451	(2.96%)
Net assets, end of year	$24,471,825	$26,121,446	$26,917,416	(6.32%)

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

Revenues:

	2011	2010	2009	% Change
Program revenues (by major source)				
Tuition & fees before allowances	$ 7,190,265	$ 6,808,393	$ 5,964,828	5.61%
Less: scholarship discounts & allowances	(2,701,070)	(2,563,535)	(2,297,790)	5.37%
Research grants & contracts	4,769,068	5,296,984	4,952,272	(9.97%)
Auxiliary enterprise sales & services, net	3,288,609	3,115,340	2,850,181	5.56%
Miscellaneous	2,321,025	1,764,172	1,264,720	31.56%
General revenues (by major source)				
State appropriations	6,174,510	6,051,935	6,739,617	2.03%
Federal Stabilization Funds	514,639	412,682		24.71%
Federal ARRA Funds	500,000			100.00%
Federal Pell grants	3,698,039	3,281,699	2,347,617	12.69%
Payments on behalf of College			201,132	
Investment income	18,002	28,994	74,394	(37.91%)
Capital grants and gifts	1,012,300	1,076,191	344,714	(5.94%)
Total Revenues	$ 26,785,387	$ 25,272,855	$ 22,441,685	5.98%



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

Student tuition and fees (net of scholarship allowance) made up 30.19% of the College's operating revenues and 16.76% of total revenues. Tuition and fee revenues increased over the previous year as a result of resident and non-resident tuition and fee increases of 0.00% and 2.55%, respectively.

Other revenues such as contracts and grants, auxiliary enterprise revenue, interest on loans receivable, and miscellaneous revenues comprised 56.34%, 57.52%, and 52.40% of the College's total revenues in FY 2011, FY 2010 and FY 2009, respectively. FY 2011 grant awards included receipts of $231,688 from the US Department of Education for the fourth year of the TRIO grant program, $639,816 from NASA for the fourth year of a $3,700,000 program grant to promote the STEM initiatives, $42,723 from the US Department of Justice as part of a $716,661 Criminal Justice program grant, $31,482 from the Department of Justice as part of a $178,870 Criminal Justice Recidivism Grant, $378,650 from the Department of Justice on a third Criminal Justice Grant, and $1,552,912 in West Virginia Higher Education scholarship programs. Federal Revenues, non-operating, consists of $3,698,039 in PELL Grants received and distributed for student financial aid and made up 13.81% of the College's total revenues.

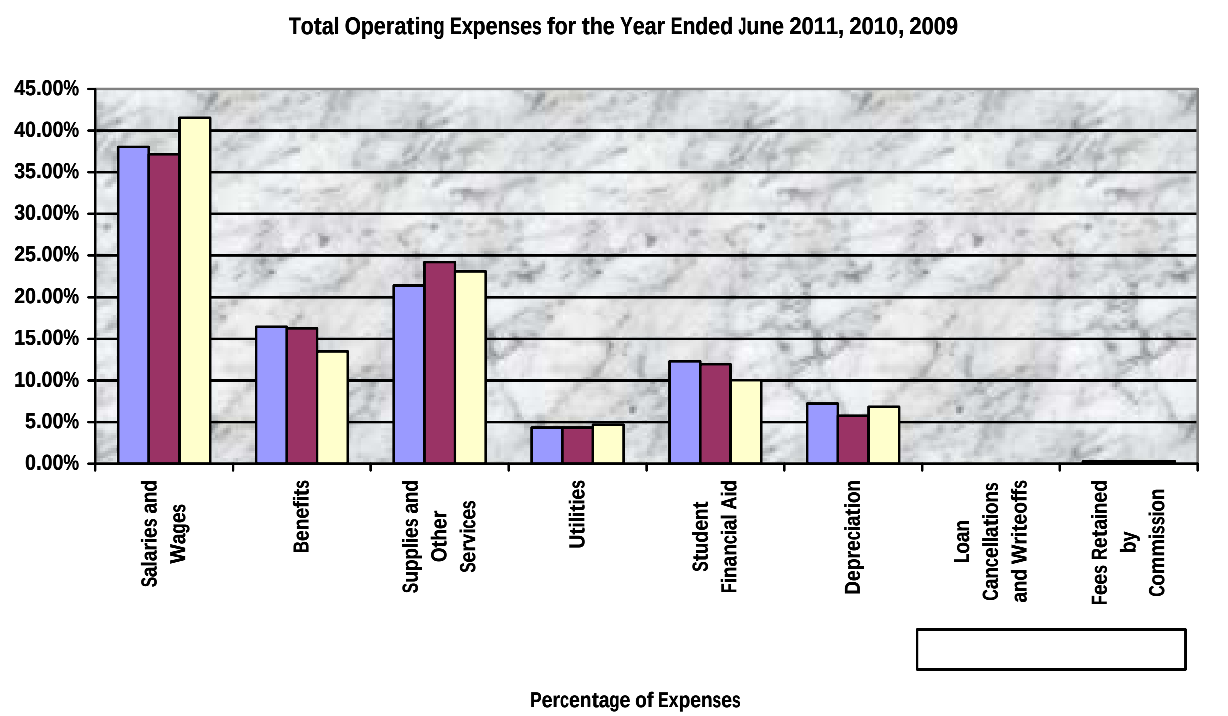
State appropriated general revenue funds in the amount of $6,174,510 and Federal Stabilization Funds of $514,639 accounted for 27.94% of total revenues in FY 2011 compared to 25.58% in FY2010 and 30.03% in FY 2009. These appropriations are used to pay salaries and benefits in support of the operations of the College.

Investment income decreased by $10,992 or 37% from FY2010 to FY2011. This revenue source made up 0.07%of total revenues in FY 2011 compared to 0.11% in FY2010 and 0.33% in FY 2009. The College participates in the investment pool managed by the State.

Operating and Non-operating Expenses:

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

	2011	2010	2009	% Change
Salaries and wages	$ 10,343,177	$ 9,453,333	$ 8,879,530	9.41%
Benefits	4,471,059	4,136,022	2,879,452	8.10%
Supplies and other services	5,819,632	6,158,938	4,940,212	(5.51%)
Utilities	1,185,748	1,102,219	1,004,430	7.58%
Student financial aid, scholarships and fellowships	3,339,345	3,042,575	2,141,967	9.75%
Depreciation	1,959,465	1,465,842	1,464,231	33.68%
Loan cancellations and write-offs	730	112	1,704	551.79%
Fees retained by Commission for operations	68,357	65,850	61,125	3.81%
Total Operating Expenses	$ 27,187,513	$25,424,891	$21,372,651	6.93%



Scholarship and fellowship expenses increased $296,770 or 9.75% from FY 2010 and 55.90% from FY2009. They represented 12.28%, 11.97% and 10.02% of the total operating expenses in FY 2011, FY 2010, and FY 2009, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $1,233,412, fees assessed by the HEPC for system-wide debt service $11,016 and $3,067 in bank financing costs.

Combined Statements of Cash Flows

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

The Statement of Cash Flows is divided into five parts:

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

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

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

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

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

Combined Statements of Cash Flows
For the Years Ended June 30, 2011, 2010, and 2009

	2011	2010	2009	% Change
Cash provided by (used in):				
Operating activities	$ (8,720,665)	$ (8,305,041)	$ (6,368,895)	(5.00%)
Non capital financing activities10	10,723,402	10,005,183	8,828,367	7.18%
Capital financing activities	(2,605,894)	(2,120,551)	(2,208,100)	(22.89 %)
Investing activities	18,500	29,204	84,233	(36.65%)
(Decrease) increase in cash and cash equivalents	(584,657)	(391,205)	335,605	(49.45 %)
Cash and cash equivalents, beginning of year	4,437,929	4,829,134	4,493,529	(8.10%)
Cash and cash equivalents, end of year	$ 3,853,272	$ 4,437,929	$ 4,829,134	(13.17 %)

Capital Asset and Debt Administration

The College had capital asset additions of $11,827,$18,784,206, and $2,355,405 for the years ended June 30, 2011, 2010, and 2009, respectively. The FY2011 additions were funded by federal ARRA funds, capital project proceeds from the Higher Education Policy Commission, and revenue bond proceeds. More detailed data is available in the accompanying footnote 5 of the combined financial statements.

- In FY2011, the College completed the following capital projects: renovation of the Morris Criminal Justice Training Center, construction of Goodwin Hall, a new 484 bed residence hall facility, a $500k upgrade to campus HVAC system and controls, and a new roof on the Fine Arts building.
- In FY2010, the College replaced the PBX with a VOIP telephone system. The Glenville State College Housing Corporation was gifted a 40,000 square foot manufacturing facility and secured a $1,486,983 bank loan to renovate the building as the Morris Criminal Justice Training Center and secured a $25,500,000 loan for the construction of a new student residence hall facility.
- In FY2009, the College constructed an elevator in the Physical Education Building and the Glenville State College Housing Corporation secured a $635,000 bank loan to purchase the Conrad Motel.

Economic Outlook

The management of Glenville State College continues to be optimistic about the fiscal outlook of the institution. Student enrollment continues to grow, revenues reflect a steady increase, and capital asset growth continues.

The College's increased student enrollment, 1840 for the Fall 2011 semester, is the result of expanded in-state and out-of-state recruitment.

- In-state, the College has targeted first-generation college students who – because this cohort are less likely to attend college – constitute a significant market in West Virginia. West Virginia has one of the lower college-going rates in the nation and, consequently, ranks among the lowest in degree-attainment. The College's signature program, the Hidden Promise Consortium, is an innovative collaboration between the College and 20 central West Virginia school districts committed to increasing the college-going rates of high school graduates. Mentoring specially-selected first generation students from the eighth grade through high school graduation has resulted in a total Fall 2011 enrollment of more than 101 Hidden Promise Scholars, students not obviously predicted for college enrollment.
- The College has also initiated a College Completion Center with a staff of four who, in cooperation with college faculty, offer mentoring and support services to increase student retention.
- Out-of-state enrollment from counties neighboring West Virginia continues to increase as a result of the Metro Fee, reduced out-of-state tuition, implemented in Fall 2009. In addition, the Board of Governors recently approved a new scholarship program targeted toward out-of-state first generation students.

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

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

Goodwin Hall, a $25 million 484 bed residence hall located on campus, was completed and fully operational for the Spring 2011 semester. This modern residence hall facility offers students private and semi private rooms with many of the comforts of home.

The College has expanded a subgrant arrangement with National Geographic and the JASON Project into a partnership that offers innovative materials and instruction to increase middle school student science aptitudes and interests. July 2011 marked the opening of the Center for Criminal Justice Studies and the Glenville State College Small Business Development Center. The Center for Criminal Justice Studies includes forensic training laboratories for Glenville State criminal justice students and law enforcement professionals from across the state. The Small Business Development Center, located at 10 Ea12(treet,d)8.7(. .lfd61o6[(e m)8(417ae-274Sta6de-27

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES:		
Accounts payable	$ 1,279,839	$ 845,841
Accrued liabilities	934,873	828,598
Due to the Commission	1,401	7,066
Compensated absences—current portion	345,804	338,163
Deferred revenue	132,281	108,919
Total bonds, capital leases, and notes payable—current portion	503,392	1,807,586
Higher Education Policy Commission debt payable—current portion	115,235	191,896
Total current liabilities	3,312,825	4,128,069
NONCURRENT LIABILITIES (Note 6)	43,363,061	31,340,157
Total liabilities	46,675,886	35,468,226
NET ASSETS:		
Invested in capital assets—net of related debt	22,760,677	23,441,533
Restricted for:		
Loans	57,268	23,524
Capital projects	1,024,222	1,074,286
Debt service	1,806,996	2,169,537
Other	607,000	488,534
Unrestricted	(1,784,338)	(1,075,968)
Total net assets	24,471,825	26,121,446
TOTAL LIABILITIES AND NET ASSETS	$ 71,147,711	$ 61,589,672

See notes to combined financial statements. (Concluded)

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

ASSETS	2011	2010
ASSETS:		
Cash	$ 84,855	$ 139,926
Investments	11,988,633	10,571,685
Unconditional promises to give—net of allowance for uncollectible promises of $0 and $0	651,823	692,781
Other current assets		9,006
Investment in capital assets	19,475	32,578
Land and other assets held for investment	703,914	703,914
TOTAL ASSETS	$ 13,448,700	$ 12,149,890

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 26,135	$ 30,232
Notes payable—current portion	9,331	8,033
Total current liabilities	35,466	38,265
NONCURRENT LIABILITIES		9,312
Total liabilities	35,466	47,577
NET ASSETS:		
Unrestricted	798,780	546,894
Temporarily restricted	919,864	25,698
Permanently restricted	11,694,	

GLENVILLE STATE COLLEGE

THE GLENVILLE STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF GLENVILLE STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Grants and donations	$ 83,714	$ 505,955	$ 184,858	$ 774,527
Administration fee	227,928			227,928
Investment income	374,584	1,129,671	2,026	1,506,281
Total revenues, gain and other support	686,226	1,635,626	186,884	2,508,736
EXPENSES:				
Program services	107,722	494,013	68,079	669,814
Management and general	232,780	250,947	436	484,163
Fundraising	13,188			13,188
Professional fees	17,547			17,547
Depreciation	13,103			13,103
Total expenses	384,340	744,960	68,515	1,197,815
CHANGE IN NET ASSETS	301,886	890,666	118,369	1,310,921
TRANSFERS	(50,000)	3,500	46,500	
NET ASSETS—Beginning of year	546,894	25,698	11,529,721	12,102,313
NET ASSETS—End of year	$ 798,780	$ 919,864	$ 11,694,590	$ 13,413,234

GLENVILLE STATE COLLEGE

GLENVILLE STATE COLLEGE

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 4,031,970	$ 4,187,503
Contracts and grants	5,013,617	5,171,834
Payments to and on behalf of employees	(13,065,082)	(11,979,843)
Payments to suppliers	(5,897,527)	

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (12,319,616)	$ (11,003,537)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	1,959,465	1,465,842
Payments made on behalf of College		
Changes in assets and liabilities:		
Accounts receivable—net	(233,172)	(161,267)
Loans to students—net	463	(185)
Prepaid expenses	39,116	(78,232)
Inventories	12,374	26,108
Accounts payable	60,294	(56,796)
Accrued liabilities and due to the Commission	83,633	(7,233)
Compensated absences	1,653,416	1,536,023
Deferred revenue	23,362	(25,764)
NET CASH USED IN OPERATING ACTIVITIES	$ (8,720,665)	$ (8,305,041)
NONCASH TRANSACTIONS:		
Accretion of bond discount into bonds payable	$ 1,519	$ 1,519
Deferred Financing Costs	$ 12,773	$ 1,067

See notes to combined financial statements. (Concluded)

GLENVILLE STATE COLLEGE

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of

Reporting Entity—The College is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The College is a separate entity which, along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing), and West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying combined financial statements present all funds under the authority of the College, including its blended component units, Glenville

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

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

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

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

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts three of which the Commission may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussi

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

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.

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

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

Federal Financial Assistance Programs—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions such as the College. Direct student loan receivables are not included in the College's balance sheets as the loans are repayable directly to the U.S. Department of Education. In 2011 and 2010, the College received and disbursed $7,185,992 and $6,704,456, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Academic Competitiveness Grant, National Science and Mathematics Access to Retain Talent "SMART" Grant, and Teacher Education Assistance for College and Higher Education "TEACH" Grant, Supplemental Educational Opportunity Grant and College, and Work Study programs. The activity of these programs is recorded in the accompanying combined financial statements. In 2011 and 2010, the College received and disbursed approximately $3,879,336 and $3,572,573, respectively, under these federal student aid programs.

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

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

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

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

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

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

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

Reclassifications — Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 classifications.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board —

reporting guidance included in the FASB and ACIPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The college has not yet determined the effect that the adoption of GASB Statement No. 62 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective for fiscal years beginning after December 15, 2011. 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 financial position and ru[pr0007 [illegible]

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

The combined carrying amount of cash in the bank was $383,736 and $207,722, as compared with the combined bank balance of $483,476 and $492,027 at June 30, 2011 and 2010, 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, interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest bearing accounts are 100% insured through December 31, 2012.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2011 and 2010, are comprised of the following investment pools:

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

WV Money Market 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, 2011 and 2010, 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, 2011 and 2010, the WV Money Market Pool investments had a total carrying value of $3,018,560,000 and $2,876,711,000, respectively, of which the College's ownership represents 0.14% and 0.17%, respectively.

WV Government Money Market Pool — Credit Risk — For the years ended June 30, 2011 and 2010, the WV Government Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2011 and 2010, the WV Government Money Market Pool investments had a total carrying value of $262,692,000 and $221,183,000, respectively, of which the College's ownership represents 0.01% and 0.02%, respectively.

WV Short Term Bond Pool:

Credit Risk

At June 30, 2011 and 2010, the Co

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

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2011 and 2010:

	2011	2010
Student tuition and fees, net of allowance for doubtful accounts of $1,168,239 and $987,226, respectively	$ 230,169	$ 219,092
Due from Primary Government	163,786	9,753
Due from other State agencies	25,444	11,611
Due from Federal Government	54,291	245,849
Other accounts receivable, net of allowance for doubtful accounts of $303,639 and $0, respectively	329,729	85,175
	$ 803,419	$ 571,480

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2011 and 2010:

	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 968,501	$ 7,931	$ -	$	$ 976,432
Construction In Progress	15,618,580				

		Beginning Balance		Additions		Reductions		Transfer		Ending Balance
Capital assets not being depreciated:										
Land	$	776,865	$	191,636	$	-	$	-	$	968,501

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2011 and 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable net of discount,					

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2011 and 2010:

	Interest Rate	Annual Principal Installment Due	2011 Principal Amount Outstanding	2010 Principal Amount Outstanding
Student Housing Bonds:				
Series 2000 A, mature various dates through October 1, 2030	5.3% to 6.2%		$	$ 4,310,000
Less: Discount			-	30,764
Total Series 2000 A bonds			-	4,279,236
Series 2011 A, mature various dates through October 1, 2030	1.50% to 5.25%	$20,000 to $325,000	4,245,000	-
Series 2011 B, due October 1, 2012	4.50%	60,000	60,000	-
Less: reacquisition costs of Series 2000 A bonds			115,245	-
Total Sudent Housing Bonds:			4,189,755	4,279,236
Campus Community Center Bonds:				
Series 2006, interest rate reset at November 1, 2016	4.30%	53,691	1,264,105	1,320,497
Science Building Bonds				
Series 2007, interest rate reset at October 1, 2017	4.68%	72,200	3,844,517	3,916,597
Goodwin Hall Bonds Series 2009, due through 2040	68 % of 1 Month LIBOR plus 1.63%	8,479 to 131,400	25,500,000	16,603,802
Total bonds payable			$ 34,798,377	$ 26,120,132

Future debt service requirements to maturity for the revenue bonds at June 30, 2011, are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 255,758	$ 1,487,686	$ 1,743,444
2013	674,391	1,496,147	2,170,538
2014	742,270	1,469,015	2,211,285
2015	814,102	1,438,394	2,252,496
2016	856,786	1,404,686	2,261,472
2017 - 2021	4,645,579	3,936,060	8,581,639
2022 - 2026	5,974,012	2,851,370	8,825,382
2027 - 2031	7,256,398	1,920,097	9,176,495
2032 - 2036	6,875,459	1,050,038	7,925,497
2037 - 2041	6,703,622	275,324	6,978,946
Total	$ 34,798,377	$ 17,328,817	$ 52,127,194

During the year ended June 30, 2010 the County Commission of Gilmer County authorized the issuance of $25.5 million of revenue bonds to finance the acquisition, construction, improvement and equipping of student housing facilities for use by Glenville State College. These bonds will be repaid from revenues of the student housing facilities. Approximately $16.6 million of bonds were issued during fiscal 2010 and approximately $9 million were issued during fiscal 2011.

Costs relating to obtaining the revenue bonds are capitalized and amortized over the term of the related debt using the straight-line method, which approximates the effective interest rate method. Accumulated amortization at June 30, 2011 was $16,527. Amortization of deferred financing costs charged to nonoperating expense was $12,773. When a bond is paid in full, any unamortized financing costs are removed from the related accounts and charged to nonoperating expense.

Refunded Debt

On May 1, 2011, the Board issued $4,305,000 in revenue bonds as follows:

2011Series A Commercial Development Refunding Revenue Bonds in the aggregate principal amount of $4,245,000 with interest rates ranging from 1.5% to 5.25%. These bonds were used as a current refunding of the 2000 Series A Student Housing Revenue Bonds.

2011 Series B Federally Taxable Commercial Development Refunding Revenue Bonds in the aggregate amount of $60,000 with an interest rate of 4.5% were issued to finance a portion of the costs to issue the 2011 Series A Bonds.

It is estimated that the refunding of the 2000 Series A Bonds will result in a reduction in the College's total debt service payments over the next 20 years of approximately $725,000. The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $565,000. The reacquisition price exceeded the carrying amount of the old debt by $119,829. This amount is being netted against the new debt and deferred and amortized as interest expense over the remaining life of the refunded debt, which is the same as the life of the new debt.

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment. These obligations are accounted for as capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2011:

Year Ending June 30	**Principal**	**Interest**	**Total**
2012	$ 177,166	$ 15,205	$ 192,371
2013	157,553	10,069	167,622
2014	144,800	5,422	150,222
2015	96,132	1,890	98,022
2016	8,147	21	8,168
			616,405
Less interest			32,607
			$ 583,798

The net book value of leased assets was $842,486 and $369,580 as of June 30, 2011 and 2010.

9. NOTE PAYABLE

Notes payable consisted of the following at June 30, 2011 and 2010:

	Interest Rate	**Paymnet**	**2011 Principal Amount Outstanding**	**2010 Principal Amount Outstanding**
Real Estate Purchase:				
$1,500,000 single payment note collateralized by GSC Foundation securities, for construction purposes.	4.0%	$17,542 monthly through 6/2031	$ 1,486,784	$ 1,486,983
$26,250 promissory				

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2011:

Year Ending June 30	Principal	Interest	Total
2012	$ 70,468	$ 140,036	$ 210,504
2013	74,511	135,993	210,504
2014	78,805	131,699	210,504
2015	83,347	127,157	210,504
2016	87,812	122,692	210,504
2017 - 2021	540,145	475,762	1,015,907
2022 - 2026	694,911	320,375	1,015,286
2027 - 2031	442,815	98,673	541,488
Total			3,625,201
Less portion representing interest			1,552,387
			$ 2,072,814

10. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2011 and 2010, the noncurrent liability related to OPEB costs was $3,424,578 and $1,798,782, respectively. The total of OPEB expenses incurred and the amount of OPEB expense that relates to retirees was $1,741,403 and $348,462, respectively, during 2011. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,852,799 and $305,459, respectively, during 2010. As of and for the years ended June 30, 2011 and 2010, there were 17 and 22, respectively, retirees receiving these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

contributions to the West Virginia Teachers'

	June 30, 2011				
	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Hedging derivative:					
Cash flow hedge					
Pay-fixed interest rate swap	Deferred charges	$ 36,705	Debt	$ 1,764,884	$ 25,500,000

	June 30, 2010				
	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Hedging derivative:					
Cash flow hedge					
Pay-fixed interest rate swap	Deferred charges	$ 1,728,179	Debt	$ 1,728,179	$ 14,517,631

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

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

Terms, Fair Value, and Credit Risk: The following table displays the terms and fair value of the College's hedging derivative instrument at June 30, 2011, along with the notional amount, credit rating of the associated counter party, and other terms as of June 30, 2011.

Type	Cash Flow Hedge for Debt Series	2011 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2011 Fair Value	2010 Fair Value
Pay-fixed interest rate swap	2009A	$ 25,500,000	12/22/2010	1/5/2017	4.34%	68 % USD-LIBOR-BBA one month plus 1.625%	BB&T / A	$ 1,764,884	$ 1,728,179

Credit Risk: The College is exposed to credit risk on the hedging derivative instrument when it is in an asset position. The fair value of the hedging derivative was not in an asset position at June 30, 2011, so the College was not exposed to credit risk on this swap.

Interest Rate Risk: The College is not exposed to interest

15. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not seriously impact the financial status of the institution.

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

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2011 or 2010.

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

16. SEGMENT INFORMATION (UNAUDITED)

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

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

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

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

In June, 2011, the Corporation took advantage of an opportunity to refinance the 2000 Housing Facilities Series A Bonds at a more favorable interest rate. The 2011 Housing Facilities Series A Bonds were issued without extending the original maturity date of the 2000 Series Bonds. The 2011 Series B Bonds were issued to pay for a portion of the issuance costs.

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

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

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

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

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d. *The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporati*

Condensed Statement of Net Assets (Unaudited)	Housing Facilities Revenue Bonds June 30 2011	Housing Facilities Revenue Bonds June 30 2010	Facilities Improvement Revenue Bonds Series 2006 June 30 2011	Facilities Improvement Revenue Bonds Series 2006 June 30 2010	Student Fees Revenue Bonds Series 2007 June 30 2011	Student Fees Revenue Bonds Series 2007 June 30 2010	Housing Facilities Revenue Bonds Series 2009 June 30 2011	Housing Facilities Revenue Bonds Series 2009 June 30 2010
Assets:								
Current assets	$ 356,874	$	$ 662,135	$ 546,724	$ 839,948	$ 647,631	$ 820,709	$
Noncurrent and capital assets	8,093,320	8,226,691	8,980,761	9,190,165	9,433,270	9,633,103	26,393,347	18,408,504
Total assets	$ 8,450,194	$ 8,226,691	$ 9,642,896	$ 9,736,889	$ 10,273,218	$ 10,280,734	$ 27,214,056	$ 18,408,504
Liabilities:								
Current liabilities	$ 110,028	$ 1,803,129	$ 63,203	$ 61,675	$ 75,619	$ 72,200	$ 129,202	$
Long-term liabilities	6,279,619	4,758,463	1,205,263					

Condensed Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)	Housing Facilities Revenue Bonds		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007		Housing Facilities Revenue Bonds Series 2009
	As of June 30 2011	As of June 30 2010	As of June 30 2011	As of June 30 2010	As of June 30 2011	As of June 30 2010	As of June 30 2011
Operating:							
Operating revenues	$ 956,836	$ 960,534	$ 524,518	$ 276,287	$ 446,970	$ 402,508	$ 1,222,055
Operating expenses	(587,235)	(438,646)	(505,121)	(501,255)	(199,840)	(199,840)	(894,214)
Net operating income	369,601	521,888	19,397	(224,968)	247,130	202,668	327,841
Nonoperating:							
Nonoperating revenues	452,405	675,452	105	71	7	72	7,009
Nonoperating expenses	(426,558)	(313,506)	(56,181)	(58,530)	(182,574)	(185,757)	(469,140)
Changes in net assets	395,448	883,834	(36,679)	(283,427)	64,563	16,983	(134,290)
Net assets—beginning of year	1,665,099	781,265	8,411,109	8,694,536	6,364,137	6,347,154	76,523
Net assets—end of year	$ 2,060,547	$ 1,665,099	$ 8,374,430	$ 8,411,109	$ 6,428,700	$ 6,364,137	$ (57,767)

Condensed Statement of Cash Flows (Unaudited)	Housing Facilities Revenue Bonds		Facilities Improvement Revenue Bonds Series 2006		Student Fee Revenue Bonds Series 2007		Housing Facilities Revenue Bonds Series 2009	
	As of June 30 2011	As of June 30 2010	As of June 30 2011	As of June 30 2010	As of June 30 2011	As of June 30 2010	As of June 30 2011	As of June 30 2010
Net cash provided by operating activities	$ 549,403	$ 722,495	$ 111,822	$ 103,662	$ 442,580	$ 402,508	$ 784,732	$
Net cash used in capital and related activities	(391,796)	(771,124)	(112,469)	(112,522)	(254,674)	(254,674)	(699,977)	1,298,850
Net increase in cash	157,607	(48,629)	(647)	(8,860)	187,906	147,834	84,755	1,298,850
Cash and cash equivalents - beginning of year	182,273	230,902	537,139	545,999	647,652	499,818	1,298,850	
Cash and cash equivalents - end of year	$ 339,880	$ 182,273	$ 536,492	$ 537,139	$ 835,558	$ 647,652	$ 1,383,605	$ 1,298,850

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2011 and 2010, the following table represents operating expenses within both natural and functional classifications:

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 4,444,615	$ 1,793,083	$ 298,475	$ -	$ -	$ -	$ -	$ -	$ 6,536,173
Academic support	609,248	296,685	208,343						1,114,276
Student services	1,130,450	586,127	470,636						2,187,213
General institutional support	2,277,951	796,168	2,013,797						5,087,916
Operations and maintenance of plant	974,651	509,919	405,711	744,760					2,635,041
Student financial aid					3,339,345		730		3,340,075
Auxili									

18. SUBSEQUENT EVENT

On July 1, 2011, the College entered into a $2.5 million loan agreement to consolidate all of the outstanding notes payable at June 30, 2011 a

NOTES TO FINANCIAL STATEMENTS
GLENVILLE STATE COLLEGE FOUNDATION, INC.
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Glenville State College Foundation, Inc. was incorporated in 1959 as a non-profit

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(CONTINUED)

Fixed Assets

NOTE 2. INVESTMENTS (CONTINUED)

The American Century Mutual Funds consist of stock funds (81%) and bond funds (19%).

The Lord Abbett Mutual Funds consist of Domestic Equity (100%).

The Fidelity Investment Portfolio consists of governmental agency notes and bonds (22%); corporate notes and bonds (2%); bond and stock mutual funds (75%); and short-term cash investments (1%).

The Fidelity TLN Portfolio consists of governmental agency notes and bonds (24%); bond and stock mutual funds (75%); and short-term cash investments (1%).

The Fidelity Collateral Portfolio consist of CDs (93%) and short-term cash investments (7%).

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

	Cost	Fair Value
American Century Mutual Funds	$ 39,948	$ 37,139
Lord Abbett Mutual Funds	78,871	57,838
Fidelity Investment Portfolio	6,124,541	5,222,611
Fidelity TLN Portfolio	3,311,494	3,340,541
Fidelity Collateral Portfolio	1,644,890	1,698,287
[illegible]	[illegible]	[illegible]

NOTE 2. INVESTMENTS (CONTINUED)

Determination of Fair Value

assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC 820, the fair value of a financial

GLENVILLE STATE COLLEGE FOUNDATION, INC.

NOTE 2. INVESTMENTS (CONTINUED)

Level 3-Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
GLENVILLE STATE COLLEGE FOUNDATION, INC.

NOTE 5. FIXED ASSETS

Vehicles	49,700	49,700
	99,338	99,338
Less accumulated depreciation	(79,863)	(66,760)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of