Southern West Virginia Community and Technical College

Financial Statements
Years Ended June 30, 2014 and 2013

and

Independent Auditor's Reports

SOUTHERN WEST VIRGINIA
COMMUNITY AND TECHNICAL COLLEGE

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Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Southern West Virginia Community and Technical College
Mt. Gay, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Southern West Virginia Community and Technical College (the College), a component unit of the West Virginia Council for Community and Technical College Education, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented Southern West Virginia Community and Technical College Foundation, Inc. (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 discretely presented financial statements of the Southern West Virginia Community and Technical College Foundation, Inc., is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2014 and 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 results 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 29, 2014

Overview of the Financial Statements and Financial Analysis

Southern West Virginia Community and Technical College ("the College") presents its financial statements for the fiscal years ended June 30, 2014 and June 30, 2013. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of its financial activities for the year and is required supplemental information. Since this analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and the footnotes to these financial statements. Responsibility for the completeness and fairness of this information rests with the College.

The Governmental Accounting Standards Board (GASB) establishes standards for the presentation format of College financial statements. The current format places emphasis on the overall economic resources of the College.

Statements of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position. The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. The Statement of Net Position provides a picture of the net position and its availability for College expenditures.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The College does not currently have nonexpendable restricted net position since all funds of this nature would be directed to the Southern West Virginia Community College Foundation, Inc. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

Condensed Schedules of Net Position
June 30
(in thousands)

	2014	2013	2012
Assets and deferred outflows			
Current assets	$ 8,522	$ 7,438	$ 7,860
Other noncurrent assets	126	104	103
Capital assets, net	30,058	30,388	25,351
Total assets	38,706	37,930	33,314
Deferred outflows of resources	-	-	-
Total	$ 38,706	$ 37,930	$ 33,314
Liabilities, deferred inflows and net position			
Current liabilities	$ 4,214	$ 3,254	$ 3,995
Noncurrent liabilities	4,138	4,104	4,097
Total liabilities	8,352	7,358	8,092
Deferred inflows of resources	-	-	-
Net position			
Net investment in capital assets	30,051	30,353	25,289
Unrestricted (deficit) net position	303	219	(67)
Total net position	30,354	30,572	25,222
Total	$ 38,706	$ 37,930	$ 33,314

Total net position of the College decreased by $218 thousand from June 30, 2013 to June 30, 2014. Total net position increased by $5.3 million from June 30, 2012 to June 30, 2013. These changes are related to a number of changes as described below:

- The unrestricted net position increased by $84 thousand as of June 30, 2014 due to a $1.8 million increase in cash offset by decreases in receivables and increases in unearned revenues.

- The current ratio for fiscal years 2014 and 2013 is 2.02 and 2.29, respectively. The current ratio measures the ability to meet short-term obligations. The current ratio is the most widely-used measure of liquidity. Typically, current ratios range from 1 to 4.

Statements of Revenues, Expenses and Changes in Net Position

The difference in total net position as presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

Operating revenues are received for providing goods and services to the various constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Schedules of Revenues, Expenses and Changes in Net Position
Years Ended June 30,
(in thousands)

	2014	2013	2012
Operating revenues	$ 6,349	$ 6,741	$ 6,615
Operating expenses	19,854	21,791	22,137
Operating loss	(13,505)	(15,050)	(15,522)
Non-operating revenues	12,893	14,631	14,341
Capital payments on behalf	394	5,769	712
Increase (decrease) in Net Position	$ (218)	$ 5,350	$ (469)

A review of the individual revenue and expense categories and those items that contributed to the overall increases in net position reveals the following explanations:

Operating Revenues

- For fiscal year 2014 tuition and fees contributed approximately 18% of the total operating revenues. In fiscal year 2013, tuition and fees accounted for approximately 15% of total operating revenue. The percentage increase in tuition and fees was mainly a result of a decrease in auxiliary revenue due to bookstores being outsourced to a third party vendor.

- For fiscal year 2014 grant and contract revenues increased by $206 thousand for a 5% increase. The increase was due to additional funding from State grant awards and contracts in fiscal year 2014. As a percentage of operating revenue, grant and contract revenue accounted for 74% in fiscal year 2014 and 66% in 2013.

- In fiscal year 2014 other operating revenues decreased by $679 thousand mainly due to a decrease of $605 thousand in auxiliary revenues, due to outsourcing of bookstore beginning in fiscal year 2014.

Operating Expenses

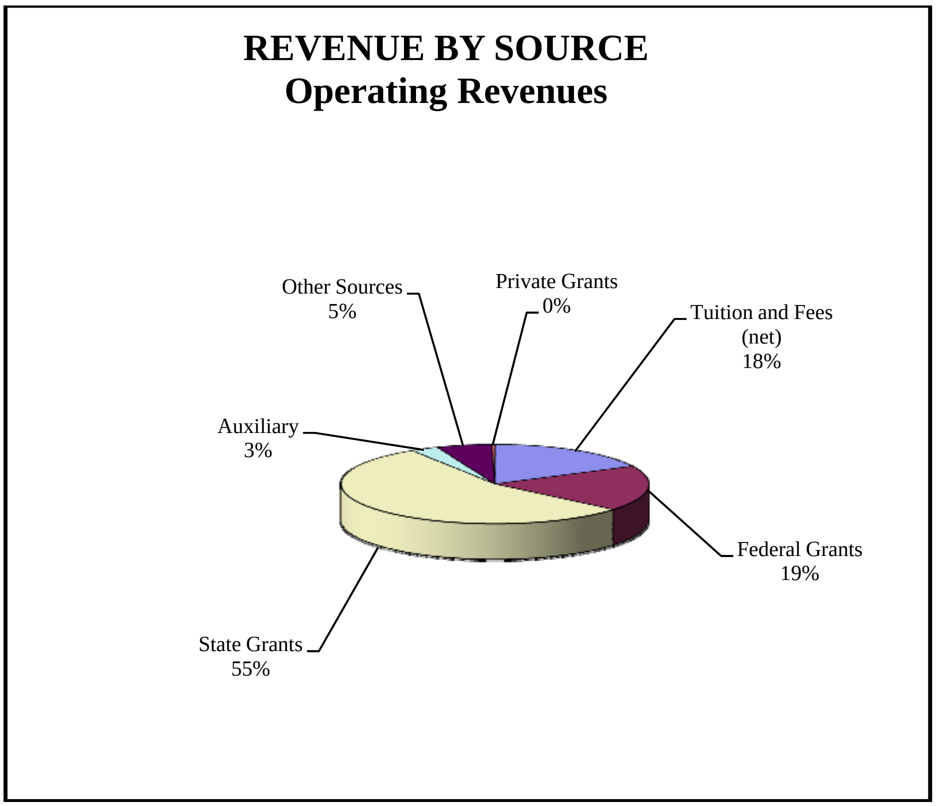
- The total cost of benefits decreased by 3% for fiscal year 2014 as compared to fiscal year 2013 reflecting a decrease in other post employment benefits for the fiscal year.

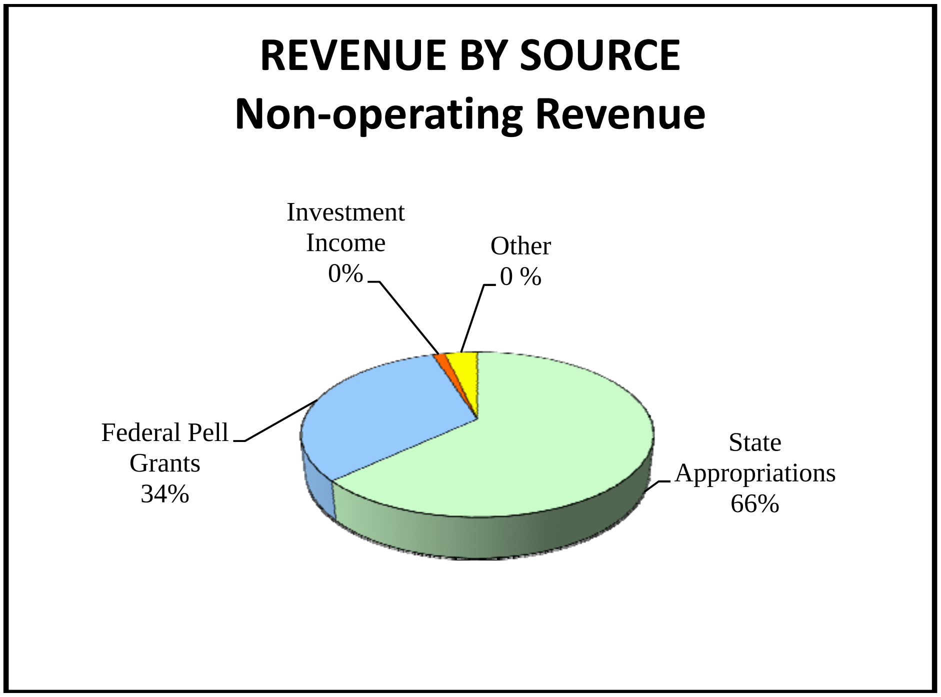
- In fiscal year 2014 salaries and wages decreased by $351 thousand or approximately 4%. This decrease was a result of not filling vacant positions.

Non-operating Revenues

- For fiscal year 2014 Federal Pell grant revenues decreased by $287 thousand or approximately 6%. This decrease was a result of a decrease in enrollment and fewer students being eligible for aid than in fiscal year 2013.

- In fiscal year 2014 State appropriations decreased by $775 thousand or 8%.

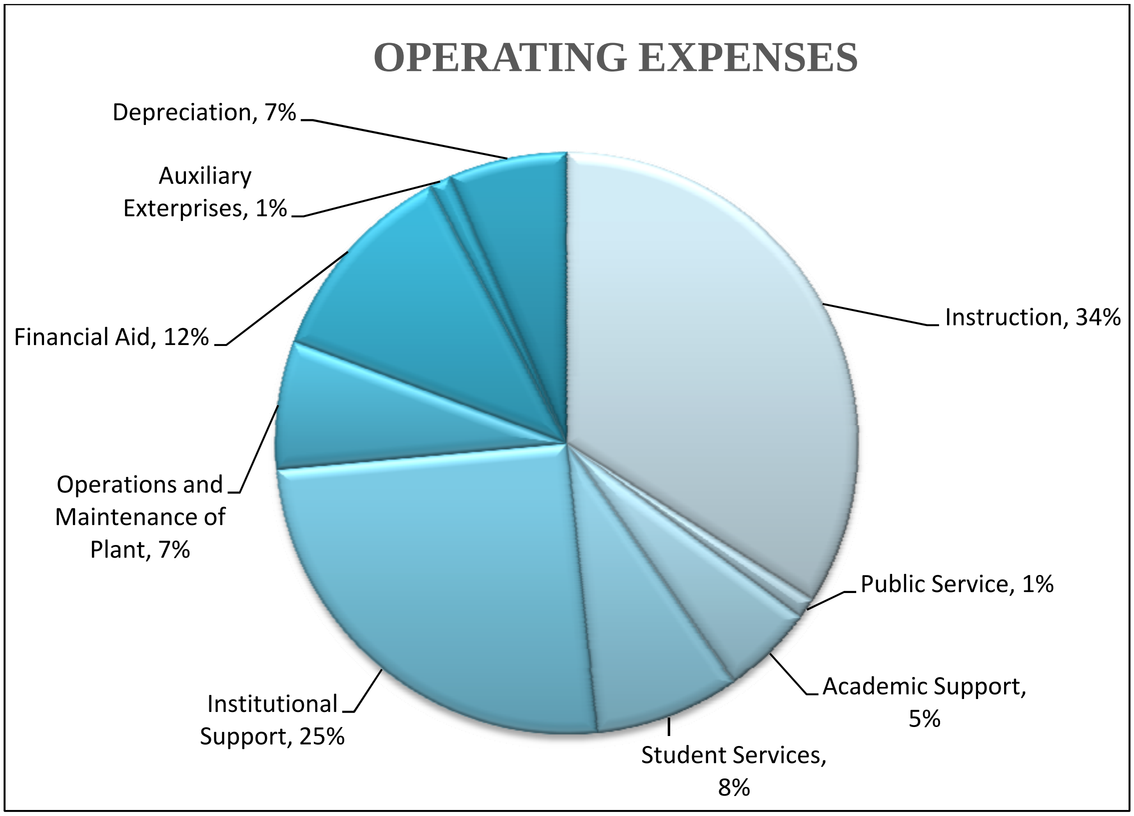




Operating Expenses
Years Ended June 30,
(in thousands)

	2014	2013	2012	(2013 to 2014) Increase (Decrease)	(2013 to 2014) Percent Change
Operating expense					
Instruction	$ 6,737	$ 6,995	$ 7,016	$ (258)	(3.69)%
Academic support	1,012	1,095	973	(83)	(7.58)%
Student services	1,591	1,615	1,538	(24)	(1.49)%
Public service	228	191	165	37	19.37%
Operations & maintenance plant	1,411	1,872	1,645	(461)	(24.63)%
Institutional support	4,993	5,071	5,754	(78)	(1.54)%
Financial aid	2,286	2,506	2,897	(220)	(8.78)%
Auxiliary	236	1,163	941	(927)	(79.71)%
Depreciation	1,300	1,226	1,152	74	(6.04)%
Other	60	57	56	3	5.26%
Total	$ 19,854	$ 21,791	$ 22,137	$ (1,937)	(8.89)%

The following is a graphic illustration of fiscal year 2014 operating expenses:



Statements of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operations to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Condensed Schedules of Cash Flows
Years Ended June 30,
(in thousands)

	2014	2013	2012
Cash provided (used) by:			
Operating activities	$ (10,568)	$ (14,756)	$ (12,974)
Noncapital financing activities	12,935	14,005	13,968
Capital and related financing activities	(581)	-	(96)
Investing activities	9	9	7
Net change in cash	1,795	(742)	905
Cash, beginning of year	6,381	7,123	6,218
Cash, end of year	$ 8,176	$ 6,381	$ 7,123

Capital Asset and Debt Administration

Capital Assets, Net
June 30,
(in thousands)

	2014	2013	2012	(2013 to 2014) Increase (Decrease)	(2013 to 2014) Percent Change
Capital Assets					
Land and Improvements	$ 1,563	$ 1,288	$ 1,288	$ 275	21.35%
Construction in Progress	394	4	949	390	9750.00%
Buildings	37,860	37,860	31,271	-	-
Equipment	5,995	5,843	5,614	152	2.60%
Library Holdings	3,958	3,990	3,879	(32)	(.80)%
Total	49,770	48,985	43,001	785	1.60%
Less: Accum Depreciation	(19,712)	(18,597)	(17,650)	(1,115)	6.00%
Net Capital Assets	$ 30,058	$ 30,388	$ 25,351	$ (330)	(1.09)%

Capital assets net decrease of $330 thousand was a result of current year depreciation offset by additions.

Current year additions to capital assets totaled approximately $974 thousand and were comprised of $275 thousand in the Boone land purchase, $248 thousand in equipment additions, $56 thousand in library additions, and $395 thousand for the Williamson Tech Building.

At June 30, 2014, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

The OPEB liability increased by $67 thousand in fiscal year 2014.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 5 and 6 to the financial statements.

Economic Outlook

During the 2000 Legislative Session the governance of higher education in the State was changed. Effective July 1, 2001, the Higher Education Policy Commission (Commission) was established at the State level and the institutional Board of Advisors was replaced by the institutional Board of Governors. The 2006 Legislature created the Council for Community and Technical College Education, removing governance of the College from the Commission. The economic outlook for West Virginia continues to be negative for several more years, leaving the College vulnerable to spending freezes if there is a significant downturn in the State's economy.

Although the economic forecasts for the State of West Virginia and the number of high school graduates in the State continues to decline, the College attracts and maintains non-traditional students to replace losses of traditional college age students. Also, emphasis is placed on dual credit course offerings in high schools. The College continues to offer incentives to faculty to develop modular and web based courses as alternate methods of course delivery. Improved physical plant and favorable comparison of fee structures with peer institutions indicate that the College should be able to remain competitive for new and returning students.

During December 2009 the Commission, on behalf of the Council, issued approximately $78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was $6 million which will be used to finance the construction of a new building on the Williamson campus. During fiscal year 2013, the College had payments made from these available funds of $5 million by the Commission. As of June 30, 2014, there was less than $70 thousand remaining available from the $6 million bond issue.

Requests for Information

The financial report is designed to provide an overview of the finances of the College for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Southern West Virginia Community and Technical College at Post Office 2900, Mount Gay, West Virginia 25637. For additional information on the Southern West Virginia Community and Technical College Foundation, Inc. please see their separately issued financial statements.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,176,036	$ 6,381,327
Accounts receivable, net of allowance for doubtful accounts	142,467	602,202
Due from the Commission	138,631	306
Due from Federal Government	25,546	48,107
Due from other State Agencies	-	367,519
Prepaid expenses	3,808	5,404
Inventories	35,327	33,366
Total current assets	8,521,815	7,438,231
NONCURRENT ASSETS:		
Cash and cash equivalents	125,265	104,140
Capital assets, net of accumulated depreciation	30,058,400	30,388,202
Total noncurrent assets	30,183,665	30,492,342
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	-	-
TOTAL	$ 38,705,480	$ 37,930,573
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 198,184	$ 167,113
Due to the Commission/Council	1,969	25,678
Due to other governments	388,234	313,424
Accrued liabilities	627,125	814,662
Compensated absences - current portion	274,702	304,576
Capital lease - current portion	7,152	27,921
Unearned revenue	2,716,296	1,601,046
Total current liabilities	4,213,662	3,254,420
NONCURRENT LIABILITIES:		
Capital lease - net of current portion	-	7,152
Other postemployment benefit liability	3,985,523	3,918,846
Compensated absences	152,319	177,618
Total noncurrent liabilities	4,137,842	4,103,616
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	-	-
NET POSITION:		
Net investment in capital assets	30,051,248	30,353,129
Unrestricted net position	302,728	219,408
Total net position	30,353,976	30,572,537
TOTAL	$ 38,705,480	$ 37,930,573

The Accompanying Notes Are An Integral
Part Of These Financial Statements

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL 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 $3,927,070 and $3,748,595 for 2014 and 2013, respectively	$ 1,117,536	$ 1,035,804
Contracts and grants:		
Federal	1,175,243	1,161,632
State	3,482,804	3,242,393
Private	21,766	69,664
Auxiliary enterprise revenue, net of scholarship allowance of $0 and $457,295 for 2014 and 2013, respectively	185,198	790,609
Miscellaneous, net	366,612	440,742
Total operating revenues	6,349,159	6,740,844
OPERATING EXPENSES:		
Salaries and wages	8,810,868	9,161,638
Benefits	2,444,153	2,514,669
Supplies and other services	4,223,210	5,611,637
Utilities	728,918	713,525
Student financial aid - scholarships and fellowships	2,286,004	2,505,616
Depreciation	1,299,589	1,225,659
Fees assessed by the Commission for operations	60,952	58,425
Total operating expenses	19,853,694	21,791,169
OPERATING LOSS	(13,504,535)	(15,050,325)
NONOPERATING REVENUES:		
State appropriations	8,453,274	9,228,731
Gifts	-	200,000
Investment income	8,803	8,624
Federal Pell grants	4,386,010	4,672,574
Other nonoperating	44,224	521,196
Total nonoperating revenues	12,892,311	14,631,125
DECREASE IN NET POSITION BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(612,224)	(419,200)
CAPITAL PAYMENTS MADE AND EXPENSES INCURRED ON BEHALF OF THE COLLEGE	393,663	5,769,331
INCREASE (DECREASE) IN NET POSITION	(218,561)	5,350,131
NET POSITION - Beginning of year	30,572,537	25,222,406
NET POSITION - End of year	$ 30,353,976	$ 30,572,537

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from student tuition and fees	$ 1,480,259	$ 948,542
Cash received from contracts and grants	6,098,931	3,517,417
Payments to and on behalf of employees	(11,287,899)	(11,609,774)
Payments to suppliers	(4,285,511)	(5,566,205)
Payments to utilities	(779,066)	(712,999)
Payments for scholarships and fellowships	(2,286,004)	(2,505,616)
Auxiliary enterprise charges, net of scholarship allowance	185,198	790,609
Fees assessed by Commission	(60,952)	(58,425)
Other receipts, net	366,612	440,742
Net cash (used) in operating activities	(10,568,432)	(14,755,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,453,274	9,228,731
Federal student loan program - direct lending receipts	298,756	387,244
Federal student loan program - direct lending payments	(298,756)	(387,244)
Gifts	96,000	104,000
Pell grants	4,386,010	4,672,574
Net cash provided by noncapital financing activities	12,935,284	14,005,305
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(576,124)	(524,783)
Payments on long-term borrowings from financial institutions	(27,921)	(26,857)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	(21,125)	(490)
Other nonoperating revenue	44,224	552,343
Net cash provided by (used in) capital financing activities	(580,946)	213
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	8,803	8,624
Net cash provided by investing activities	8,803	8,624
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,794,709	(741,567)
CASH AND CASH EQUIVALENTS - Beginning of year	6,381,327	7,122,894
CASH AND CASH EQUIVALENTS - End of year	$ 8,176,036	$ 6,381,327
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (13,504,535)	$ (15,050,325)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,299,589	1,225,659
Changes in assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	363,735	(82,993)
Due from the Commission	(138,325)	11,442
Due from the Federal Government	22,561	19,135
Due from other State Agencies	367,519	(362,194)
Prepaid expenses	1,596	3,391
Inventories	(1,961)	187,849
Accounts payable	31,071	34,866
Due to the Commission/Council	(23,709)	(821,013)
Due to other governments	74,810	294,755
Accrued liabilities	(187,537)	(157,821)
Compensated absences	(55,173)	30,414
Other postemployment benefits	66,677	13,792
Unearned revenue	1,115,250	(102,666)
Net cash (used) in operating activities	$ (10,568,432)	$ (14,755,709)
NONCASH TRANSACTIONS:		
Capital payments made and expenses incurred on behalf of the College	$ 393,663	$ 5,769,331

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 410,562	$ 456,965
Certificates of deposit	58,773	57,746
Investments at estimated market value	2,793,608	2,481,697
Miscellaneous receivable	5,546	5,826
Interest and dividends receivable	9,350	7,756
Prepaid expenses	9,276	8,547
Unconditional promises to give, net	489,284	542,702
TOTAL ASSETS	$ 3,776,399	$ 3,561,239
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 39,964	$ 32,782
Payable to related party	1,070	218,186
Total liabilities	41,034	250,968
NET ASSETS		
Unrestricted	5,740	5,896
Temporarily restricted	3,714,625	3,289,375
Permanently restricted	15,000	15,000
Total net assets	3,735,365	3,310,271
TOTAL LIABILITIES AND NET ASSETS	$ 3,776,399	$ 3,561,239

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	$ -	$ 343,412	$ -	$ 343,412
Interest and dividend income	9,350	115,777	-	125,127
Gain on investment	15,437	434,468	-	449,905
Net assets released from restriction	468,407	(468,407)	-	-
Total revenues, investment income, and other support	493,194	425,250	-	918,444
EXPENSES				
Program services:				
Scholarships	319,754	-	-	319,754
Educational development	7,289	-	-	7,289
Total program services	327,043	-	-	327,043
Administrative and general	122,203	-	-	122,203
Fundraising	44,104	-	-	44,104
Total expenses	493,350	-	-	493,350
CHANGE IN NET ASSETS	(156)	425,250	-	425,094
NET ASSETS, BEGINNING OF YEAR	5,896	3,289,375	15,000	3,310,271
NET ASSETS, END OF YEAR	$ 5,740	$ 3,714,625	$ 15,000	$ 3,735,365

SOUTHERN WEST VIRGINIA COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, INVESTMENT INCOME, AND OTHER SUPPORT				
Contributions	$ -	$ 423,750	$ -	$ 423,750
Interest and dividend income	1,108	109,106	-	110,214
Gain on investment	4,513	73,673	-	78,186
Net assets released from restriction	641,346	(641,346)	-	-
Total revenues, investment income, and other support	646,967	(34,817)	-	612,150
EXPENSES				
Program services:				
Scholarships	367,046	-	-	367,046
Educational development	40,012	-	-	40,012
Total program services	407,058	-	-	407,058
Administrative and general	198,280	-	-	198,280
Fundraising	31,136	-	-	31,136
Total expenses	636,474	-	-	636,474
CHANGE IN NET ASSETS	10,493	(34,817)	-	(24,324)
NET ASSETS, BEGINNING OF YEAR	(4,597)	3,324,192	15,000	3,334,595
NET ASSETS, END OF YEAR	$ 5,896	$ 3,289,375	$ 15,000	$ 3,310,271

NOTE 1 - ORGANIZATION

Southern West Virginia Community and Technical College (the College) is governed by the Southern West Virginia Community and Technical College Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

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

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education the responsibility of developing, overseeing and advancing the State's public policy agenda as it relates to community and technical college education.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the Southern West Virginia Community College Foundation, Inc. (the Foundation).

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

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The financial statement presentation required by GASB provide 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds under the authority of the College. The basic criterion 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. A related Southern Alumni Association (Alumni Association) of the College is not part of the College's reporting entity and is not included in the accompanying financial statements as the College has no ability to designate management, cannot significantly influence operations of these entities and is not accountable for the fiscal matters of the Alumni Association under GASB.

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 here as a discrete component unit with the College financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the year ended December 31, 2013 and 2012. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organization*. 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 as required by GASB No. 39.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

  The West Virginia State Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected as State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2005 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature. The College does not have any restricted expendable net position at June 30, 2014 or 2013.

- *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. The College does not have any restricted nonexpendable net position at June 30, 2014 or 2013.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122 Charleston, West Virginia, 25305 or http://www.wvbti.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; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature, and any other program investments authorized by the legislature.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Cash and Cash Equivalents, and Investments **-** Cash and cash equivalents 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 (3) permanently restricted net position, are classified as a noncurrent asset in the accompanying statements of net position.

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

Unearned Revenue **-** Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue. Unearned revenue at the College primarily consists of grant funding not spent or with unmet timing requirements and summer tuition collected in advance. Financial aid and other deposits are separately classified as deposits.

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 Street, SE, Suite 2, Charleston, WV 25304 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Classification of Revenues - The College has classified its revenues according to the following criteria:

- *Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

- *Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and sale of capital assets (including natural resources).

- *Other revenues* - 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 utilizes 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 institutions like the College. Direct student loan receivables are not included in the College's statements of net position as the loans are repayable directly to the U. S. Department of Education. In 2014 and 2013, the College received and disbursed $298,756 and $387,244, respectively, under the Federal Direct Student Loan Program on behalf of the U. S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The College distributes student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the College received and disbursed $4,502,287 and $4,764,175 respectively, under these federal student aid programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Scholarship Allowances* -** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement 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 and funds provided to students as awarded by third parties are 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 statement of cash flows.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The GASB 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; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The adoption of GASB Statement No. 70 did not have a material impact on the financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The College has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

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

The Governmental Accounting Standards Board has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The College has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	2014		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	$ 8,138,712	$ -	$ 8,138,712
Cash in bank	32,524	125,265	157,789
Cash on hand	4,800	-	4,800
	$ 8,176,036	$ 125,265	$ 8,301,301

	2013		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer/BTI	$ 6,341,289	$ -	$ 6,341,289
Cash in bank	35,238	104,140	139,378
Cash on hand	4,800	-	4,800
	$ 6,381,327	$ 104,140	$ 6,485,467

Cash held by the State Treasurer includes $2,985,569 and $1,608,188 of restricted cash primarily for operating grants as of June 30, 2014 and 2013, respectively.

The combined carrying amount of cash in the bank at June 30, 2014 and 2013 was $157,789 and $139,378, as compared with the combined bank balance of $223,220 and $172,621, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State’s agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest-bearing accounts are 100% insured through December 31, 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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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:

	2014			2013		
External Pool		Carrying Value (in Thousands)	S & P Rating		Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	$	1,959,590	AAAm	$	2,495,868	AAAm
WV Government Money Market Pool	$	238,954	AAAm	$	287,184	AAAm
WV Short Term Bond Pool	$	771,941	Not Rated	$	615,807	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.

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:

	2014			2013		
External Pool		Carrying Value (in Thousands)	WAM (Days)		Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$	1,959,590	36	$	2,495,868	52
WV Government Money Market Pool	$	238,954	37	$	287,184	50

The following table provides information on the effective duration for the WV Short Term Bond Pool:

	2014			2013		
External Pool		Carrying Value (in Thousands)	Effective Duration (Days)		Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$	771,941	407	$	615,807	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.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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.

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.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The College has no securities with foreign currency risk.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are as follows at June 30:

	2014	2013
Student tuition and fees, net of allowance for doubtful accounts of $488,832 and $405,494 in 2014 and 2013, respectively	$ 58,165	$ 255,994
Due from Foundation	6,009	316,304
Other accounts receivable	78,293	29,904
	$ 142,467	$ 602,202

NOTE 5 - CAPITAL ASSETS

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

	2014			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Construction in process	$ 3,801	$ 393,663	$ (3,801)	$ 393,663
Land	1,288,470	275,000	-	1,563,470
Total capital assets not being depreciated	$ 1,292,271	$ 668,663	$ (3,801)	$ 1,957,133
Other capital assets				
Buildings	$ 37,859,789	$ -	$ -	$ 37,859,789
Equipment	5,843,221	248,490	(96,592)	5,995,119
Library holdings	3,989,896	56,435	(88,026)	3,958,305
Total other capital assets	47,692,906	304,925	(184,618)	47,813,213
Less accumulated depreciation for:				
Buildings	(10,582,402)	(847,722)	-	(11,430,124)
Equipment	(4,257,186)	(390,609)	96,592	(4,551,203)
Library holdings	(3,757,387)	(61,258)	88,026	(3,730,619)
Total accumulated depreciation	(18,596,975)	(1,299,589)	184,618	(19,711,946)
Other capital assets, net	$ 29,095,931	$ (994,664)	$ -	$ 28,101,267
Capital asset summary:				
Capital assets not being depreciated	$ 1,292,271	$ 668,663	$ (3,801)	$ 1,957,133
Other capital assets	47,692,906	304,925	(184,618)	47,813,213
Total cost of capital assets	48,985,177	973,588	(188,419)	49,770,346
Less accumulated depreciation	(18,596,975)	(1,299,589)	184,618	(19,711,946)
Capital assets, net	$ 30,388,202	$ (326,001)	$ (3,801)	$ 30,058,400

NOTE 5 - CAPITAL ASSETS (Continued)

	2013			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Construction in process	$ 949,026	$ 3,801	$ (949,026)	$ 3,801
Land	1,288,470	-	-	1,288,470
Total capital assets not being depreciated	$ 2,237,496	$ 3,801	$ (949,026)	$ 1,292,271
Other capital assets				
Buildings	$ 31,270,822	$ 6,588,967	$ -	$ 37,859,789
Equipment	5,614,264	530,827	(301,870)	5,843,221
Library holdings	3,878,356	136,717	(25,177)	3,989,896
Total other capital assets	40,763,442	7,256,511	(327,047)	47,692,906
Less accumulated depreciation for:				
Buildings	(9,844,377)	(738,025)	-	(10,582,402)
Equipment	(4,079,903)	(430,834)	253,551	(4,257,186)
Library holdings	(3,725,764)	(56,800)	25,177	(3,757,387)
Total accumulated depreciation	(17,650,044)	(1,225,659)	278,728	(18,596,975)
Other capital assets, net	$ 23,113,398	$ 6,030,852	$ (48,319)	$ 29,095,931
Capital asset summary:				
Capital assets not being depreciated	$ 2,237,496	$ 3,801	$ (949,026)	$ 1,292,271
Other capital assets	40,763,442	7,256,511	(327,047)	47,692,906
Total cost of capital assets	43,000,938	7,260,312	(1,276,073)	48,985,177
Less accumulated depreciation	(17,650,044)	(1,225,659)	278,728	(18,596,975)
Capital assets, net	$ 25,350,894	$ 6,034,653	$ (997,345)	$ 30,388,202

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

At June 30, 2014, the College had no significant outstanding contractual commitments for property, plant and equipment expenditures.

NOTE 6 - 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
Capital leases	$ 35,073	$ -	$ 27,921	$ 7,152	$ 7,152
Other postemployment benefits liability	3,918,846	481,829	415,152	3,985,523	-
Compensated absences	482,194	-	55,173	427,021	274,702
Total noncurrent liabilities	$ 4.436.113	$ 481,829	$ 498,246	$ 4.419.696.	$ 281.854

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases	$ 61,930	$ -	$ 26,857	$ 35,073	$ 27,921
Other postemployment benefits liability	3,905,054	568,531	554,739	3,918,846	-
Compensated absences	451,780	30,414	-	482,194	304,576
Total noncurrent liabilities	$ 4,418,764	$ 598,945	$ 581,596	$ 4,436,113	$ 332,497

On August 22, 2007, the College entered into a capital lease for equipment with SunTrust Leasing Corporation. The lease is payable in monthly installments of $2,399 over 84 months at an interest rate of 3.89%. The total amount outstanding on the lease at June 30, 2014 was $7,152.

The cost of equipment under capital leases, net of accumulated depreciation is included in the Statements of Net Position as investment in capital assets and was $35,612 at June 30, 2014. Depreciation of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2014, are as follows:

Years Ending June 30,	
2015	$ 7,198
Total minimum lease payments	7,198
Less: Amount representing interest	46
Present value of net minimum lease payments	$ 7,152

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College leases various equipment, automobiles, and buildings, under operating lease agreements. Aggregate payment for operating leases amounted to $170,690 and $70,065 for the years ended June 30, 2014 and 2013, respectively. Future minimum rental commitments are as follows as of June 30, 2014:

Years Ending June 30,		
2015	$	47,527
2016		10,887
2017		907
	$	59,321

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 $3,985,523, $3,918,846, and $3,905,054, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $481,829 and $97,472 respectively, during 2014, or 20%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $568,531 and $115,213 respectively, during 2013, or 20%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,707,208 and $122,663, respectively, during 2012, or 7%. As of the years ended June 30, 2014, 2013 and 2012, there were 41, 35 and 31 retirees receiving these benefits, respectively. During the 2013 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.

NOTE 9 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

During December 2009, the Commission, on behalf of the Council, issued $78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the 2009 Bonds). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of $6,000,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2014, the College had drawn down $5,932,965 of these bond funds to pay for capital projects.

NOTE 10 - UNRESTRICTED NET POSITION

The College did not have any designated unrestricted net position as of June 30, 2014 or 2013.

	2014	2013
Total unrestricted net position before OPEB liability	$ 4,288,251	$ 4,138,254
Less: OPEB liability	3,985,523	3,918,846
Total unrestricted net position (deficit)	$ 302,728	$ 219,408

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 Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan. As of June 30, 2014, there were no employees enrolled in the Educators Money 401(a) basic retirement plan.

NOTE 11 - RETIREMENT PLANS (Continued)

The STRS is a cost sharing, defined benefit public retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for years ended June 30, 2014, 2013, and 2012. Required employee contributions were at the rate of 6% of total annual salary for years ended June 30, 2014, 2013, and 2012. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salary 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 $164,521, $198,934, and $192,367, respectively, which consisted of $117,515, $142,096, and $137,405 from the College in 2014, 2013, and 2012, respectively, and $47,006, $56,838, and $54,962 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 SE, Charleston, WV 25304.

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 $874,262, $895,158, and $839,118 respectively, which consisted of equal contributions from the College and covered employees in 2014, 2013, and 2012 of $437,131, $447,579, and $419,559, respectively.

The College's total payroll for the years ended June 30, 2014, 2013, and 2012 was $8,849,131, $9,096,215, and $8,870,231, respectively; total covered employees' salaries in the STRS and TIAA-CREF were $783,432 and $7,285,513 in 2014; $947,307 and $7,459,642 in 2013, and $916,034 and $6,992,645 in 2012, respectively.

NOTE 12 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "to support, encourage and assist in the development and growth of the College, to render service and assistance to the College, and through it to the citizens of the State of West Virginia…" 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.

The Foundation's net assets totaled $3,735,365 and $3,310,271 at December 31, 2013 and 2012, respectively. The net assets include amounts which are restricted by donors to use for specific projects or departments of the College. During the years ended June 30, 2014 and 2013, the Foundation made $0 and $539,914, respectively, in contributions to the College. As of June 30, 2014 and 2013, the College had accounts receivable of $6,009 and $316,304 due from the Foundation. Complete financial statements for the Foundation can be obtained from the Southern West Virginia Community College Foundation, Inc.

NOTE 13 - AFFILIATED ORGANIZATION

The College has a separately incorporated affiliated organization, the Southern Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of such organizations are not included in the accompanying financial statements under the blended component unit requirements. They are not included in the College's accompanying financial statements under discretely presented component unit requirements as, they (1) are not material or (2) have dual purposes (i.e., not entirely or almost entirely for the benefit of the College).

NOTE 14 - CONTINGENCIES

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

NOTE 14 - CONTINGENCIES (Continued)

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 15 COMPONENT UNIT DISCLOSURES

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Southern West Virginia Community College Foundation, Inc. (the Foundation) was incorporated in September 1971 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending what is now known as Southern West Virginia Community and Technical College (the College), and to be used for other purposes benefiting the College. The Foundation is classified as other than a private foundation by the Internal Revenue Service and is exempt from income taxes. The Foundation is considered to be a component unit of the College. Administrative services are provided by the College.

Basis of Accounting and Financial Statement Presentation - The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles ("U. S. GAAP"). The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted - Net assets are under the discretionary control of the Board of Directors (the "Board") and include amounts designated by the Board for specified purposes.

Temporarily Restricted - Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted - Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets generally is used for scholarships or educational development programs.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of 3 months or less.

Investments - Investments are carried at fair value in accordance with FASB guidance. Realized and unrealized gains and losses are reported in the statement of activities. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Unconditional Promises to Give - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates for United States Government securities. Accretion of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met. The majority of the promises to give are received from local individual and business contributors as a result of the VISION 2020 campaign.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At December 31, 2013, management determined that all outstanding promises to give are fully collectible.

Program Services Expenses - All scholarships and other program services distributions are approved by the Board. Unconditional grants to the College are recognized when approved. Grants approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities and change in net assets when the specified conditions are satisfied.

Fixed Assets - The Foundation's fixed assets are carried at cost. Depreciation is computed using the straight-line method with estimated useful lives of three and five years for software and equipment, respectively. All fixed assets were fully depreciated as of December 31, 2012. No fixed assets were acquired in 2013. Depreciation expense for the years ended December 31, 2013 and 2012 was $0.

Income Taxes - The Foundation has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been recorded for income taxes in the accompanying financial statements.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. Management believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's statement of financial position. Accordingly, the Foundation has not recorded any reserves, or related accruals, for interest and penalties for uncertain tax positions at December 31, 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for tax years prior to 2010.

NOTE 2 - INVESTMENTS

The cost and estimated fair values of investments at December 31, 2013, are as follows:

	Estimated Fair Value	Cost
Publicly traded equity securities	$ 2,793,608	$ 2,102,446

The cost and estimated fair values of investments at December 31, 2012, are as follows:

	Estimated Fair Value	Cost
Publicly traded equity securities	$ 2,481,697	$ 2,238,313

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2013 and 2012, are as follows:

	2013	2012
Receivable in less than one year	$ 139,630	$ 147,010
Receivable in one to five years	327,832	382,481
Receivable in more than five years	51,804	50,900
Total unconditional promises	519,266	580,391
Discounts to net present value	(29,982)	(37,689)
Net unconditional promises	$ 489,284	$ 542,702

The discount rate used on long-term promises to give was 3.25 percent in 2013 and 2012.

NOTE 4 - RELATED-PARTY TRANSACTIONS

The Foundation scholarships are awarded by the College. The Foundation recognized expenses in the amount of $319,754 and $ 367,046 in 2013 and 2012, respectively, for student scholarships and other support payments to the College.

At December 31, 2013 and 2012, the Foundation's total related-party payable to the College for scholarships and faculty educational awards was $1,070 and $218,186.

Contributed services received from the College and from unrelated volunteers have not been recorded, as the value of the services cannot be reasonably determined.

NOTE 5 - NET ASSETS

Temporary and permanent restrictions on net assets at December 31, 2013, are for scholarships and educational development.

Net assets were released from restriction for the following purposes during the year ended December 31, 2013 and 2012:

	2013	2012
Scholarships	$ 319,754	$ 367,046
Education development	7,289	40,012
Fundraising	44,104	31,136
Other	97,260	203,152
Total	$ 468,407	$ 641,346

NOTE 6 - FAIR VALUE MEASUREMENTS

Accounting standards require that the Foundation adopt fair value measurement for financial assets and financial liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by these standards are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available, but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III: Assets or liabilities that have little or no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents assets reported on the financial statements at their fair value as of December 31, 2013 and 2012, by level within the fair value hierarchy. Equity securities are classified as Level I securities and are valued using observable market prices. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

2013	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Equity securities	$ 2,793,608	$ -	$ -	$ 2,793,608

2012	Level I	Level II	Level III	Total
Valued on a recurring basis:				
Assets:				
Equity securities	$ 2,481,697	$ -	$ -	$ 2,481,697

NOTE 7 - SUBSEQUENT EVENTS

The Foundation assessed events occurring subsequent to December 31, 2013, through August 21, 2014, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on August 21, 2014.

SOUTHERN WEST VIRGINIA COMMUNITY AND TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 16 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

2014

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,706,727	$ 1,191,802	$ 821,630	$ 16,404	$ -	$ -	$ -	$ 6,736,563
Public service	104,218	28,126	95,970	-	-	-	-	228,314
Academic support	656,366	189,290	166,454	-	-	-	-	1,012,110
Student services	1,075,068	292,828	222,852	-	-	-	-	1,590,748
General institutional support	2,083,735	714,892	2,191,005	3,498	-	-	-	4,993,130
Operations and maintenance of plant	46,091	5,216	650,197	709,016	-	-	-	1,410,520
Student financial aid	-	-	-	-	2,286,004	-	-	2,286,004
Auxiliary enterprises	138,663	21,999	75,102	-	-	-	-	235,764
Depreciation	-	-	-	-	-	1,299,589	-	1,299,589
Other	-	-	-	-	-	-	60,952	60,952
Total	$ 8,810,868	$ 2,444,153	$ 4,223,210	$ 728,918	$ 2,286,004	$ 1,299,589	$ 60,952	$ 19,853,694

2013

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by the Commission	Total
Instruction	$ 4,889,828	$ 1,301,443	$ 785,108	$ 18,863	$ -	$ -	$ -	$ 6,995,242
Public service	96,229	26,011	68,991	-	-	-	-	191,231
Academic support	703,391	195,765	195,620	-	-	-	-	1,094,776
Student services	1,088,898	335,615	190,233	-	-	-	-	1,614,746
General institutional support	2,175,330	604,130	2,286,751	4,910	-	-	-	5,071,121
Operations and maintenance of plant	51,673	15,751	1,114,326	689,752	-	-	-	1,871,502
Student financial aid	-	-	-	-	2,505,616	-	-	2,505,616
Auxiliary enterprises	156,289	35,954	970,608	-	-	-	-	1,162,851
Depreciation	-	-	-	-	-	1,225,659	-	1,225,659
Other	-	-	-	-	-	-	58,425	58,425
Total	$ 9,161,638	$ 2,514,669	$ 5,611,637	$ 713,525	$ 2,505,616	$ 1,225,659	$ 58,425	$ 21,791,169

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Governors
Southern West Virginia Community and Technical College
Mt. Gay, 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 unit of Southern West Virginia Community and Technical 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 October 29, 2014, which states reliance on other auditors for the discretely presented component unit. Our report includes a reference to other auditors who audited the financial statements of The Southern West Virginia Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 29, 2014