

BLUEFIELD STATE COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

**BLUEFIELD STATE COLLEGE
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INDEPENDENT AUDITORS' REPORT

Governing Board
Bluefield State College
Bluefield, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bluefield State College (the College), a component unit of the West Virginia Higher Education Policy Commission as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

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 opinion on these financial statements based on our audit. We did not audit the discretely presented component unit of Bluefield State College Foundation, Inc. (a component unit of the College) or Bluefield State College Research and Development Corporation (a component unit of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bluefield State College Foundation, Inc., and Bluefield State College Research and Development Corporation is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Bluefield State College Foundation, Inc. and Bluefield State College Research and Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, based on our audit and the report of the other auditors, the 2014 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 units, of the College as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The 2013 financial statements for Bluefield State College were audited by other auditors, whose report dated October 28, 2013, expressed an unmodified opinion on those statements.

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 3 - 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 November 14, 2014, 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 result of that testing, and not to provide an opinion on 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 14, 2014

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

Our discussion and analysis of Bluefield State College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2014, 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 19 and the notes to financial statements on pages 20 to 66.

During the fiscal year 2003, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and an amendment to GASB Statement No. 14. As a result, the audited financial statements of the Bluefield State College Foundation, Incorporated (the Foundation) are presented here with the College's financial statements for the fiscal years ended June 30, 2014 and 2013. For the years ended June 30, 2014 and 2013, the College determined that the Bluefield State College Research and Development Corporation (the Corporation) resources were significant and required presentation in accordance with the GASB statements. The Foundation and the Corporation are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein.

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

Financial Highlights from Bluefield State College

The following are brief summaries for the College:

- The College's assets exceeded its liabilities at the end of fiscal year 2014 by approximately \$16.4 million, compared to approximately \$16.6 million and \$17.1 million in 2013 and 2012, respectively.
- The other postemployment benefits (OPEB) liability at fiscal year-end 2014 was approximately \$5.3 million, all recorded as unrestricted.
- The College increased capital assets by \$2.5 million.
- The College increased liabilities by approximately \$0.5 million.

Overview of the Financial Statements

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

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

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 and 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.

Financial Analysis of the College

Of the College's net position of approximately \$16.4 million, \$18.8 million (115%) represents its net investment in capital assets of land, land improvements, buildings, equipment and library books. These capital assets are utilized to provide educational and related services to students and the communities and are not available for future spending. Unrestricted net position is available to meet the College's obligations. The unrestricted net position decreased to a further deficit of approximately (\$3.4) million. There is approximately \$5.3 million of unrestricted assets related to OPEB liability. The State of West Virginia has adopted a plan for elimination of the OPEB liability by 2035 for all state agencies. The unrestricted cash represents the amount not restricted via plant operations, auxiliaries, grant and loan funds, and state code restrictions.

The College's net position from 2013 to 2014 decreased by approximately \$0.2 million with cash decreasing by approximately \$2.5 million, inventories decreasing by approximately \$0.1 million, debt to the Commission decreasing by approximately \$0.1 million, and net capital assets increasing by approximately \$2.8 million.

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

**Condensed Statements of Net Position
June 30, 2014, 2013 and 2012
(in millions)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 3.7	\$ 6.2	\$ 5.8
Other Current Assets	1.2	1.1	1.3
Total Current Assets	<u>4.9</u>	<u>7.3</u>	<u>7.1</u>
Capital Assets	19.2	16.5	17.0
Other Noncurrent Assets	0.6	0.6	0.6
Total Noncurrent Assets	<u>19.8</u>	<u>17.1</u>	<u>17.6</u>
Total Assets	<u>24.7</u>	<u>24.4</u>	<u>24.7</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24.7</u>	<u>\$ 24.4</u>	<u>\$ 24.7</u>
Current Liabilities	\$ 2.4	\$ 2.2	\$ 1.9
Noncurrent Liabilities	5.9	5.7	5.7
Total Liabilities	<u>8.3</u>	<u>7.9</u>	<u>7.6</u>
Deferred Inflows of Resources	-	-	-
Net Position:			
Net Investment in Capital Assets	18.8	16.0	16.5
Restricted	1.0	0.9	0.9
Unrestricted (Deficit)	<u>(3.4)</u>	<u>(0.4)</u>	<u>(0.3)</u>
Total Net Position	<u>16.4</u>	<u>16.5</u>	<u>17.1</u>
Total	<u>\$ 24.7</u>	<u>\$ 24.4</u>	<u>\$ 24.7</u>

For the year ended June 30, 2014 there was a decrease of approximately \$0.1 million in net position. The OPEB liability as of June 30, 2014 was approximately \$5.3 million compared to the approximately \$5.0 million at June 30, 2013. An increase of assets by \$0.3 million with net capital assets increasing by approximately \$2.7 million and cash decreasing by approximately \$2.5 million; liabilities increasing by approximately \$0.5 million.

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

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

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2014, 2013 and 2012
(in millions)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues:			
Tuition and Fees	\$ 4.3	\$ 3.9	\$ 3.6
Contracts and Grants	5.4	5.6	5.9
Auxiliary	1.0	1.2	1.1
Other	0.1	0.1	0.2
	<u>10.8</u>	<u>10.8</u>	<u>10.8</u>
Less: Operating Expenses	<u>23.4</u>	<u>23.1</u>	<u>25.3</u>
Operating Loss	(12.6)	(12.3)	(14.5)
Nonoperating Revenues:			
State Appropriation	6.0	6.6	6.6
State Fiscal Stabilization Funds (Federal)		-	-
Federal Pell Grants	4.4	5.1	5.5
Net Nonoperating Revenue	<u>10.4</u>	<u>11.7</u>	<u>12.1</u>
Loss Before Other Revenues, Expenses, Gains and Losses	<u>(2.2)</u>	<u>(0.6)</u>	<u>(2.4)</u>
State Capital Grants (Federal)	-	-	0.4
Capital Proceeds from the Commission	0.2	-	-
Capital Bond Proceeds from the State	<u>1.8</u>	<u>0.1</u>	<u>2.1</u>
Total Change in Net Position	<u>\$ (0.2)</u>	<u>\$ (0.5)</u>	<u>\$ 0.1</u>

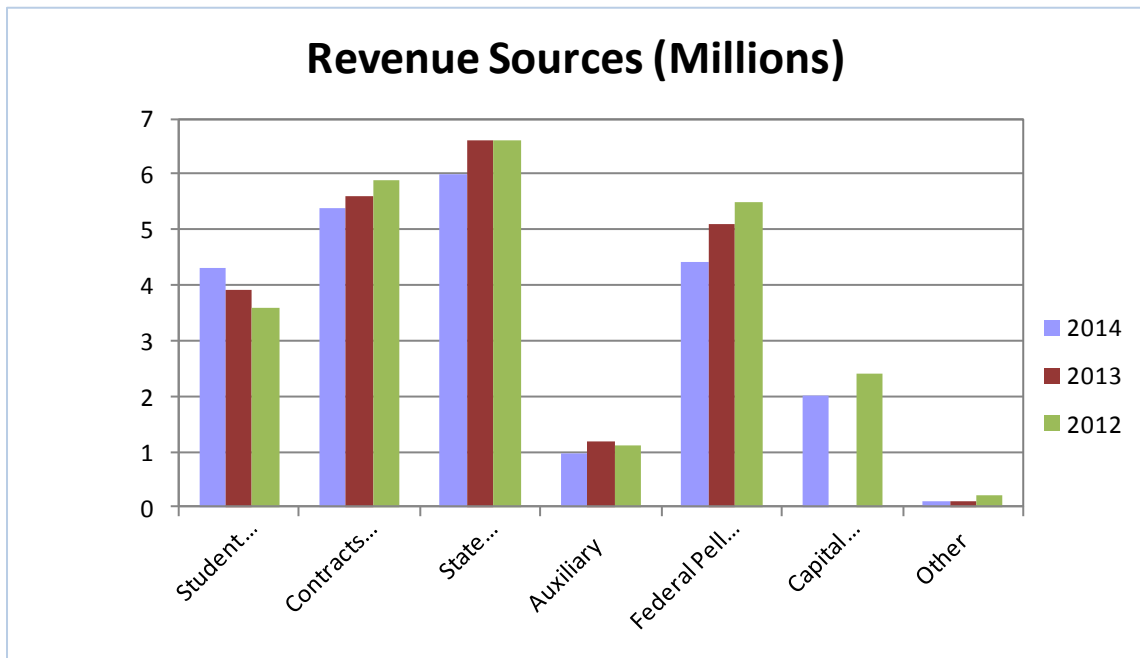
Tuition and fees remained the same at approximately \$10.4 million; however, the scholarship allowance decreased from approximately \$6.5 million to approximately \$6.0 million.

Total operating expenses increased from approximately \$23.4 million from approximately \$23.1 million in 2014 with depreciation expense increasing from \$1.0 million to \$1.3 million.

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

**Revenue Sources
Years Ended June 30, 2014, 2013, and 2012
(in millions)**

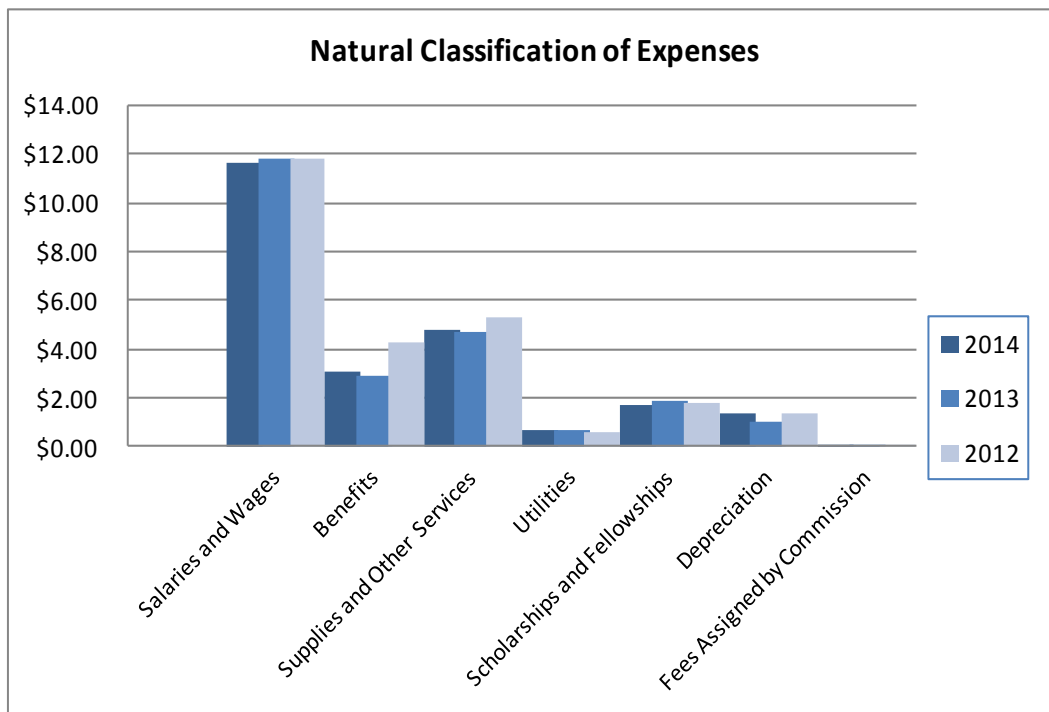
	2014	2013	2012
Student Tuition and Fees	\$ 4.3	\$ 3.9	\$ 3.6
Contracts and Grants	5.4	5.6	5.9
State Appropriations	6.0	6.6	6.6
Auxiliary	1.0	1.2	1.1
Federal Pell Grants	4.4	5.1	5.5
Capital Projects and Bond Proceeds	2.0	0.1	2.4
Other	0.1	0.1	0.2
Total Revenue Sources	\$ 23.2	\$ 22.6	\$ 25.3



**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

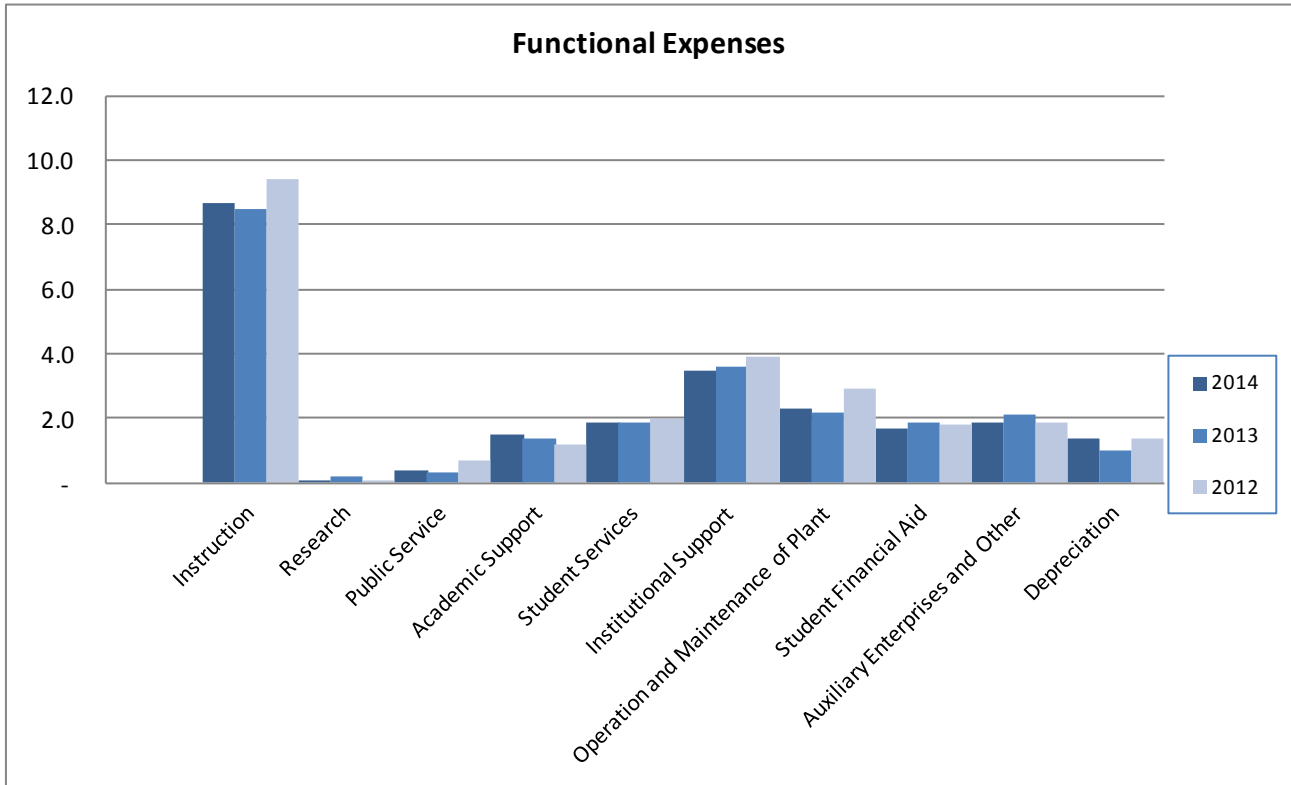
**Operating Expenses
Years Ended June 30, 2014, 2013 and 2012
(in millions)**

Natural Classification	2014	2013	2012
Salaries and Wages	\$ 11.6	\$ 11.8	\$ 11.8
Benefits	3.1	2.9	4.3
Supplies and Other Services	4.8	4.7	5.3
Utilities	0.7	0.7	0.6
Scholarships and Fellowships	1.7	1.9	1.8
Depreciation	1.4	1.0	1.4
Fees Assigned by Commission	0.1	0.1	0.1
	<u>\$ 23.4</u>	<u>\$ 23.1</u>	<u>\$ 25.3</u>



**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

Functional Classification	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 8.7	\$ 8.5	\$ 9.4
Research	0.1	0.2	0.1
Public Service	0.4	0.3	0.7
Academic Support	1.5	1.4	1.2
Student Services	1.9	1.9	2.0
Institutional Support	3.5	3.6	3.9
Operation and Maintenance of Plant	2.3	2.2	2.9
Student Financial Aid	1.7	1.9	1.8
Auxiliary Enterprises and Other	1.9	2.1	1.9
Depreciation	1.4	1.0	1.4
	<u>\$ 23.4</u>	<u>\$ 23.1</u>	<u>\$ 25.3</u>



**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

The statement of cash flows presents detailed information about the cash activities of Bluefield State College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the statement of revenues, expenses and changes in net position. Cash and cash equivalents decreased by approximately \$2.5 million for the year ended June 30, 2014.

**Condensed Statements of Cash Flows
Years Ended June 30, 2014, 2013 and 2012
(in millions)**

	2014	2013	2012
Cash Provided by (Used in):			
Operating Activities	\$ (10.7)	\$ (10.8)	\$ (11.9)
Non Capital Financing Activities	10.4	11.8	12.0
Capital Financing Activities	(2.2)	(0.6)	(2.0)
Investing Activities	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	(2.5)	0.4	(1.9)
Cash and Cash Equivalents - Beginning of Year	6.2	5.8	7.7
Cash and Cash Equivalents - End of Year	<u>\$ 3.7</u>	<u>\$ 6.2</u>	<u>\$ 5.8</u>

Capital Asset and Debt Administration

The debt service obligation payable to the Commission for the College for the years ended June 30, 2014, 2013, and 2012 was approximately \$368 thousand, \$478 thousand, and \$587 thousand, respectively. The College entered into a loan agreement with the Commission during fiscal year 2011 to fund capital projects. The outstanding balance on the loan at June 30, 2014 was approximately \$368 thousand.

The following is a brief summary of capital asset activity for the College as a whole:

- Construction in progress (CIP) additions were \$3,382,007 and reductions transferred to other capital asset accounts were \$25,102.
- There was \$403,156 in purchases towards buildings in fiscal year 2014. There were no disposals of land or buildings during fiscal year 2014.
- Equipment additions were \$232,346 and equipment disposals were \$157,915.
- Library book purchases were \$6,377.
- Depreciation expense was \$1,370,874, with \$157,915 depreciation reduced due to equipment disposals.
- Building Improvements were \$428,258.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying Notes 6 and 9 to the financial statements.

**BLUEFIELD STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013**

Economic Outlook

The College's overall financial position is stable. The College's enrollment has declined slightly in 2014, and the large lab upgrade on campus has enhanced the learning environment and conditions.

With the national economy continuing to be challenging, the College continues to also to be mindful of our students, keeping tuition at the level lowest in the State for baccalaureate institutions, and competitive with nearby Virginia counties. College personnel continue to be concerned of the happenings in the nation's capital, Washington, DC and the effect sudden changes may have on higher education. The "Other Postemployment Benefit" liability also will continue to be a challenge for a few years until the liability is fully funded. We are very appreciative for the State of West Virginia addressing this issue.

Contacting the College's Financial Management

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

**BLUEFIELD STATE COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,728,252	\$ 6,207,318
Accounts Receivable, Net of Allowance of \$564,672 and \$469,617, Respectively	587,348	436,005
Loans Receivable, Current Portion	3,741	6,328
Prepaid Expenses	4,492	1,501
Due from the Commission	195,996	289
Due from New River Community and Technical College	134,339	268,678
Inventories	289,954	416,880
Total Current Assets	<u>4,944,122</u>	<u>7,336,999</u>
NONCURRENT ASSETS		
Cash and Cash Equivalents	142,442	134,561
Investments	444,693	418,376
Loans Receivable, Net of Allowance of \$178,674 and \$504,412, Respectively	36,453	59,425
Capital Assets, Net of Accumulated Depreciation	19,172,066	16,519,054
Total Noncurrent Assets	<u>19,795,654</u>	<u>17,131,416</u>
Total Assets	<u><u>\$ 24,739,776</u></u>	<u><u>\$ 24,468,415</u></u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 743,704	\$ 528,047
Due to the Commission	-	2,601
Due to New River Community and Technical College	-	55,080
Accrued Liabilities	1,023,123	1,005,163
Unearned Revenue	132,573	18,815
Compensated Absences, Current Portion	451,414	456,651
Debt Service Obligation Payable to the Commission, Current Portion	109,000	109,000
Total Current Liabilities	<u>2,459,814</u>	<u>2,175,357</u>
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	96,506	111,941
Compensated Absences	267,298	238,195
Other Post Employment Benefits Liability	5,290,071	4,977,633
Debt Service Obligation Payable to the Commission, Net of Current Liabilities	259,500	368,500
Total Noncurrent Liabilities	<u>5,913,375</u>	<u>5,696,269</u>
Total Liabilities	<u>8,373,189</u>	<u>7,871,626</u>
DEFERRED INFLOWS OF RESOURCES		
Federal Pell Grants	-	45,414
NET POSITION		
Net Investment in Capital Assets	18,803,566	16,041,554
Restricted for:		
Nonexpendable Endowment	486,193	459,876
Expendable Scholarships	107,737	76,532
Expendable Loans	86,130	88,373
Expendable Grants	307,055	327,347
Unrestricted (Deficit)	<u>(3,424,094)</u>	<u>(442,307)</u>
Total Net Position	<u>16,366,587</u>	<u>16,551,375</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 24,739,776</u></u>	<u><u>\$ 24,468,415</u></u>

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowance of \$6,060,895 and \$6,493,102, Respectively)	\$ 4,308,287	\$ 3,893,566
Contracts and Grants:		
Federal	2,864,111	2,960,783
State	2,052,282	2,066,465
Private	486,845	564,657
Interest on Student Loans Receivable	1,424	246
Sales and Services of Educational Activities	66,497	40,799
Auxiliary Enterprise Revenue (Net of Scholarship Allowance of \$325,717 and \$376,452, Respectively)	982,941	1,182,079
Miscellaneous - Net	42,769	66,204
Total Operating Revenues	10,805,156	10,774,799
OPERATING EXPENSES		
Salaries and Wages	11,560,831	11,755,199
Benefits	3,150,249	2,939,742
Supplies and Other Services	4,821,104	4,719,503
Utilities	685,721	692,348
Student Financial Aid - Scholarships and Fellowships	1,689,861	1,853,975
Depreciation	1,370,874	1,035,526
Assessments by the Commission for Operations	85,215	82,805
Total Operating Expenses	23,363,855	23,079,098
OPERATING LOSS	(12,558,699)	(12,304,299)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	5,938,342	6,593,442
Federal Pell Grants	4,415,024	5,116,915
Investment Income	49,890	40,651
Assessments by the Commission for Debt Service	(1,792)	(1,790)
Net Nonoperating Revenues	10,401,464	11,749,218
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(2,157,235)	(555,081)
CAPITAL PROCEEDS FROM COMMISSION	187,500	-
CAPITAL BOND PROCEEDS FROM THE STATE	1,784,947	51,602
DECREASE IN NET POSITION	(184,788)	(503,479)
Net Position - Beginning of year	16,551,375	17,054,854
NET POSITION - END OF YEAR	\$ 16,366,587	\$ 16,551,375

See accompanying Notes to Financial Statements.

**BLUEFIELD STATE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 4,315,591	\$ 4,024,504
Contracts and Grants	5,057,503	5,772,640
Payments to and on Behalf of Employees	(14,222,477)	(14,627,537)
Payments to Suppliers	(4,216,148)	(4,584,246)
Payments to Utilities	(726,136)	(689,961)
Payments for Scholarships and Fellowships	(1,689,861)	(1,853,975)
Collections of Loans to Students	25,559	(1,424)
Sales and Service of Educational Activities	23,892	44,074
Auxiliary Enterprise Charges	974,798	1,166,435
Fees Assessed by Commission	(85,215)	(82,805)
Other Receipts, Net	(143,399)	66,764
Net Cash Used by Operating Activities	(10,685,893)	(10,765,531)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	5,938,342	6,593,442
Federal Pell Grants	4,415,024	5,162,329
Direct Lending Receipts	8,096,271	9,004,916
Direct Lending Payments	(8,096,271)	(9,004,916)
Net Cash Provided by Noncapital Financing Activities	10,353,366	11,755,771
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(4,023,886)	(509,287)
Proceeds from Commission	187,500	-
Payments to Commission for Debt Service	(1,792)	(1,790)
Bond Funds Transferred from Other State Agencies	1,784,947	51,602
Payments to Commission for Loan	(109,000)	(109,000)
Withdrawals from Noncurrent Cash and Cash Equivalents	(7,881)	(14,165)
Net Cash Used by Capital Financing Activities	(2,170,112)	(582,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	49,890	40,651
Purchase of Investments	(26,317)	(25,396)
Net Cash Provided by Investing Activities	23,573	15,255
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,479,066)	422,855
Cash and Cash Equivalents - Beginning of Year	6,207,318	5,784,463
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,728,252	\$ 6,207,318
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (12,558,699)	\$ (12,304,299)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	1,370,874	1,035,526
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivables, Net	(347,050)	77,103
Loans to Students, Net	25,559	(1,425)
Prepaid Expenses	(2,991)	14,095
Inventories	126,926	127,332
Accounts Payable	215,657	169,899
Accrued Liabilities	17,960	(3,553)
Compensated Absences	23,866	(20,717)
Other Postemployment Benefits	312,438	82,088
Unearned Revenue	113,758	5,220
Advances from Federal Sponsors	(15,435)	13,613
Other	(45,414)	316
Due to the Commission	(57,681)	(15,809)
Due to New River Community and Technical College	134,339	55,080
Net Cash Used by Operating Activities	\$ (10,685,893)	\$ (10,765,531)

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Short-Term Investments	\$ 1,275,998	\$ 1,084,888
Interest Receivable	6,823	6,186
Contributions Receivable, Net Discount and Allowance	53,029	131,797
Cash Restricted for Long-Term Investment	74,057	172,924
Investments	10,224,976	9,097,198
Assets Held for Others	29,033	12,096
Other Assets	1,451	-
	<u>\$ 11,665,367</u>	<u>\$ 10,505,089</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Amounts Held on Behalf of Others	\$ 29,033	\$ 12,096
NET ASSETS		
Unrestricted	9,459,747	8,470,615
Temporarily Restricted	652,156	594,812
Permanently Restricted	1,524,431	1,427,566
Total Net Assets	<u>11,636,334</u>	<u>10,492,993</u>
Total Liabilities and Net Assets	<u>\$ 11,665,367</u>	<u>\$ 10,505,089</u>

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Net Gifts	\$ 18,657	\$ 48,477	\$ 67,831	\$ 134,965
Interest Income	31,001	3,419	-	34,420
Dividend Income	147,925	27,379	-	175,304
Fundraising Income	28,035	-	-	28,035
Other Income	6	-	-	6
Net Realized and Unrealized Gains	1,190,518	24,130	-	1,214,648
Net Assets Released from Restrictions	17,027	(46,061)	29,034	-
	1,433,169	57,344	96,865	1,587,378
EXPENSES AND SUPPORT				
College Support:				
Student Support	248,980	-	-	248,980
Institutional Support	93,864	-	-	93,864
Conferences, Meetings and Travel	24,124	-	-	24,124
Other Expenses	26,393	-	-	26,393
	393,361	-	-	393,361
FUND RAISING EXPENSES	12,734	-	-	12,734
FINANCIAL MANAGEMENT EXPENSES	37,942	-	-	37,942
	444,037	-	-	444,037
CHANGE IN NET ASSETS	989,132	57,344	96,865	1,143,341
NET ASSETS				
Beginning	8,470,615	594,812	1,427,566	10,492,993
Ending	\$ 9,459,747	\$ 652,156	\$ 1,524,431	\$ 11,636,334

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Net Gifts	\$ 4,249	\$ 66,288	\$ 57,665	\$ 128,202
Interest Income	33,758	3,249	-	37,007
Dividend Income	127,826	23,973	-	151,799
Fundraising Income	28,413	-	-	28,413
Other Income	25	-	-	25
Net Realized and Unrealized Gains	752,529	24,130	-	776,659
Net Assets Released from Restrictions	26,721	(62,982)	36,261	-
	973,521	54,658	93,926	1,122,105
 EXPENSES AND SUPPORT				
College Support:				
Student Support	165,979	-	-	165,979
Institutional Support	76,147	-	-	76,147
Conferences, Meetings and Travel	441	-	-	441
Other Expenses	35,788	-	-	35,788
	278,355	-	-	278,355
 FUND RAISING EXPENSES	14,521	-	-	14,521
 FINANCIAL MANAGEMENT EXPENSES	24,720	-	-	24,720
	317,596	-	-	317,596
 CHANGE IN NET ASSETS	655,925	54,658	93,926	804,509
 NET ASSETS				
Beginning	7,814,690	540,154	1,333,640	9,688,484
Ending	\$ 8,470,615	\$ 594,812	\$ 1,427,566	\$ 10,492,993

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 26,335
Receivables, Net	139,422	37,370
Assets Held for Others	214,383	204,949
Inventory	5,758	4,474
Total Current Assets	359,563	273,128
PROPERTY AND EQUIPMENT, NET	3,737,618	3,980,686
INTANGIBLES, NET	55,453	64,005
Total Assets	\$ 4,152,634	\$ 4,317,819
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 197,986	\$ 157,949
Cash Overdraft	446	-
Funds Held for Others	11,751	17,376
Deferred Revenue	214,383	204,949
Current Portion of Long-Term Debt	72,316	68,454
Total Current Liabilities	496,882	448,728
LONG-TERM DEBT, NET OF CURRENT PORTION	3,347,183	3,419,499
Total Liabilities	3,844,065	3,868,227
NET ASSETS		
Unrestricted	308,569	449,592
Total Liabilities and Net Assets	\$ 4,152,634	\$ 4,317,819

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE RESEARCH A DEVELOPMENT CORPORATION
A COMPONENT UNIT OF BLUEFIELD STATE COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
SUPPORT AND REVENUE		
Rental Income	\$ 707,495	\$ 669,453
Contributions and Donations	100,000	100,000
Federal, State and Private Contracts and Grants	299,477	334,656
Other Income	80,330	92,050
Total Revenue and Support	1,187,302	1,196,159
EXPENSES		
Program Services:		
Federal Programs	268,538	326,439
State Programs	3,000	229
Private Programs	-	17,825
Unrestricted Programs	945,575	975,585
Total Program Expenses	1,217,113	1,320,078
Support Services:		
Management and General	96,972	92,175
Total Operating Expenses	1,314,085	1,412,253
Change in Net Assets From Operations	(126,783)	(216,094)
Other Changes:		
Donations of capital assets to Bluefield State College	14,240	-
DECREASE IN UNRESTRICTED NET ASSETS	(141,023)	(216,094)
Beginning Net Assets	449,592	665,686
ENDING NET ASSETS	\$ 308,569	\$ 449,592

See accompanying Notes to Financial Statements.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 ORGANIZATION

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

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

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

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Bluefield State College Foundation, Incorporated (the Foundation) and Bluefield State College Research and Development Corporation (the Corporation).

Although the College benefits from the activities of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The Foundation has its own separate, independent Board of Directors. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation including, without limitation, distributions made to the College. Under State law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of State-appropriated funds allocated to the College. Third parties dealing with the College, the Board, and the State of West Virginia (the State) (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations. See note 13 for addition disclosure.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 ORGANIZATION (CONTINUED)

Although the College benefits from the activities of the Corporation, the Corporation is independent of the College in all respects. The Corporation is not a subsidiary of the College and is not directly or indirectly controlled by the College. The assets of the Corporation are the exclusive property of the Corporation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Corporation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Corporation. Any income resulting from the operations of the Corporation is for the benefit of the Corporation and is not distributed to the College. Third parties dealing with the College, the Board, and the State (or any agency thereof) should not rely upon the financial statements of the Corporation for any purpose without consideration of all the foregoing conditions and limitations. See Note 13 for addition disclosure.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

As of July 1, 2003, the College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14. As a result, the audited financial statements of the Foundation are presented as a discrete component unit with the College's combined financial statements in accordance with GASB. The Foundation is a private nonprofit organization that reports under FASB standards, including the Presentation of Financial Statements for Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. As such, certain revenue recognition criteria and

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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.

The Corporation is presented as a discrete component unit with the College's combined financial statements as of and for the years ended June 30, 2014 and 2013 in accordance with GASB. The Corporation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Corporation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Corporation's statements of cash flows are not presented.

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

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the College as a whole. Net 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 that 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.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Restricted Net Position, Expendable (Continued)

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

Restricted Net 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 at the time of purchase 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 (the BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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 combined financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as 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 the 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>.

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

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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Noncurrent Cash, Cash Equivalents and Investments

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

Investments

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

Investments are made in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as article six-C, chapter forty-four of the West Virginia Code.

Capital Assets

Capital assets include property, plant and equipment, books and materials that are part of a catalogued library and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2014 or 2013. The accompanying combined 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment 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), 601 57th St. SE, Suite 2, Charleston, West Virginia 25304-2345 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation 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 1 year of single coverage, and 5 years extend health insurance for 1 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 statements of revenues, expenses and changes in net position.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. There were no deferred outflows at either June 30, 2014 or 2013.

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. There was no deferred inflow as of June 30, 2014. There was deferred inflow of \$45,414 as of June 30, 2013.

Risk Management

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

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

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

West Virginia had a single private insurance company, BrickStreet Insurance, which provided workers' compensation coverage to all employers in the state. BrickStreet retains the risk related to the compensation of injured employees under the program.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, (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.

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 2014 and 2013, respectively, the College received and disbursed approximately \$8.1 million and \$9.0 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.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (Continued)

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 Federal Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the College received and disbursed approximately \$4.5 million and \$5.3 million, respectively, under these federal student aid programs.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net 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.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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. 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 did not have a material impact on the financial statements.

The College has adopted 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 also 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.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Statements Issued by the Governmental Accounting Standards Board
(Continued)**

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 has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. 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; and (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.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. The reclassification had no effect on the net position or changes thereon.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents held was as follows:

	June 30, 2014		
	Current	Noncurrent	Total
State Treasurer	\$ 3,628,050	\$ 41,073	\$ 3,669,123
In Bank	92,900	101,369	194,269
On Hand	7,300	-	7,300
Total	<u>\$ 3,728,250</u>	<u>\$ 142,442</u>	<u>\$ 3,870,692</u>
	June 30, 2013		
	Current	Noncurrent	Total
State Treasurer	\$ 5,953,330	\$ 41,073	\$ 5,994,403
In Bank	246,688	93,488	340,176
On Hand	7,300	-	7,300
Total	<u>\$ 104,414,932</u>	<u>\$ 9,300,906</u>	<u>\$ 113,715,838</u>

Cash held by the State Treasurer includes \$726,510 and \$1,541,737 at June 30, 2014 and 2013, respectively, of restricted cash for sponsored projects, loans, and other purposes.

The combined carrying amount of cash in bank at June 30, 2014 and 2013, was \$194,269 and \$340,176 as compared with the combined bank balance of \$375,461 and \$430,829, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance 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 up to \$250,000. Non-interest-bearing accounts are 100% insured through December 31, 2014.

Amounts with the State Treasurer as of June 30, 2014 and 2013, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

External Pool	2014		2013	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 3,526,286	AAAm	\$ 5,537,374	AAAm
WV Government Money Market Pool	\$ 29,287	AAAm	\$ 38,931	AAAm
WV Short Term Bond Pool	\$ 74,807	Not Rated	\$ 407,180	Not Rated

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.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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 amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

External Pool	2014		2013	
	Carrying Value (in Thousands)	S&P Ratings	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 3,526,286	AAAm	\$ 5,537,374	52
WV Government Money Market Pool	\$ 29,287	AAAm	\$ 38,931	50
WV Short Term Bond Pool	\$ 74,807	Not Rated	\$ 407,150	358

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.

Cash in Bank with Trustee

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement.

<u>Investment Type</u>	Carrying Value	
	2014	2013
Money Market Fund	\$ 3,526,286	\$ 5,537,374

The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, the College has investments that is held by an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30:

	<u>2014</u>	<u>2013</u>
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$564,672 and \$469,617 in 2014 and 2013, Respectively	\$ 60,017	\$ 46,881
Grants and Contracts Receivable	303,052	211,982
Other Accounts Receivable	<u>224,279</u>	<u>177,142</u>
Accounts Receivable, Net	<u>\$ 587,348</u>	<u>\$ 436,005</u>

NOTE 5 INVESTMENTS

As of June 30, 2014 and 2013, respectively, investments had a combined carrying value of \$444,693 and \$418,376, of which \$177,320 and \$174,872 is invested with First Community Bank and \$267,373 and \$243,504 is invested with First Century Bank, respectively. Of the funds invested with First Community Bank, 3% is invested in Federal Government Bonds, 1% is invested in fixed income securities and 96% is invested in a money market fund, the underlying securities of which were securities of the U.S. Government. Of the funds invested with First Century Bank, 71% is invested in equities, 27% is invested in fixed income securities and 2% is invested in money market funds, the underlying securities of which were securities of the Federated Government Obligation Tax Managed Fund and Goldman Sachs Financial Square Government Fund.

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

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 CAPITAL ASSETS

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

	2014				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital Assets not being Depreciated:					
Land	\$ 277,942	\$ -	\$ -	\$ -	\$ 277,942
Construction in Progress	343,263	3,382,007	-	(25,102)	3,700,168
Total Capital Assets not being Depreciated	<u>\$ 621,205</u>	<u>\$ 3,382,007</u>	<u>\$ -</u>	<u>\$ (25,102)</u>	<u>\$ 3,978,110</u>
Capital Assets Being Depreciated:					
Land Improvements	\$ 4,381,817	\$ -	\$ -	\$ -	\$ 4,381,817
Buildings	26,860,775	403,156	-	25,102	27,289,033
Equipment	4,024,002	232,346	157,915	-	4,098,433
Library Books	1,406,030	6,377	-	-	1,412,407
Total Other Capital Assets	<u>36,672,624</u>	<u>641,879</u>	<u>157,915</u>	<u>25,102</u>	<u>37,181,690</u>
Less Accumulated Depreciation for:					
Land Improvements	2,273,527	263,413	-	-	2,536,940
Buildings	13,889,474	850,075	-	-	14,739,549
Equipment	3,239,256	247,352	157,915	-	3,328,693
Library Books	1,372,518	10,034	-	-	1,382,552
Total Accumulated Depreciation	<u>20,774,775</u>	<u>1,370,874</u>	<u>157,915</u>	<u>-</u>	<u>21,987,734</u>
Capital Assets Being Depreciated - Net	<u>\$ 15,897,849</u>	<u>\$ (728,995)</u>	<u>\$ -</u>	<u>\$ 25,102</u>	<u>\$ 15,193,956</u>
Capital Asset Summary:					
Capital Assets not being Depreciated	\$ 621,205	\$ 3,382,007	\$ -	\$ (25,102)	\$ 3,978,110
Other Capital Assets	36,672,624	641,879	157,915	25,102	37,181,690
Total Cost of Capital Assets	<u>37,293,829</u>	<u>4,023,886</u>	<u>157,915</u>	<u>-</u>	<u>41,159,800</u>
Less: Accumulated Depreciation	<u>20,774,775</u>	<u>1,370,874</u>	<u>157,915</u>	<u>-</u>	<u>21,987,734</u>
Capital Assets - Net	<u>\$ 16,519,054</u>	<u>\$ 2,653,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,172,066</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2013				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Capital Assets not being Depreciated:					
Land	\$ 277,942	\$ -	\$ -	\$ -	\$ 277,942
Construction in Progress	104,422	255,441	16,600	-	343,263
Total Capital Assets not being Depreciated	<u>\$ 382,364</u>	<u>\$ 255,441</u>	<u>\$ 16,600</u>	<u>\$ -</u>	<u>\$ 621,205</u>
Capital Assets Being Depreciated:					
Land Improvements	\$ 4,381,817	\$ -	\$ -	\$ -	\$ 4,381,817
Buildings	26,860,775	-	-	-	26,860,775
Equipment	3,772,416	263,653	12,067	-	4,024,002
Library Books	1,399,237	6,793	-	-	1,406,030
Total Other Capital Assets	<u>36,414,245</u>	<u>270,446</u>	<u>12,067</u>	<u>-</u>	<u>36,672,624</u>
Less Accumulated Depreciation for:					
Land Improvements	2,081,456	192,071	-	-	2,273,527
Buildings	13,243,433	646,041	-	-	13,889,474
Equipment	3,066,215	185,108	12,067	-	3,239,256
Library Books	1,360,212	12,306	-	-	1,372,518
Total Accumulated Depreciation	<u>19,751,316</u>	<u>1,035,526</u>	<u>12,067</u>	<u>-</u>	<u>20,774,775</u>
Other Capital Assets - Net	<u>\$ 16,662,929</u>	<u>\$ (765,080)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,897,849</u>
Capital Assets Being Depreciated:					
Capital Assets not being Depreciated	\$ 382,364	\$ 255,441	\$ 16,600	\$ -	\$ 621,205
Other Capital Assets	36,414,245	270,446	12,067	-	36,672,624
Total Cost of Capital Assets	<u>36,796,609</u>	<u>525,887</u>	<u>28,667</u>	<u>-</u>	<u>37,293,829</u>
Less: Accumulated Depreciation	<u>19,751,316</u>	<u>1,035,526</u>	<u>12,067</u>	<u>-</u>	<u>20,774,775</u>
Capital Assets - Net	<u>\$ 17,045,293</u>	<u>\$ (509,639)</u>	<u>\$ 16,600</u>	<u>\$ -</u>	<u>\$ 16,519,054</u>

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

Title for certain real property is with the Commission. Title for some land was with the original Board of Directors. Those deeds/records have not been converted to BSC. At some point in the future, title can be changed to BSC.

The College has been approved to receive \$6 million of Education, Arts, Science and Tourism (EAST) bond proceeds issued by the West Virginia Development Office during August 2010. As of June 30, 2014, \$6 million of such proceeds have been received. The West Virginia Development Office is responsible for repayment of the debt.

At June 30, 2014, the College had outstanding contractual commitments of approximately \$418,243 for property, plant, and equipment expenditures.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7 LONG-TERM LIABILITIES

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

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	\$ 111,941	\$ -	\$ 15,435	\$ 96,506	\$ -
Accrued Compensated Absences	694,846	23,866	-	718,712	451,414
OPEB Liability	4,977,633	312,438	-	5,290,071	-
Debt Obligation due Commission	477,500	-	109,000	368,500	109,000
Total Noncurrent Liabilities	<u>\$ 6,261,920</u>	<u>\$ 336,304</u>	<u>\$ 124,435</u>	<u>\$ 6,473,789</u>	<u>\$ 560,414</u>
	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from Federal Sponsors	\$ 98,328	\$ 13,613	\$ -	\$ 111,941	\$ -
Accrued Compensated Absences	715,563	-	20,717	694,846	456,651
OPEB Liability	4,895,545	82,088	-	4,977,633	-
Debt Obligation due Commission	586,500	-	109,000	477,500	109,000
Total Noncurrent Liabilities	<u>\$ 6,295,936</u>	<u>\$ 95,701</u>	<u>\$ 129,717</u>	<u>\$ 6,261,920</u>	<u>\$ 565,651</u>

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2014, 2013, and 2012, the noncurrent liability related to OPEB costs was \$5,290,071, \$4,977,633, and \$4,895,545, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$521,888 and \$430,548, respectively, during 2014, or 83%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$515,492 and \$433,404, respectively, during 2013, or 84%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,828,877 and \$401,420, respectively, during 2012, or 22%. As of the years ended June 30, 2014, 2013, and 2012 there were 29, 28, and 25 retirees receiving these benefits, respectively. During the 2012 legislative session, the State took proactive measures to address this unfunded liability, which will take effect in future fiscal years and fully fund the liability by 2037.

**BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 9 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

The State has chartered the Commission with the responsibility to construct or renovate, finance and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the College. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the Boards). These obligations administered by the Commission are the direct and total responsibility of the 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 2014 and 2013, the College paid \$1,792 and \$-0-, respectively, to the Commission against the debt obligation. The amount due to Commission at June 30, 2014 is \$-0-.

During fiscal year 2011 the College entered into two capital project loans with the Higher Education Policy Commission in the amounts of \$410,000 and \$340,000 to fund an HVAC replacement project. The loan for \$410,000 is to be repaid over 10 years in semi-annual payments of \$20,500 while the loan for \$340,000 is to be repaid over 5 years in semi-annual payments of \$34,000. During 2014 the College paid \$109,000 to the Commission against the loans. The amount due to the Commission at June 30, 2014 is \$368,500.

NOTE 10 UNRESTRICTED DEFICIT

The College's unrestricted net position at June 30, 2014 and 2013 includes certain undesignated net position, as follows:

	2014	2013
Designated for Repair and Replacement	\$ 103,396	\$ 430,710
Undesignated	1,762,581	4,104,616
Total Unrestricted Net Position before		
OPEB Liability	1,865,977	4,535,326
Less: OPEB Liability	5,290,071	4,977,633
Total Unrestricted Net Position (Deficit)	\$ (3,424,094)	\$ (442,307)

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 11 RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan. New hires have a choice of either plan. As of June 30, 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 covered enrolled employee's total annual salary for the years ended June 30, 2014 and 2013. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2014 and 2013. 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, 2014, 2013, and 2012 were \$103,118, \$131,085, and \$176,308 which consisted of \$73,656, \$93,632, and \$125,934, from the College, and \$29,462, \$37,453, and \$50,374 from the covered employees in 2014, 2013, and 2012, respectively.

The contribution rate is set by the State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston. West Virginia 25304-1636.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 11 RETIREMENT PLANS (CONTINUED)

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

Total contributions to the TIAA-CREF for the years ended June 30, 2014, 2013, and 2012 were \$1,149,324, \$1,143,398, and \$1,098,434, which consisted of equal contributions of \$574,662, \$571,669, and \$549,217, respectively, from both the College and covered employees.

The Great West benefit program is also available to new employees. Total contributions to Great West for year ended June 30, 2014, 2013, and 2012 were \$10,669 and \$16,652, and \$28,534, which consisted of equal contributions \$5,334 and \$8,326, and \$14,267, respectively, from both College and employees.

The College's total payroll for the years ended June 30, 2014, 2013, and 2012 was \$11,508,196, \$11,791,761, and \$11,858,477, respectively. Total covered employees' salaries in the STRS and TIAA-CREF and Great West were \$491,040, \$9,577,700, and \$88,900, respectively, in 2014; \$624,214, \$9,528,317, and \$138,766, respectively, in 2013; and \$839,565, \$9,153,610, and \$237,790, respectively, in 2012.

NOTE 12 LEASES

The College leases a branch campus facility in the State. Rental payments for the facility were \$215,448 for the year end June 30, 2014. Following is a schedule of future minimum lease payments for the term of this operating lease.

<u>Year Ending June 30,</u>	<u>Rental</u>
2015	<u>Payments</u>
	<u>\$ 215,448</u>

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13 DISCRETELY PRESENTED COMPONENT UNITS

The Bluefield State College Foundation, Inc. (the Foundation) is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB. Complete financial statements for the Foundation can be obtained from the President of the Bluefield State College Foundation at College Avenue, Bluefield, Virginia 24605.

During the years ended June 30, 2014 and 2013, the Foundation contributed \$197,721 and \$175,799 respectively, to the College for scholarships and grants and employee compensation.

The Corporation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...form partnerships and develop commitments for assistance from a wide spectrum of community based organizations in both the public and private sectors. The corporation will work to identify and eliminate barriers that inhibit access to technology training and market based development activities in communities served by the College..." Oversight of the Corporation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Corporation employs management, forms policy and maintains fiscal accountability over funds administered by the Corporation. Although the College does not control the timing or amount of receipts from the Corporation, the majority of resources, or income thereon, that the Corporation holds and invests are restricted to the activities of the College by donors or grant restrictions. Because these restricted resources held by the Corporation can only be used by, or for the benefit of, the College, the Corporation can only be used by, or for the benefit of, the College, the Corporation is considered a component unit of the College and is therefore discretely presented with the College's financial statements in accordance with GASB. Complete financial statements for the Corporation can be obtained from the President of the Bluefield State College Research and Development Corporation at 219 Rock Street, Bluefield, Virginia 24701.

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 14 AFFILIATED ORGANIZATIONS (UNAUDITED)

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

NOTE 15 CONTINGENCIES

The nature of the education 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 position of the College.

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

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

NOTE 16 COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the Foundation's (pages 46 to 56) and the Research and Development Corporation's (pages 57 to 65) financial statements starting on the following page:

BLUEFIELD STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 17 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

These tables represent operating expenses within both natural and functional classifications for the years ended June 30:

	2014							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 6,062,290	\$ 1,622,320	\$ 1,040,852	\$ 44	\$ -	\$ -	\$ -	\$ 8,725,506
Research	73,423	18,267	3,800	-	-	-	-	95,490
Public Service	208,617	67,218	100,651	12	-	-	-	376,498
Academic Support	689,770	212,297	539,283	737	-	-	-	1,442,087
Student Services	1,162,237	312,397	387,344	713	-	-	-	1,862,691
General Institutional Support	2,044,175	530,378	821,770	71,563	-	-	-	3,467,886
Operations and Maintenance of Plant	736,142	252,545	808,572	511,979	-	-	-	2,309,238
Student Financial Aid	-	-	-	-	1,689,861	-	-	1,689,861
Auxiliary Enterprises	584,177	134,827	1,118,832	100,673	-	-	-	1,938,509
Depreciation	-	-	-	-	-	1,370,874	-	1,370,874
Other	-	-	-	-	-	-	85,215	85,215
Total	\$ 11,560,831	\$ 3,150,249	\$ 4,821,104	\$ 685,721	\$ 1,689,861	\$ 1,370,874	\$ 85,215	\$ 23,363,855

	2013							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 6,228,883	\$ 1,483,653	\$ 767,824	\$ 53	\$ -	\$ -	\$ -	\$ 8,480,413
Research	83,841	19,897	64,292	-	-	-	-	168,030
Public Service	194,393	62,206	66,857	-	-	-	-	323,456
Academic Support	649,762	179,272	608,189	861	-	-	-	1,438,084
Student Services	1,243,471	289,564	376,160	663	-	-	-	1,909,858
General Institutional Support	2,069,504	511,116	917,703	69,079	-	-	-	3,567,402
Operations and Maintenance of Plant	765,527	256,171	589,004	547,737	-	-	-	2,158,439
Student Financial Aid	-	-	-	-	1,853,975	-	-	1,853,975
Auxiliary Enterprises	519,818	137,863	1,329,474	73,955	-	-	-	2,061,110
Depreciation	-	-	-	-	-	1,035,526	-	1,035,526
Other	-	-	-	-	-	-	82,805	82,805
Total	\$ 11,755,199	\$ 2,939,742	\$ 4,719,503	\$ 692,348	\$ 1,853,975	\$ 1,035,526	\$ 82,805	\$ 23,079,098

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Foundation

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

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

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Financial Statement Presentation and Accounting

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

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

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

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

Cash and Short-Term Investments

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

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

Cash and Short-Term Investments (Continued)

The money market investment accounts are approximately \$1,350,000 and \$1,258,000 for June 30, 2014 and 2013, respectively, and the principal underlying assets are securities of the U.S. Government, its agencies, authorities and instrumentality's and obligations of U.S. banks. The estimated fair value of short-term investments approximates cost. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investment.

Fund Descriptions

General Administrative Account – Funds that were released from Title III restrictions and internally restricted by the Foundation's Board for the purpose of ensuring funds be available for future administrative costs. Most donors elect for endowed funds to be permanently restricted for scholarships and, following the market's downturns, the Board felt it necessary to set aside funds to cover needed future administrative costs.

Endowed Account – Funds permanently set aside by donors for specific uses with the majority designated for scholarships. The Robertson endowment; however, is for use by the library.

Peters Engineering Chair – Account endowed for use as directed by the Head of the Engineering Division.

FCB Title III and FCBT Title III – Funds set aside with one-half of the income allowed to be used by the Foundation as it chose until June 2010. Restrictions have been satisfied and the funds have now been released for the Foundation to use in any manner it feels is beneficial to Bluefield State College. The Board has determined to continue using one-half of the income for disbursements and has internally restricted the use of the remaining funds for future needs.

BSC General Foundation Account – Unrestricted funds and property held by the Foundation. Monies are used for administrative costs, discretionary funds for use by the President and Executive Director of the Foundation as approved by the Board and any other day-to-day costs of maintaining the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

Contributions Receivable

Unconditional promises are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises are recognized when the conditions on which they depend are substantially met. As of June 30, 2014 and 2013, management has recorded an allowance for doubtful accounts in the amount of \$1,328 and \$3,463, respectively.

Investments

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

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

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

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

Assets Whose Use is Limited

Assets whose use is limited consist of assets internally designated by the Foundation for specific use. The Foundation retains control over these assets and may, at its discretion, subsequently use the assets for other purposes. These assets consist of cash and cash equivalents, investments, and other property. Cash and cash equivalents and investments within this category follow the same policies noted earlier for regular cash and cash equivalents (those whose use is not limited).

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

Amounts Held on Behalf of Others

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

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give for future operations are recognized as temporarily restricted revenues unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

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

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

Income Tax Status

The Foundation is a nonprofit organization exempt from federal income taxes under *Internal Revenue Code* Section 501(c)(3) based upon its determination letter dated October 16, 1969. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the *Internal Revenue Code*.

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (CONTINUED)

Income Tax Status (Continued)

The Federal Forms 990 of the Foundation for the fiscal years 2013, 2012 and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Credit Risk Concentration

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

Subsequent Events

Subsequent events have been evaluated through September 22, 2014, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable and the related allowance at June 30, 2014 and 2013 consist of:

	<u>2014</u>	<u>2013</u>
Unconditional Promises to Give	\$ 55,561	\$ 137,902
Less: Allowance for Uncollectible Promises	1,328	2,642
Unamortized Discount of 1.0% for 2014 and 2013, Respectively	<u>1,204</u>	<u>3,463</u>
Net Unconditional Promises to Give	<u>\$ 53,029</u>	<u>\$ 131,797</u>
	<u>2014</u>	<u>2013</u>
Expected to be Collected in:		
Less than One Year	\$ 35,522	\$ 60,435
One to Five Years	<u>17,507</u>	<u>71,362</u>
	<u>\$ 53,029</u>	<u>\$ 131,797</u>

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)

The ownership of pledges receivable for each class of net assets as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Temporarily Restricted	\$ 53,029	\$ 130,505
Permanently Restricted	-	1,292
	<u>\$ 53,029</u>	<u>\$ 131,797</u>

NOTE 3 INVESTMENTS

Investments are comprised of the following:

	<u>2014</u>	<u>2013</u>
Certificates of Deposits	\$ 300,441	\$ 175,478
Corporate and Municipal Bonds and Notes	1,743,518	1,024,814
United States Treasury, Government and Other Obligations	-	685,436
Equity Investments	5,507,773	4,451,575
Mutual Funds	2,283,837	2,386,220
Real Estate	342,600	342,600
Limited Partnership	46,807	31,075
	<u>\$ 10,224,976</u>	<u>\$ 9,097,198</u>

The ownership of investments for each class of net assets as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 8,590,037	\$ 7,689,835
Temporarily Restricted	333,339	285,551
Permanently Restricted	1,301,600	1,121,812
	<u>\$ 10,224,976</u>	<u>\$ 9,097,198</u>

Realized and unrealized gains (losses) recognized during the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Realized	\$ 13,624	\$ (14,611)
Unrealized	1,201,024	791,270
	<u>\$ 1,214,648</u>	<u>\$ 776,659</u>

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3 INVESTMENTS (CONTINUED)

Government obligations consist principally of obligations to the U.S. Treasury and agencies. Corporate obligations are concentrated in the financial services and utilities sectors. Corporate equities are diversified, with no significant industry concentrations.

NOTE 4 UNRESTRICTED NET ASSETS

Unrestricted net assets as of June 30, 2014 and 2013 include the following:

	<u>2014</u>	<u>2013</u>
Designated:		
Investment in Land, Leased for Charitable Purposes	\$ 250,000	\$ 250,000
Internally Restricted by Board	<u>7,915,110</u>	<u>6,973,247</u>
	8,165,110	7,223,247
Undesignated:		
Other	1,202,037	1,154,768
Investment in Land	<u>92,600</u>	<u>92,600</u>
	<u>1,294,637</u>	<u>1,247,368</u>
	<u><u>\$ 9,459,747</u></u>	<u><u>\$ 8,470,615</u></u>

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

As of June 30, 2014, funds internally restricted by the Foundation's Board for the purpose of ensuring funds be available for future needs of the Foundation totaled \$7,915,110 and \$6,973,247 for administrative costs.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Provide Scholarship Assistance and Operations of the Foundation Engineering Technology Department	\$ 464,994	\$ 455,635
	<u>187,162</u>	<u>139,177</u>
	<u><u>\$ 652,156</u></u>	<u><u>\$ 594,812</u></u>

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2014 and 2013 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2014</u>	<u>2013</u>
Engineering Technology Department	\$ 150,000	\$ 150,000
Financial Aid	<u>1,374,431</u>	<u>1,277,566</u>
	<u>\$ 1,524,431</u>	<u>\$ 1,427,566</u>

NOTE 7 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

Cash and short-term investments have principal underlying assets which are securities of the U.S. government, its agencies, authorities and instrumentalities and obligations of U.S. banks. The estimated fair value approximates cost. Cash restricted for long term is classified as investment and is stated at cost, which approximates market value. The fair value of investments in equities, bonds, U.S. securities, exchange traded mutual funds, and short-term assets is determined by reference to quoted market prices.

Gains and losses (realized and unrealized) included in statements of activities are reported in net realized and unrealized gain (loss).

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Cash and Short-Term Investments	\$ 1,275,998	\$ 1,275,998	\$ -	\$ -
Cash Restricted for Long-Term Investment	74,057	74,057	-	-
Investments:				
Certificates of Deposits	300,441	300,441	-	-
Corporate and Municipal Bonds and Notes	1,743,518	1,743,518	-	-
Equity Investments	5,507,773	5,507,773	-	-
Mutual Funds	2,283,837	2,283,837	-	-
Limited Partnership	46,807	46,807	-	-
	<u>\$ 11,232,431</u>	<u>\$ 11,232,431</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Cash and Short-Term Investments	\$ 1,084,888	\$ 1,084,888	\$ -	\$ -
Cash Restricted for Long-Term Investment	172,924	172,924	-	-
Investments:				
Certificates of Deposits	175,478	175,478	-	-
Corporate and Municipal Bonds and Notes	1,024,814	1,024,814	-	-
U.S. Treasury, Government and Other Obligations	685,436	685,436	-	-
Equity Investments	4,451,575	4,451,575	-	-
Mutual Funds	2,386,220	2,386,220	-	-
Limited Partnership	31,075	31,075	-	-
	<u>\$ 10,012,410</u>	<u>\$ 10,012,410</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 RELATED PARTY TRANSACTIONS

Certain local financial institutions hold substantially all the Foundation's assets in their trust departments. Some of the Foundation's Board members also serve as officers and directors of these institutions. The Foundation paid \$21,386 and \$19,484 in management fees to these related parties for the years ended June 30, 2014 and 2013, respectively.

**BLUEFIELD STATE COLLEGE
BLUEFIELD STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

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

College Support – Funds expended primarily to provide support services for Bluefield State College. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well as capital projects.

Foundation Fundraising Expenses – Expenses related to community and alumni relations, including development and fundraising.

Financial Management Expenses – 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 (3) administrative data processing.

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Operating:		
Financial Aid	\$ 17,027	\$ 26,721
Reclassifications to Permanent Funds	29,034	36,261
	<u>\$ 46,061</u>	<u>\$ 62,982</u>

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Corporation has receivables from grants, other State Agencies and also leases office space to businesses and dormitory rooms to students based on contractual agreements. Receivables are stated at face amount with an allowance for doubtful accounts, based on historical collection experience, and an evaluation of the accounts receivables are deemed delinquent based on billing due dates or other contractual terms, with no interest accrued. When accounts are deemed uncollectible, they are charged against the allowance. The allowance for bad debt expense for the years ended June 30, 2014 and 2013 was \$59,593.

Inventories

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

Funds Held for Others

Funds held for others are used to account for assets held by the Corporation as an agent. These funds are custodial by nature (assets equal liabilities) and do not involve measurement of operations. At June 30, 2014 and 2013, approximately \$213,700 and \$201,500, respectively, of the funds held for others balance was held on behalf of Bluefield State College, a related party of the Corporation.

Property and Equipment

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

Intangibles

Intangible assets are amortized using the straight-line method over the estimated useful life of the assets.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of expenses incurred for the operation of the Mountain View Dormitory and related payroll liabilities.

Deferred Revenue

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

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds whose use has been limited by donors to a specific time period and/or purpose. The Corporation currently has no temporarily restricted net assets.

Permanently Restricted Net Assets

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

Support and Revenue

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

Contributed Services, Supplies, and Space

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

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Reporting

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

- Program Services – Represent funds expended primarily to provide support for certain federal, state and private research and development programs.
- Management and General – Represent expenses incurred principally for (1) executive level activities concerned with management of the operations, (2) legal and fiscal operations, and (3) other administrative related expenses.
- Fundraising – Represents expenses related to community and other development costs expended to perform fundraising for the Corporation. The Corporation had no fundraising expenditures for the years ended June 30, 2014 and 2013.

Concentrations

Approximately 23% and 28% of the Corporation's support was provided by grants from the Federal Government for the years ended June 30, 2014 and 2013, respectively.

Income Tax Status

The Corporation is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code. Effective July 1, 2010, the Corporation adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. For the year ended June 30, 2014, the Corporation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Corporation recognized interest and penalties, if any, related to unrecognized tax benefits in interest expense. As of June 30, 2014 tax years ending on or after June 30, 2011 in each jurisdiction remain subject to examination.

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 RECEIVABLES

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

	<u>2014</u>	<u>2013</u>
IDEA Network of Biomedical Research Excellence Grants	\$ 28,104	\$ 14,644
Morehouse School of Medicine Grant	5,083	2,911
Student Rent Receivable	133,080	74,293
Herbert Henderson Office of Minority Affairs Grant	3,017	-
National Institutes of Health/Department of Health and Human Services Grant	14,665	-
West Virginia University Health Science Technology Academy Grant	7,476	-
Other Accounts Receivables	7,590	5,115
Allowance for Doubtful Accounts	<u>(59,593)</u>	<u>(59,593)</u>
	<u><u>\$ 139,422</u></u>	<u><u>\$ 37,370</u></u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 492,289	\$ 492,289
Land Improvements	7,076	7,076
Buildings	4,710,547	4,710,547
Furniture and Fixtures	<u>152,292</u>	<u>152,292</u>
	5,362,204	5,362,204
Less: Accumulated Depreciation	<u>(1,624,586)</u>	<u>(1,381,518)</u>
	<u><u>\$ 3,737,618</u></u>	<u><u>\$ 3,980,686</u></u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$243,068 and \$259,200, respectively. The corporation donated assets with a cost and book value of \$14,240 to Bluefield State College during 2014. The transactions occurred at a net book value.

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 INTANGIBLE ASSETS

As part of the dormitory facility purchase in 2008, the Corporation has recorded a covenant not to compete, amortized over the life of the agreement, and facility start up costs, amortized over 20 years in the amount of \$111,042. Accumulated amortization of intangible assets was \$55,589 and \$47,037 as of June 30, 2014 and 2013, respectively. Amortization expense for the years ended June 30, 2014 and 2013 was \$8,552. Future amortization expense is as follows at June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 8,552
2016	6,052
2017	3,552
2018	3,552
2019	3,552
Thereafter	30,193
Total	<u>\$ 55,453</u>

NOTE 5 LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

<u>Description</u>	<u>2014</u>	<u>2013</u>
<p>The Corporation borrowed \$1.8 million in January 2008 by issuing bonds through the City of Bluefield. The bonds mature in 2028. Bond proceeds were used to purchase a dormitory facility. Monthly payments are \$12,392 including a fixed rate of interest at 5.5% per annum. The debt is secured by land, building, furniture, fixtures and equipment. The debt agreement also contains a number of financial covenants. The Corporation is in compliance with all such covenants.</p>	\$ 1,419,499	\$ 1,487,953
<p>The Corporation assumed \$2.0 million in debt as part of a transaction where the Corporation acquired a dormitory facility. The debt is due in 2016. Debt is secured by a second lien on land, building, furniture, fixtures and equipment. Annual payments are \$100,000 including a fixed rate of interest at 5.0% per annum.</p>	<u>2,000,000</u> 3,419,499	<u>2,000,000</u> 3,487,953
<p>Less: Current Portion</p>	72,316	68,454
<p style="padding-left: 20px;">Long-Term Portion</p>	<u>\$ 3,347,183</u>	<u>\$ 3,419,499</u>

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 LONG-TERM DEBT (CONTINUED)

Debt matures as follows at June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 72,316
2016	2,076,395
2017	80,705
2018	85,257
2019	90,066
Thereafter	1,014,760
Total	<u><u>\$ 3,419,499</u></u>

Interest expense was \$179,923 and \$183,589 for the years ended June 30, 2014 and 2013, respectively.

NOTE 6 LEASES

The Corporation leases office space to various third-party businesses under operating lease agreements. The building in which the office space is leased was impaired during fiscal year 2011. The cost of the building was valued at \$-0- in the statement of financial position at June 30, 2014.

Aggregate rental income from the lease agreements was approximately \$71,000 and \$74,000 for the years ended June 30, 2014 and 2013, respectively. Future minimum rentals are as follows at June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 48,897
2016	10,103
Total	<u><u>\$ 59,000</u></u>

NOTE 7 CONTINGENCIES

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

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8 DETAILS OF PROGRAM SERVICES AND SUPPORT SERVICES

Details of program services and support services at June 30 are as follows:

	2014	2013
Federal Programs:		
National Institutes of Health/Department of Health and Human Services Grant	\$ 55,401	\$ 66,046
Marshall University Research/IDEA Network of Biomedical Research Excellence Grant	157,103	225,979
NASA Grant	5,961	6,423
West Virginia University Health Science Technology Academy Grant	19,576	20,308
Morehouse School of Medicine Grant	9,671	7,683
NCAA Choice Grant	5,201	-
Herbert Henderson Office of Minority Affairs Grant	15,625	-
	268,538	326,439
State Programs:		
Financial Literacy Grant	3,000	-
Tobacco Control Grant		229
	3,000	229
Private and Unrestricted Programs:		
Mountainview Dormitory Facility	945,075	975,585
American Electric Power Grant	-	15,000
Shott Foundation	-	2,825
Bluefield State College International Initiatives	500	-
	945,575	993,410
Support Services:		
Management and General	96,972	92,175
	\$ 1,314,085	\$ 1,412,253

BLUEFIELD STATE COLLEGE RESEARCH AND DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The natural classifications with functional classifications at June 30 are as follows:

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships Fellowships and Support Services	Depreciation and Amortization	Interest Expense	Total
2014								
Research	\$ 53,303	\$ -	\$ 46,970	\$ -	\$ -	\$ -	\$ -	\$ 100,273
Student Support	66,747	7,926	171,840	221,680	51,248	-	-	519,441
Depreciation and Amortization	-	-	-	-	-	251,620	-	251,620
Interest Expense	-	-	-	-	-	-	179,923	179,923
Other	70,432	16,818	90,587	84,991	-	-	-	262,828
	<u>\$ 190,482</u>	<u>\$ 24,744</u>	<u>\$ 309,397</u>	<u>\$ 306,671</u>	<u>\$ 51,248</u>	<u>\$ 251,620</u>	<u>\$ 179,923</u>	<u>\$ 1,314,085</u>
2013								
Research	\$ 42,945	\$ 1,896	\$ 49,198	\$ -	\$ -	\$ -	\$ -	\$ 94,039
Student Support	74,657	9,416	196,179	198,497	46,203	-	-	524,952
Depreciation and Amortization	-	-	-	-	-	267,751	-	267,751
Interest Expense	-	-	-	-	-	-	183,589	183,589
Other	80,186	19,422	159,328	82,986	-	-	-	341,922
	<u>\$ 197,788</u>	<u>\$ 30,734</u>	<u>\$ 404,705</u>	<u>\$ 281,483</u>	<u>\$ 46,203</u>	<u>\$ 267,751</u>	<u>\$ 183,589</u>	<u>\$ 1,412,253</u>

NOTE 10 SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 14, 2014, the date the financial statements were issued.



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

Governing Board
Bluefield State College
Bluefield, 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 the business type activities and discretely presented component units of Bluefield State College (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 14, 2014, which states reliance on other auditors for the discretely presented component units. Our report includes a reference to other auditors who audited the financial statements of the Bluefield State College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Bluefield State College Foundation, Inc. and the Bluefield State College Research and Development Corporation 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. 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.

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, 2014-001.

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*.

Bluefield State College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The College's responses were 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.

CURRENT YEAR

2014-001: Audit Adjustments

Condition

The Other Postemployment Benefit (OPEB) liability and summer school revenue were materially misstated. As a result we proposed and recorded adjustments to correct the balances. OPEB liability was understated the revenue was overstated.

Criteria

The College must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures and related adjustments.

Cause

With regards to the OPEB adjustment this was an oversight by management as the external report was received with the correct balance. With regards to the summer session revenue management was not aware of the requirement to defer tuition.

Possible Asserted Affect

Financial statements could be misleading to the users.

Auditors' Recommendation

We recommend management evaluate the reasons why these adjustments occurred and design policies and procedures to identify and prevent future misstatements in the financial statements that are required to be prepared under the U.S. generally accepted accounting principles (GAAP).

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: The OPEB liability stated on the PEIA website will be monitored and reviewed. This feature on the website was not initially available when OPEB liability began.

Responsible party: Supervisor of Payroll and Vice-Pres. Financial & Admin. Affairs

Planned completion date for corrective action plan: Ongoing (monthly and at yearend)

Plan to monitor completion of corrective action plan: Ongoing (monthly and at yearend)



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 14, 2014