GLENVILLE STATE COLLEGE

Glenville, West Virginia

Financial Statements and
Additional Information for the Years
Ended June 30, 2014 and 2013 and
Independent Auditors' Reports

GLENVILLE STATE COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Glenville State College (the "College") 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.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Glenville State College Foundation, Inc. (the "Foundation"), a discretely presented 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 Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance 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 3-12 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 January 7, 2015 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.

Hayflich Grigoraci PLLC

Huntington, West Virginia
January 7, 2015

GLENVILLE STATE COLLEGE
200 High Street
Glenville, WV 26351

Management's Discussion and Analysis
Fiscal Years 2014, 2013, and 2012

About Glenville State College

Glenville State College, West Virginia's only centrally located public college, was founded in 1872 to provide instruction and practice for common school teachers in the science of education and the art of teachers. In the early years, Glenville Normal was obliged to devote resources almost exclusively to secondary studies because of the absence of high schools in the area. Later, as high schools became more numerous, secondary offerings were gradually reduced and more college courses were developed. On May 1, 1930, the State Board of Education authorized the school to award the Bachelor of Arts in Education Degree, and on March 4, 1931, the Legislature changed the school's name to Glenville State Teachers College. Often referred to as the Lighthouse on the Hill, the name of the school was changed to Glenville State College in 1943.

Glenville State College has surpassed its original mission as a teacher's college, and currently prepares students for careers in teaching, business, land resources, music, the liberal arts, the sciences, criminal justice, and human services. With an enrollment of approximately 1,900 students, the College has a student to faculty ratio of 19 to 1. The College's enrollment is made up of many first generation students with approximately 90% of the students coming from West Virginia counties.

Glenville State College is accredited by the Higher Learning Commission and is a member of the North Central Association of Colleges and Schools. The College holds unit accreditation from the National Council for Accreditation of Teacher Education and recognition from the Society of American Foresters. Glenville State College is in the West Virginia Higher Education System and is governed by a local twelve member Board of Governors.

Overview of the Financial Statements and Financial Analysis

Glenville State College (the "College") is pleased to present its financial statements for the fiscal years 2014 and 2013. The following management discussion and analysis provides an overview of the financial position and activities of the College for the years ended June 30, 2014, 2013, and 2012.

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. These statements provide both long-term and short-term financial information on the College.

Financial Highlights

Current, non-current, net capital and total assets all reflected substantial increases. Operating, non-operating, and total revenues each increased while related expenditures decreased. Current liabilities increased due to obligations to construction contractors and monthly payments of principal and interest. Non-current liabilities increased due to the loan for the energy savings projects. The College continued receiving significant funding through various operational and research grants.

Net Position

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

The Statements of Net Position provides a way to measure the financial position of the College. It provides a picture of the net position and availability of resources for expenditure by the College. From the data presented, readers of the Statements 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 is owed to employees, vendors and lending institutions.

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

Condensed Schedules of Net Position
For the Years Ended June 30, 2014, 2013 and 2012

Assets	**2014**	**2013**	**2012**	**% Change**	
Current assets	$5,747,762	$7,043,187	$3,129,424	(18.39)	%
Non-Current Assets	1,880,676	8,963,490	2,212,312	(79.02)	%
Capital Assets, Net	83,819,724	73,878,614	61,279,381	13.46	%
Total Assets	91,448,162	89,885,291	66,621,117	1.74	%
Deferred outflows of resources	1,517,837	1,966,546	2,606,005	(22.82)	%
Total	$92,965,999	$91,851,837	$69,227,122	1.21	%

Liabilities					
Current Liabilities	$6,281,984	$7,629,609	$3,241,837	(17.66)	%
Non-Current Liabilities	45,029,025	46,649,743	44,398,734	(3.47)	%
Total Liabilities	51,311,009	54,279,352	47,640,571	(5.47)	%
Deferred inflows of Resources					
Total	$51,311,009	$54,279,352	$47,640,571	(5.47)	%
Net Position					
Net Investment in Capital Assets	$40,960,606	$32,740,749	$22,605,543	25.11	%
Restricted-expendable	3,903,860	8,199,905	3,455,753	(52.39)	%
Unrestricted	(3,209,476)	(3,368,169)	(4,474,745)	(4.71)	%
Total Net Position	$41,654,990	$37,572,485	$21,586,551	10.87	%
Total Liabilities, Deferred Inflows, and Net Position	$92,965,999	$91,851,837	$69,227,122	1.21	%

An indicator of short-term financial condition is the ratio of current assets to current liabilities, or current ratio. The current ratio was .92, .92, and .97 as of June 30, 2014, 2013, and 2012, respectively.

Significant Changes in Net Position

At June 30, 2014, the College's total net position increased from the previous year by $4,082,505. Current cash and cash equivalents increased by $139,773.

Non-current assets, consisting of non-current cash and cash equivalents and deferred outflows from derivative instruments, decreased by $7,524,744. This was primarily a result of capital funds on hand to be used for the construction of the Waco Center, energy savings projects, and other capital improvement projects.

Net capital assets increased approximately $9,941,110 due primarily to capital improvement projects. Principal on the Mollohan Campus Community Center bonds, Science Building bonds, Goodwin Hall bonds, and system-wide debt assigned by the HEPC were reduced $64,068, $102,361, $436,559, and $53,327 respectively.

Revenues, Expenses, and Changes in Net Position

Changes in total net position, as presented on the Statements of Net Position, are based on the activities presented in the Statements of Revenues, Expenses, and Changes in Net Position ("SRECNP"). The purpose of the SRECNP is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses of the College.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses incurred 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 for which goods and services are not provided are reported as non-operating revenues. State lottery appropriations are non-operating revenues because they are provided by the West Virginia Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide.

Condensed Schedules of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014, 2013, and 2012

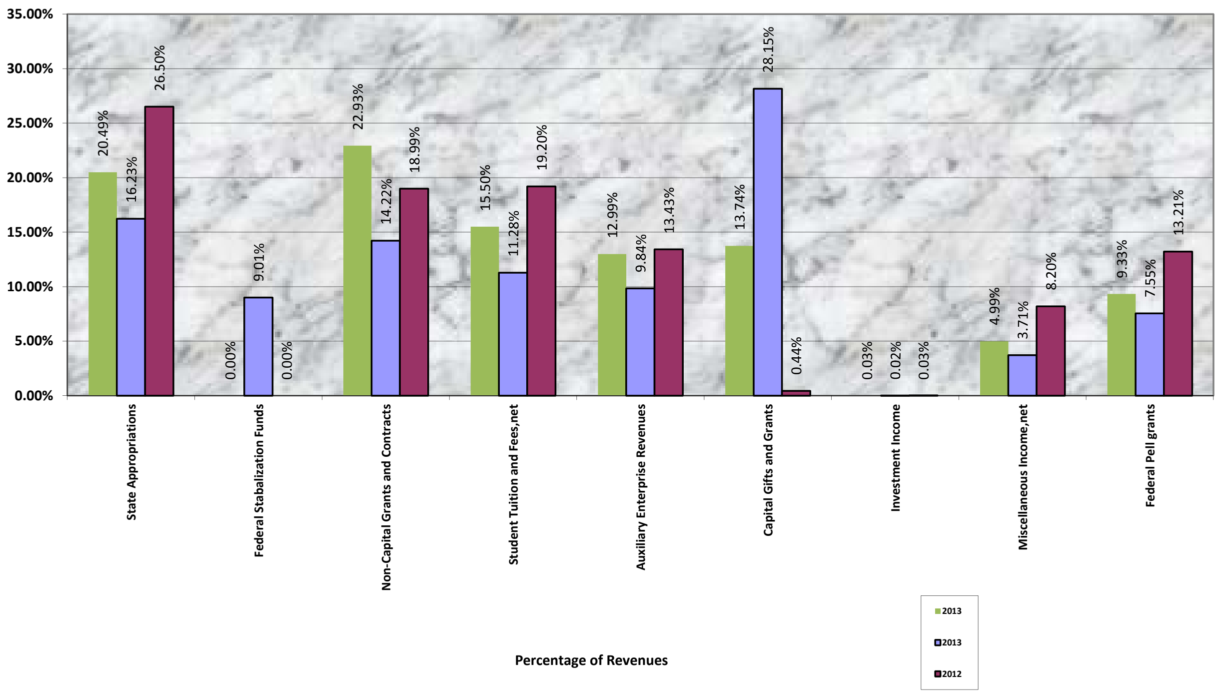
	2014	2013	2012	% Change
Operating revenues	$17,673,464	$17,340,369	$16,018,829	1.92 %
Operating expenses	25,368,286	26,706,581	28,515,119	(5.01) %
Operating Loss	(7,694,822)	(9,366,212)	(12,496,290)	(17.84) %
Non-operating Revenues	9,349,399	10,565,258	10,643,916	(11.51) %
Non-operating Expenses	1,876,376	1,715,732	1,751,450	9.36 %
Net Non-operating revenues	7,473,023	8,849,526	8,892,466	(15.55) %
Income (Loss) before other revenues, expenses, gains or losses	(221,799)	(516,686)	(3,603,824)	(57.07) %
Capital Project Proceeds	3,207,159	10,315,957	595,893	(68.91) %
Capital Gifts and Grant	1,097,145	6,186,663	603,234	(82.27) %
Increase in Net Position	4,082,505	15,985,934	(2,404,697)	(74.46) %
Net Position, beginning of year	37,572,485	21,586,551	23,991,248	74.06 %
Net Position, end of year	$41,654,990	$37,572,485	$21,586,551	10.87 %

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

Revenues:

	2014	2013	2012	% Change	
Program revenues (by major source)					
Tuition & Fees before allowances	$7,645,450	$7,899,218	$8,163,110	(3.21)	%
Less: scholarship discounts & allowances	(2,790,595)	(2,888,448)	(3,021,548)	(3.39)	%
Research grants & contracts	7,184,825	6,312,788	5,085,212	13.81	%
Auxiliary enterprise sales & services, net	4,069,713	4,369,825	3,595,551	(6.87)	%
Miscellaneous	1,564,071	1,646,986	2,196,504	(5.03)	%
General revenues (by major source)					
State appropriations	6,418,711	7,206,804	7,097,804	(10.94)	%
Capital appropriations from					
the Federal Stabilization funds	-	4,000,000		(100.00)	%
Federal ARRA Funds					
Federal Pell Grants	2,921,831	3,351,405	3,538,833	(12.82)	%
Investment Income	8,857	7,049	7,279	25.65	%
Capital Grants and Gifts	4,304,304	12,502,620	119,127	(65.57)	%
Total Revenues	$31,327,167	$44,408,247	$26,781,872	(29.46)	%

Total Revenues for the Year Ended June 2014, 2013, 2012



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

- Student tuition and fees (net of scholarship allowance) made up 27.47% of the College's operating revenues and 15.50% of total revenues. Resident and non-resident tuition and fees increased 8.94% and 4.80%, respectively. However, tuition and fee revenues decreased over the previous year as a result of a decrease in enrollment.

- Other revenues such as contracts and grants, auxiliary enterprise revenue, and miscellaneous revenues comprised 64.01%, 63.49%, and 56.06% of the College's total revenues in FY 2014, FY 2013 and FY 2012, respectively. FY 2014 grant awards included receipts of $106,536 from the US Department of Education, $116,011 from the Department of Justice, and $116,416 in West Virginia Higher Education scholarship programs. Federal Revenues, non-operating, consisted of $2,921,831 in PELL Grants received and distributed for student financial aid and made up 9.32% of the College's total revenues.

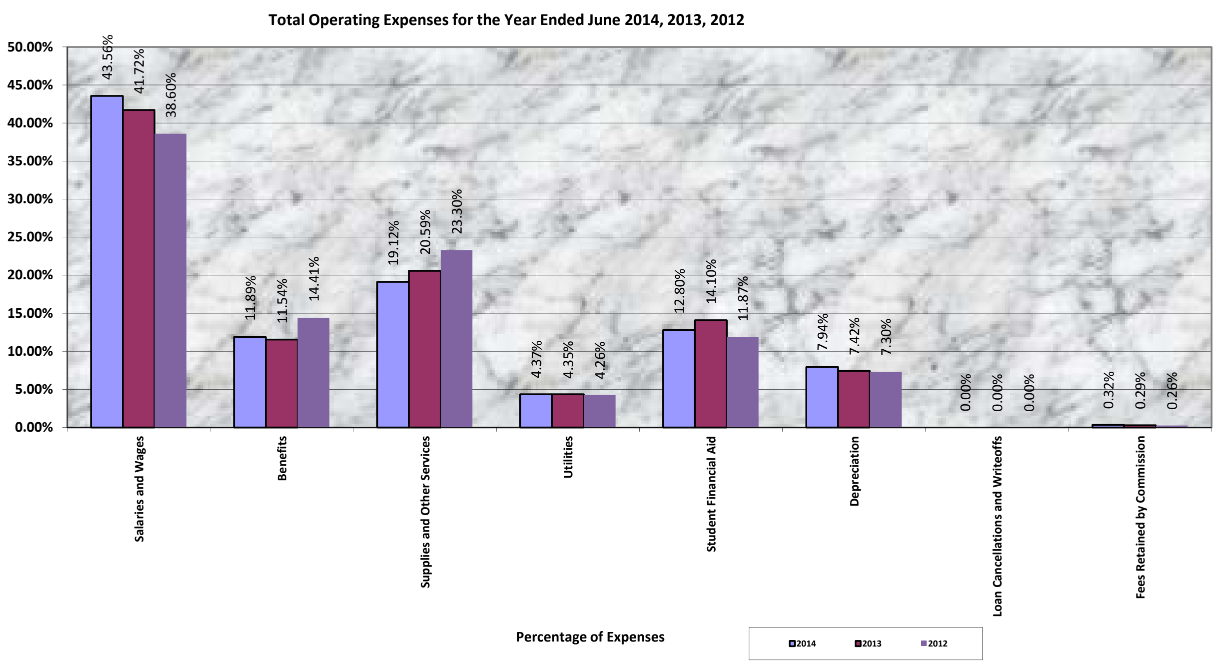
- State appropriated general revenue funds in the amount of $6,418,711 accounted for 20.49% of total revenues in FY 2014 compared to 16.23% in FY2013 and 25.47% in FY 2012. These appropriations are used to pay salaries and benefits in support of the operations of the College.

- Investment income increased by $1,808 or 25.65% from FY2013 to FY2014. This revenue source made up .03% of total revenues in FY 2014 compared to 0.02% in FY2013 and 0.03% in FY 2012. The College participates in the investment pool managed by the State.

Operating and Non-operating Expenses:

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

	2014	2013	2012	% Change	
Salaries & Wages	$11,049,277	$11,140,763	$11,006,246	(0.82)	%
Benefits	3,017,553	3,081,627	4,109,565	(2.08)	%
Supplies and other services	4,850,391	5,498,049	6,642,725	(11.78)	%
Utilities	1,109,308	1,162,427	1,214,932	(4.57)	%
Student financial aid, scholarships, and fellowships	3,246,722	3,764,582	3,385,686	(13.76)	%
Depreciation	2,013,731	1,982,428	2,082,465	1.58	%
Loan cancellations and write-offs					
Fees retained by Commission for operation	81,304	76,705	73,500	6.00	%
Total Operating Expenses	($25,368,286)	($26,706,581)	($28,515,119)	(5.01)	%



- Salaries and wages, and employee benefits made up approximately 55.45% of the operating expenses of the College in FY 2014 compared to 53.25% in FY2013, and 53.01% in FY 2012.

- Utility costs in FY 2014 were $1,109,308, a decrease of 4.57% from FY 2013 and a decrease of 4.32% from FY 2012. These costs represented 4.37% of the FY2014 operating expenses compared to 4.35% in FY2013 and 4.26% in FY 2012.

- Scholarship and fellowship expenses decreased $517,860 or 13.76% from FY 2013 and 11.19% from FY2012. They represented 12.80%, 14.10% and 11.87% of the total operating expenses in FY 2014, FY 2013, and FY 2012, respectively.

Non-operating expenses consisted primarily of interest on indebtedness $1,735,131, an increase of 2.22% from FY 2013. Also included are fees assessed by the HEPC for system-wide debt service $11,203.

Cash Flows

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

The Statement of Cash Flows is divided into five parts:

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

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

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

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

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

Condensed Schedules of Cash Flows
For the Years Ended June 30, 2014, 2013, and 2012

	2014	2013	2012	%Change	
Cash provided by (used in)					
Operating activities	($5,571,834)	($7,361,198)	($9,179,351)	(24.31)	%
Non capital financing activities	9,340,542	10,558,209	10,636,637	(11.53)	%
Capital financing activities	(3,637,879)	(2,333,520)	(2,963,213)	55.90	%
Investing activities	8,944	6,976	5,647	28.21	%
(Decrease) Increase cash and cash equivalents	139,773	870,467	(1,500,280)	(83.94)	%
Cash and cash equivalents, beginning of year	3,223,459	2,352,992	3,853,272	36.99	%
Cash and cash equivalents, end of year	$3,363,232	$3,223,459	$2,352,992	4.34	%

Capital Asset and Debt Administration

The College had capital asset additions of $12,078,238, $14,581,661, and $1,699,209 for the years ended June 30, 2014, 2013, and 2012, respectively.

- In FY2014, the College completed the campus-wide energy savings program addressing upgrades to lighting, HVAC controls, window replacements, and other improvements to generate energy efficiencies. Over $1.5M in capital improvements to Morris Stadium included the installation of new turf, expansion of the field house, and new seating. Substantial progress was made toward the completion of the $27M Waco Center, scheduled for late July, 2014.

- In FY2013, the College began a campus-wide energy savings program addressing upgrades to lighting, HVAC controls, window replacements, and other improvements to generate energy efficiencies. In addition, construction continued on the $27M Waco Center, formerly referred to as the Pioneer Center.

- In FY2012, the College began construction of the Waco Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches' offices.

Economic Outlook

While FY2014 yielded a not-unexpected lean fiscal environment, the Glenville State administration remains optimistic about the institution's five-year outlook. FY2014 state allocations were cut by 8.9 percent and Fall 2013 enrollment fell by 2.4 percent. Despite the resulting revenue loss, critical college programming was maintained with private dollars and institutional thrifts. In the years ahead, the College expects a resumption of enrollment growth and continuing private support to sustain and build Glenville State.

The College is prepared and ready to undertake the methods that will resume enrollment growth and expand private support:

- The College has invested in a revitalized and reorganized Admissions Office that now reports directly to the President. A new Associate Vice President for Enrollment assumed duties at mid-cycle in January and already has produced significant enrollments gains, e.g., a 25 percent increase in first-time full-time students. The Admissions Office's work will benefit with the Fall 2014 implementation of GoldMine, contact management software.
- A three-member faculty collaboration has produced research identifying critical college experiences that boost persistence and graduation likelihood. The college has acted to expand and refine those experiences for new and continuing Fall 2014 students.
- The College continues to invest in a signature program, the Hidden Promise Consortium, is an innovative collaboration between the College and 39 West Virginia school districts, one Ohio school district, and one Connecticut school district committed to increasing the college-going rates of high school graduates. Mentoring specially-selected first generation students from the eighth grade through high school graduation has resulted in enrollment of more than 150 Hidden Promise Scholars, students not obviously predicted for college enrollment.
- The College has announced *Transforming Lives NOW! II*, a capital campaign that follows from *Transforming Lives NOW!* that raised in excess of its $10M goal. With private and matching

public funds, *Transforming Lives NOW!* funded a $25 million 484-bed residence hall and the Waco Center, a $27M academic, athletic, and convocation building. These buildings are expanding the Glenville State brand regionally and across the state.
Transforming Lives NOW! II seeks private dollars for a classroom building, scholarships, and campus improvement. Each component of the campaign is intended to attract students supplement college expenditures with private gifts.

- A continuing emphasis on attracting non-traditional students with focused off-campus programming offers high school students dual-credit offerings, corrections officers across the state with a criminal justice degree program, and FCI Gilmer inmates with a business associates degree. Glenville State is the training site for the Regional Jail Authority, Division of Juvenile Services, and Division of Corrections. Through a special appropriation from the State, the College will build upon the existing articulation agreement to provide degree completion opportunities.

In the past seven years, Glenville State has invested heavily to assure access to higher education for residents of central West Virginia. The college administration is confident that these investments will produce a healthy return benefitting the economic, social, and cultural environment of West Virginia.

GLENVILLE STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

ASSETS AND DEFERRED OUTFLOWS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,363,232	$ 3,223,459
Accounts receivable—net	2,295,824	3,716,258
Loans to students—current portion	682	4,360
Inventories	88,024	99,110
Total current assets	5,747,762	7,043,187
NONCURRENT ASSETS:		
Cash and cash equivalents	1,880,676	8,963,490
Capital assets - net	83,819,724	73,878,614
Total noncurrent assets	85,700,400	82,842,104
TOTAL ASSETS	91,448,162	89,885,291
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	101,687	108,466
Interest rate swap agreement	1,416,150	1,858,080
Total deferred outflows of resources	1,517,837	1,966,546
TOTAL	$ 92,965,999	$ 91,851,837

(Continued)

GLENVILLE STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2014	2013
CURRENT LIABILITIES:		
Accounts payable	$ 3,380,199	$ 4,757,147
Accrued liabilities	1,065,002	1,061,830
Due to the Commission	28,502	17,662
Compensated absences—current portion	401,695	408,937
Unearned revenue	65,776	59,860
Total bonds, capital leases, and notes payable—current portion	1,285,198	1,270,846
Higher Education Policy Commission debt payable—current portion	55,612	53,327
Total current liabilities	6,281,984	7,629,609
NONCURRENT LIABILITIES (Note 6)	45,029,025	46,649,743
Total liabilities	51,311,009	54,279,352
DEFERRED INFLOWS OF RESOURCES:		
TOTAL	51,311,009	54,279,352
NET POSITION:		
Net Investment in capital assets	40,960,606	32,740,749
Restricted for:		
Loans	57,676	56,959
Capital projects	1,686,934	6,350,846
Debt service	1,779,966	1,448,888
Other	379,284	343,212
Unrestricted	(3,209,476)	(3,368,169)
Total net position	41,654,990	37,572,485
TOTAL	$92,965,999	$91,851,837

See notes to financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

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

	2014	2013
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $2,790,595 and $2,888,448)	$ 4,854,855	$ 5,010,770
Contracts and grants:		
Federal	608,874	912,077
State	2,225,222	2,435,347
Private	4,350,729	2,965,364
Sales and services of educational activities	709,756	710,560
Auxiliary enterprise revenue (net of scholarship allowance of $2,053,180 and $2,113,133)	4,069,713	4,369,825
Miscellaneous—net	854,315	936,426
Total operating revenues	17,673,464	17,340,369
OPERATING EXPENSES:		
Salaries and wages	11,049,277	11,140,763
Benefits	3,017,553	3,081,627
Supplies and other services	4,850,391	5,498,049
Utilities	1,109,308	1,162,427
Student financial aid—scholarships and fellowships	3,246,722	3,764,582
Depreciation	2,013,731	1,982,428
Fees assessed by the Commission for operations	81,304	76,705
Total operating expenses	25,368,286	26,706,581
OPERATING LOSS	(7,694,822)	(9,366,212)

(Continued)

GLENVILLE STATE COLLEGE

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

	2014	2013
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 6,418,711	$ 7,206,804
Federal Pell grants	2,921,831	3,351,405
Investment income	8,857	7,049
Interest on indebtedness	(1,735,131)	(1,697,499)
Fees assessed by the Commission for debt service	(11,203)	(11,204)
Other non-operating expenses	(130,042)	(7,029)
Net nonoperating revenues	7,473,023	8,849,526
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(221,799)	(516,686)
CAPITAL APPROPRIATIONS FROM THE STATE		4,000,000
CAPITAL AND BOND PROCEEDS FROM THE COMMISSION	3,207,159	6,315,957
CAPITAL GIFTS (PRIVATE)	1,097,145	6,186,663
INCREASE (DECREASE) IN NET POSITION	4,082,505	15,985,934
NET POSITION—Beginning of year	37,572,485	21,586,551
NET POSITION—End of year	$ 41,654,990	$ 37,572,485

See notes to financial statements.

(Concluded)

GLENVILLE STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 3,904,880	$ 4,154,928
Contracts and grants	6,644,450	6,620,385
Payments to and on behalf of employees	(13,895,910)	(14,057,504)
Payments to suppliers	(4,970,757)	(5,628,546)
Payments to utilities	(1,155,953)	(1,193,787)
Payments for scholarships and fellowships	(1,770,378)	(3,234,353)
Loans issued to students	(17,213)	(33,183)
Collection of loans to students	18,340	34,607
Sales and service of educational activities	717,923	710,881
Auxiliary enterprise charges	4,091,542	4,329,248
Fees assessed by the Commission for operations	(81,304)	(76,705)
Other receipts and payments—net	942,546	1,012,831
Net cash used in operating activities	(5,571,834)	(7,361,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,418,711	7,206,804
Federal Pell grants	2,921,831	3,351,405
William D. Ford direct lending receipts	6,207,352	7,318,316
William D. Ford direct lending payments	(6,207,352)	(7,318,316)
Net cash provided by noncapital financing activities	9,340,542	10,558,209
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(13,157,389)	(10,331,233)
Debt service paid to Commission	(96,213)	(96,762)
Non-operating fees retained by the Commission	(11,203)	(11,204)
Principal paid on notes, bonds and leases	(1,286,472)	(984,781)
Interest paid on notes, bonds and leases	(1,707,396)	(1,638,339)
Withdrawals from (deposits to) noncurrent cash and cash equivalents	7,082,815	(6,751,178)
Bond and loan proceeds		4,097,507
Bond Administration Fees		(250)
Capital proceeds from the State		4,000,000
Capital and bond proceeds from the Commission	4,688,123	4,834,993
Capital gifts and grants	849,856	4,547,727
Net cash used in capital financing activities	(3,637,879)	(2,333,520)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	8,944	6,976
Net cash provided by investing activities	8,944	6,976
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139,773	870,467
CASH AND CASH EQUIVALENTS—Beginning of year	3,223,459	2,352,992
CASH AND CASH EQUIVALENTS—End of year	$ 3,363,232	$ 3,223,459

(Continued)

GLENVILLE STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (7,694,822)	$ (9,366,212)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	2,013,731	1,982,428
Changes in assets and liabilities:		
Accounts receivable—net	(63,330)	47,201
Loans to students—net	3,678	(1,337)
Prepaid expenses		9,779
Inventories	11,086	(29,056)
Accounts payable	(49,050)	(151,572)
Accrued liabilities and due to the Commission	30,551	59,252
Compensated absences	170,406	125,043
Unearned revenue	5,916	(36,724)
NET CASH USED IN OPERATING ACTIVITIES	$ (5,571,834)	$ (7,361,198)
NONCASH TRANSACTIONS:		
Capitalized interest		$ 48,011
Property additions in accounts payable	$ 2,823,174	$ 4,204,288

See notes to financial statements. (Concluded)

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

	June 30, 2014	June 30, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 820,155	$ 83,617
Investments, at fair value	8,934,958	11,893,512
Total current assets	9,755,113	11,977,129
Fixed assets	3,669,440	42,428
Other assets		
Bequests and contributions receivable	792,275	704,313
Land and other assets held for investment	704,914	704,914
Advances to faculty and staff	513	1,365
Total other assets	1,497,702	1,410,592
Total assets	**$ 14,922,255**	**$ 13,430,149**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 31,124	$ -
College support payable	1,614,803	1,588,935
Organization funds held for others	5,386	-
Current portion of loan payable	117,682	-
Total current liabilities	1,768,995	1,588,935
Long-term liabilities		
Loan payable	1,982,318	-
Total liabilities	3,751,313	1,588,935
Net assets		
Unrestricted	1,684,067	993,795
Temporarily restricted	2,108,143	3,727,818
Permanently restricted	7,378,732	7,119,601
Total net assets	11,170,942	11,841,214
Total liabilities and net assets	**$ 14,922,255**	**$ 13,430,149**

The accompanying notes are an integral part of these financial statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Bequests and contributions	$ 1,045,281	$ 1,108,543	$ 279,131	$ 2,432,955
Investment income	257,406	189,137	-	446,543
Realized gains on investments	1,854	58,067	-	59,921
Unrealized gains on investments	92,830	778,621	-	871,451
Increase in cash surrender value	-	87,962	-	87,962
Net assets released from restrictions:				
Purpose restrictions accomplished	3,862,005	(3,862,005)	-	-
Donor released from permanently restricted	-	20,000	(20,000)	-
Total revenues and other support	5,259,376	(1,619,675)	259,131	3,898,832
Expenses				
Expenditures for benefit of Glenville State College	3,895,405	-	-	3,895,405
Scholarships	402,138	-	-	402,138
Salaries and wages	110,542	-	-	110,542
Legal, consulting, accounting	37,000	-	-	37,000
Investment management fee	44,127	-	-	44,127
Miscellaneous	1,955	-	-	1,955
Promotions and publications	19,200	-	-	19,200
Office expense	4,048	-	-	4,048
Travel and advancement	8,863	-	-	8,863
Memberships and subscriptions	500	-	-	500
Insurance	2,531	-	-	2,531
Depreciation	15,182	-	-	15,182
Meals and meetings	366	-	-	366
Annual fund expense	8,354	-	-	8,354
Alumni expenses	9,937	-	-	9,937
Database management	8,956	-	-	8,956
Total expenses	4,569,104	-	-	4,569,104
Change in net assets	690,272	(1,619,675)	259,131	(670,272)
Net assets at beginning of year	993,795	3,727,818	7,119,601	11,841,214
Net assets at end of year	**$ 1,684,067**	**$ 2,108,143**	**$ 7,378,732**	**$ 11,170,942**

The accompanying notes are an integral part of these financial statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Bequests and contributions	$ 69,566	$ 4,212,555	$ 161,410	$ 4,443,531
Investment income	99,661	211,092	-	310,753
Realized gains on investments	12,441	116,501	-	128,942
Unrealized gains on investments	69,491	441,285	-	510,776
Increase in cash surrender value	-	36,023	-	36,023
Net assets released from restrictions:				
Purpose restrictions accomplished	6,413,215	(6,413,215)	-	-
Total revenues and other support	6,664,374	(1,395,759)	161,410	5,430,025
Expenses				
Expenditures for benefit of Glenville State College	5,983,572	-	-	5,983,572
Scholarships	435,937	-	-	435,937
Salaries and wages	106,126	-	-	106,126
Legal, consulting, accounting	29,647	-	-	29,647
Investment management fee	57,602	-	-	57,602
Miscellaneous	1,655	-	-	1,655
Promotions and publications	34,288	-	-	34,288
Office expense	5,148	-	-	5,148
Travel and advancement	8,680	-	-	8,680
Memberships and subscriptions	698	-	-	698
Insurance	2,867	-	-	2,867
Depreciation	14,200	-	-	14,200
Meals and meetings	300	-	-	300
Annual fund expense	9,086	-	-	9,086
Alumni expenses	10,331	-	-	10,331
Database management	10,881	-	-	10,881
Total expenses	6,711,018	-	-	6,711,018
Change in net assets	(46,644)	(1,395,759)	161,410	(1,280,993)
Net assets at beginning of year	1,040,439	5,123,577	6,958,191	13,122,207
Net assets at end of year	**$ 993,795**	**$ 3,727,818**	**$ 7,119,601**	**$ 11,841,214**

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

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

The accompanying financial statements present all funds under the authority of the College, including its blended component units, Glenville State College Research Corporation (the "Corporation"), which was formed on December 10, 1990 as a nonprofit, nonstock corporation and Glenville State College Housing Corporation (the "Housing Corporation"), which received tax-exempt status on June 11, 1973 as a nonprofit corporation. 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.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College's financial statements in accordance with GASB. The Foundation is a separate, private, nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the audited financial information as they are presented herein (see Note 19).

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

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

- *Restricted— 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 at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the West Virginia State Legislature.

- *Restricted—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 did not have any restricted nonexpendable components of net position at June 30, 2014 and 2013, respectively.

- *Unrestricted* — This 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 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.

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

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts three of which the Commission may invest in. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305 or http://www.wvbti.com.

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. These revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Appropriations which remain undrawn at the end of the year may be drawn through the thirty–first day of July after the end of the year for which the appropriation is made.

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

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

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

Capital Assets—Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. The College capitalized interest of $0 and $48,011 as part of the cost of assets for the years ended June 30, 2014 and 2013, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 10 years for equipment, 7 years for library books, and 3 years for furniture. The College's capitalization threshold is $5,000. The accompanying financial statements reflect all adjustments required by GASB.

Unearned Revenue—Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as football ticket sales, orientation fees, room and board. Financial aid and other deposits are separately classified as deposits.

Derivative instruments—Derivative instruments consist primarily of interest rate swap agreements and are stated at fair value based on discounted cash flows.

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

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

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

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

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 outflows consist of the deferred loss on refunding, which is accreted over the periods of the refunding bond issue, and the interest rate swap agreement.

Deferred Inflows of Resources — An acquisition of net position by the College that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. The College did not have any deferred inflows of resources at June 30, 2014 or 2013.

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

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, and investment income and sale of capital assets (including natural resources).

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

Use of Restricted Components of 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 resources are available. Generally, the College attempts to utilize restricted resources first when practicable.

Federal Financial Assistance Programs—The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through institutions such as the College. Direct student loan receivables are not included in the College's balance sheets as the loans are repayable directly to the U.S. Department of Education. In 2014 and 2013, the College received and disbursed $6,207,352 and $7,318,316, 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 also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Academic Competitiveness Grant, National Science and Mathematics Access to Retain Talent "SMART" Grant, and Teacher Education Assistance for College and Higher Education "TEACH" Grant, Supplemental Educational Opportunity Grant and College, and Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2014 and 2013, the College received and disbursed $3,028,367 and $3,467,673, respectively, under these federal student aid programs.

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

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

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

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

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

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Reclassifications — Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 classifications.

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

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

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2014 and 2013, was held as follows:

	2014		
	Current	Noncurrent	Total
State Treasurer	$ 2,618,887	$ 39,808	$ 2,658,695
Municipal Bond Commission	297,214		297,214
Trustee		1,735,801	1,735,801
Banks	447,131	105,067	552,198
	$ 3,363,232	$ 1,880,676	$ 5,243,908

	2013		
	Current	Noncurrent	Total
State Treasurer	$ 2,095,668	$ 5,501,327	$ 7,596,995
Municipal Bond Commission	297,145		297,145
Trustee		3,357,253	3,357,253
Banks	830,646	104,910	935,556
	$ 3,223,459	$ 8,963,490	$ 12,186,949

Cash held by the State Treasurer includes $314,121 and $5,813,137 at June 30, 2014 and 2013, respectively, of restricted cash for grant programs, capital improvements, debt service, and student financial aid among others.

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

The combined carrying amount of cash in the bank at June 30, 2014 and 2013 was $447,131 and $830,646, as compared with the combined bank balance of $501,010 and $951,778. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Non-interest-bearing accounts are 100% insured through December 31, 2014.

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

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

External Pool	2014 Carrying Value (in Thousands)	2014 S & P Rating	2013 Carrying Value (in Thousands)	2013 S & P Rating
WV Money Market Pool	$ 2,871	AAAm	$ 7,306	AAAm
WV Government Money Market Pool	$ 24	AAAm	$ 51	AAAm
WV Short Term Bond Pool	$ 61	Not Rated	$ 537	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:

External Pool	2014 Carrying Value (in Thousands)	2014 WAM (Days)	2013 Carrying Value (in Thousands)	2013 WAM (Days)
WV Money Market Pool	$ 2,871	36	$ 7,306	52
WV Government Money Market Pool	$ 24	37	$ 51	50

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

External Pool	2014 Carrying Value (in Thousands)	2014 Effective Duration (Days)	2013 Carrying Value (in Thousands)	2013 Effective Duration (Days)
WV Short Term Bond Pool	$ 61	407	$ 537	358

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

Cash in Bank with Trustee

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

	Carrying Value	
	2014	2013
Investment Type		
Money Market Fund	$ 1,505	$ 1,177
U.S. Government Securities	231	2,180
Total	$ 1,736	$ 3,357

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

Custodial Credit Risk

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

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2014 and 2013:

	2014	**2013**
Student tuition and fees, net of allowance for doubtful accounts of $2,019,545 and $1,719,452 respectively	$ 271,714	$ 296,217
Due from Primary Government	770	1,480,964
Due from other State agencies	63,294	6,520
Due from Federal Government	215,776	227,872
Due from the Foundation	1,586,224	1,588,935
Other accounts receivable, net of allowance for doubtful accounts of $0 and $0, respectively	158,046	115,750
	$ 2,295,824	$ 3,716,258

5. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2014 and 2013:

	2014				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 989,432	$ 297,664	$ -	$ -	$ 1,287,096
Construction In Progress	16,491,780	12,282,533	(3,590,139)	(2,462,247)	22,721,927
Total capital assets not being depreciated	$ 17,481,212	$ 12,580,197	$ (3,590,139)	$ (2,462,247)	$ 24,009,023
Other capital assets:					
Land improvements	$ 2,389,609	$ 309,555	$ (476,603)	$ -	$ 2,222,561
Infrastructure	1,560,623	34,966			1,595,589
Buildings	74,904,976	2,990,168	(423,641)	2,462,247	79,933,750
Equipment	8,713,097	36,973	(25,000)		8,725,070
Library books	1,693,935	16,761	(8,126)		1,702,570
Leasehold improvements	132,236				132,236
Total other capital assets	89,394,476	3,388,423	(933,370)	2,462,247	94,311,776
Less accumulated depreciation for:					
Land improvements	1,434,096	83,484	(476,603)		1,040,977
Infrastructure	1,405,488	20,965			1,426,453
Buildings	22,197,691	1,427,458			23,625,149
Equipment	6,320,964	447,290	(25,000)		6,743,254
Library books	1,618,393	25,717	(8,126)		1,635,984
Leasehold improvements	20,442	8,816			29,258
Total accumulated depreciation	32,997,074	2,013,730	(509,729)	-	34,501,075
Other capital assets—net	$ 56,397,402	$ 1,374,693	$ (423,641)	$ 2,462,247	$ 59,810,701
Capital asset summary:					
Capital assets not being depreciated	$ 17,481,212	$ 12,580,197	$ (3,590,139)	$ (2,462,247)	$ 24,009,023
Other capital assets	89,394,476	3,388,423	(933,370)	2,462,247	94,311,776
Total cost of capital assets	106,875,688	15,968,620	(4,523,509)		118,320,799
Less accumulated depreciation	32,997,074	2,013,730	(509,729)		34,501,075
Capital assets—net	$ 73,878,614	$ 13,954,890	$ (4,013,780)	$ -	$ 83,819,724

	2013				
	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Capital assets not being depreciated:					
Land	$ 976,432	$ 13,000	$ -	$ -	$ 989,432
Construction In Progress	2,152,380	14,339,400			16,491,780
Total capital assets not being depreciated	$ 3,128,812	$ 14,352,400	$ -	$ -	$ 17,481,212
Other capital assets:					
Land improvements	$ 2,389,609	$ -	$ -	$ -	$ 2,389,609
Infrastructure	1,521,123	39,500			1,560,623
Buildings	74,854,976	50,000			74,904,976
Equipment	8,701,345	59,768	(48,016)		8,713,097
Library books	1,684,878	17,512	(8,455)		1,693,935
Leasehold Improvements	69,755	62,481			132,236
Total other capital assets	89,221,686	229,261	(56,471)		89,394,476
Less accumulated depreciation for:					
Land improvements	1,339,476	94,620			1,434,096
Infrastructure	1,388,853	16,635			1,405,488
Buildings	20,879,854	1,317,837			22,197,691
Equipment	5,857,461	511,519	(48,016)		6,320,964
Library books	1,593,847	33,001	(8,455)		1,618,393
Leasehold Improvements	11,626	8,816			20,442
Total accumulated depreciation	31,071,117	1,982,428	(56,471)	-	32,997,074
Other capital assets—net	$ 58,150,569	$ (1,753,167)	$ -	$ -	$ 56,397,402
Capital asset summary:					
Capital assets not being depreciated	$ 3,128,812	$ 14,352,400	$ -	$ -	$ 17,481,212
Other capital assets	89,221,686	229,261	(56,471)		89,394,476
Total cost of capital assets	92,350,498	14,581,661	(56,471)		106,875,688
Less accumulated depreciation	31,071,117	1,982,428	(56,471)		32,997,074
Capital assets—net	$ 61,279,381	$ 12,599,233	$ -	$ -	$ 73,878,614

Construction in progress at June 30, 2014 consists of costs related to the Waco Center, a facility that houses the College's Land Resources Department, a health care facility, a 3,000 seat sports arena, and other athletic facilities and offices. The Waco Center will be fully operational in 2015. A portion of the Waco Center is owned by the Glenville State College Foundation, and the associated cost is recorded by the Foundation. A lease agreement, expiring in 2043, between the College and Foundation specifies that the portion owned by the Foundation will transfer to the College at the expiration of the lease.

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.

6. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the years ended June 30, 2014 and 2013:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable	$ 4,105,000	$	$ 165,000	$ 3,940,000	$ 170,000
Campus Community Center bonds	1,143,864		64,068	1,079,796	66,852
Science Building Bonds	3,246,699		102,361	3,144,338	107,256
Goodwin Hall Bonds	25,037,638		436,559	24,601,079	496,680
Capital lease obligations	235,740		139,358	96,382	88,235
Notes payable	6,487,791		379,125	6,108,666	356,175
Commission Debt Payable	989,597		53,327	936,270	55,612
Total bonds, capital leases, and note payable	41,246,329		1,339,798	39,906,531	1,340,810
Other liabilities:					
Accrued compensated absences	638,224	476,436	422,589	692,071	401,695
Hedging derivative instruments	1,858,080		441,930	1,416,150	
Other post employment benefits liability	4,640,220	116,558		4,756,778	
Total noncurrent liabilities	$ 48,382,853	$ 592,994	$ 2,204,317	$ 46,771,530	$ 1,742,505

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, capital leases, and notes payable:					
Student Housing bonds payable	$ 4,305,000	$ -	$ 200,000	$ 4,105,000	$ 165,000
Campus Community Center bonds	1,205,263		61,399	1,143,864	64,067
Science Building Bonds	3,345,949		99,250	3,246,699	102,361
Goodwin Hall bonds	25,377,737		340,099	25,037,638	436,560
Capital lease obligations	419,554		183,814	235,740	131,461
Notes payable	2,442,493	4,145,517	100,219	6,487,791	371,397
Commission debt payable	1,041,400		51,803	989,597	53,327
Total bonds, capital leases, and note payable	38,137,396	4,145,517	1,036,584	41,246,329	1,324,173
Other liabilities:					
Accrued compensated absences	587,252	484,361	433,389	638,224	408,937
Hedging derivative instruments	2,490,760		632,680	1,858,080	
Other post employment benefits liability	4,566,148	74,072		4,640,220	
Total noncurrent liabilities	$ 45,781,556	$ 4,703,950	$ 2,102,653	$ 48,382,853	$ 1,733,110

7. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2014 and 2013:

	Interest Rate	Annual Principal Installment Due	2014 Principal Amount Outstanding	2013 Principal Amount Outstanding
Student Housing Bonds:				
Series 2011 A, mature various dates through October 1, 2030	2.00% to 5.25%	$170,000 to $325,000	$ 3,940,000	$ 4,105,000
Campus Community Center Bonds:				
Series 2006, interest rate reset at November 1, 2016	4.30%	$55,102 to $106,748	1,079,796	1,143,864
Science Building Bonds				
Series 2007, interest rate reset at October 1, 2017	4.68%	$107,256 to $237,286	3,144,338	3,246,699
Goodwin Hall Bonds				
Series 2009, due through 2040	68 % of 1 Month LIBOR plus 1.63%	$496,680 to $1,516,981	24,601,079	25,037,638
Total bonds payable			$ 32,765,213	$ 33,533,201

Future debt service requirements to maturity for the revenue bonds at June 30, 2014, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ 840,788	$ 1,432,724	$ 2,273,512
2016	884,487	1,400,560	2,285,047
2017	919,429	1,360,625	2,280,054
2018	958,043	1,321,522	2,279,565
2019	998,185	1,280,367	2,278,552
2020-2024	5,691,198	5,707,387	11,398,585
2025-2029	6,811,432	4,301,150	11,112,582
2030-2034	6,837,131	2,680,952	9,518,083
2035-2039	6,655,339	1,249,659	7,904,998
2040-2044	2,169,181	72,515	2,241,696
Total	$ 32,765,213	$ 20,807,461	$ 53,572,674

The Series 2009 Goodwin Hall Bonds contain a provision whereby the bondholder has the option to declare all outstanding principal and accrued interest to be immediately due and payable on December 21, 2014, or any day thereafter, with 120 days prior written notice. However, by agreement dated December 23, 2014, the bondholder, Branch Banking and Trust Company, extended this date to December 21, 2016.

The Series 2009 bonds also contain a Contract of Lease/Purchase that includes a provision that each year, the fees charged to students be sufficient to provide for all reasonable expenses of operation, repair and maintenance of the Facility (excluding any interest, taxes, depreciation, and amortization), and that leaves a balance each fiscal year equal to at least 110% of the maximum amount required in any year for payment of principal and interest on the Bonds. For 2014, the College was not in compliance with this covenant. However, by agreement dated December 23, 2014, the bondholder, Branch Banking and Trust Company waived enforcement of this covenant.

In connection with the December 23, 2014 agreement noted above, the Board of Governors adopted a resolution in October 2014 committing to increasing and stabilizing unrestricted cash reserves to a level equal to or greater than $5,000,000 by fiscal year 2023. The agreement also indicates unrestricted liquidity levels of $2,977,000 and $3,227,000 targeted for the end of fiscal years 2015 and 2016, respectively.

8. CAPITAL LEASE OBLIGATIONS

The College leases various equipment. These obligations are accounted for as capital leases. The following is a schedule by year of future annual minimum payments required under the lease obligations existing at June 30, 2014:

Year Ending June 30	**Principal**	**Interest**	**Total**
2015	$ 88,235	$ 1,618	$ 89,853
2016	8,147	21	8,168
			98,021
Less interest			1,639
			$ 96,382

The net book value of leased assets was $255,249 and $412,226 as of June 30, 2014 and 2013.

9. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2014 and 2013:

	Interest Rate	Paymnet	2014 Principal Amount Outstanding	2013 Principal Amount Outstanding
$2,525,000 promissory note collateralized by 1st lien on various parcels of real estate and motel building Gilmer County, West Virginia	5.54%	$17,542 monthly through 6/2031	$ 2,280,740	$ 2,367,273
$1,000,000 unsecured promisory note to HEPC	0.00%	$25,000 quarterly	850,000	975,000
$3,145,581 promissory note collateralized by 1st lien on equipment installed in various buildings on campus	3.10%	$131,907 semi-annually through 6/2028	2,977,926	3,145,518
Total Notes Payable			$ 6,108,666	$ 6,487,791

The following is a schedule by year of future annual minimum payments required under the notes existing at June 30, 2014:

Year Ending June 30	Principal	Interest	Total
2015	$ 356,175	$ 218,143	$ 574,318
2016	366,038	208,280	574,318
2017	381,707	192,612	574,319
2018	391,912	182,406	574,318
2019	403,146	171,173	574,319
2020-2024	2,050,592	670,999	2,721,591
2025-2029	1,794,178	313,600	2,107,778
2030-2034	364,918	35,571	400,489
Total			8,101,450
Less portion representing interest			1,992,784
			$ 6,108,666

10. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2014, 2013, and 2012, the noncurrent liability related to OPEB costs was $4,756,778, $4,640,220, and $4,566,148, respectively. The total of OPEB expenses incurred and the amount of OPEB expense that relates to retirees was $488,821 and $372,262, respectively, during 2014, or 76.16%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $458,342 and $384,270, respectively, during 2013, or 83.83%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was $1,516,614 and $375,044, respectively, during 2012, or 24.72%. As of and for the years ended June 30, 2014, 2013, and 2012, there were 14, 12, and 15, respectively, retirees receiving these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

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

During December 2010, the West Virginia Higher Education Policy Commission (HEPC) issued $76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue 2010 Series Bonds to fund HEPC Bond projects approved by the Commission. The College has been authorized to receive $11,000,000 of these proceeds to be specifically used for the construction of the new Waco Center, a facility that will house an expanded Natural Resource Center, a community and campus health care facility, and a new home for athletic administration, indoor sports, and coaches offices. The College drew $3,207,159 and $6,315,957 during fiscal years 2014 and 2013, respectively; eighty-five percent of these bond proceeds must be spent by December 2015. The West Virginia Higher Education Policy Commission is responsible for repayment of this debt.

For the years ended June 30, 2014 and 2013, debt service assessed was as follows:

	2014	2013
Principal	$ 53,327	$ 51,803
Interest	42,886	44,989
	$ 96,213	$ 96,792

12. UNRESTRICTED COMPONENTS OF NET POSITION

The unrestricted component of the College's net position includes certain designated resources as follows:

	2014	2013
Designated for auxiliaries	$ 251,767	$ 171,395
Designated for affiliated organizations	163,701	345,494
Undesignated	1,131,835	755,162
Total unrestricted net position before OPEB liability	1,547,303	1,272,051
Less: OPEB liability	4,756,779	4,640,220
Total unrestricted net position	$ (3,209,476)	$ (3,368,169)

13. RETIREMENT PLANS

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

The STRS is a cost sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the year ended June 30, 2014 and 2013, respectively.

Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2014 and 2013, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years' salaries out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2014, 2013 and 2012, were $338,691, $337,530 and $350,427, respectively, which consisted of $241,922, $241,093, and $250,305 from the College in 2014, 2013, and 2012 respectively, and $96,769, $96,437, and $100,122 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, Building 5, Room 1000, Charleston, WV 25305.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2014, 2013, and 2012, were $965,204, $962,466, and $909,226, respectively, which consisted of equal contributions from the College and covered employees in 2014, 2013, and 2012 of $482,602, $481,233 and $454,613, respectively.

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

The College’s total payroll for the years ended June 30, 2014, 2013, and 2012 was $11,049,277, $11,140,763 and $11,006,246; total covered employees’ salaries in the STRS and TIAA-CREF were $1,612,813 and $8,023,964 in 2014, respectively, $1,607,285 and $8,000,737 in 2013, respectively, and $1,668,700, and $7,557,678 in 2012, respectively.

14. DERIVATIVE INSTRUMENT

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2014 and 2013, classified by type, and the change in fair value of such derivative instrument is as follows:

	June 30, 2014				
	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Hedging derivative:					
Cash flow hedge					
Pay-fixed interest rate swap	Deferred charges	$ (441,930)	Debt	$ 1,416,150	$ 24,601,079

	June 30, 2013				
	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Hedging derivative:					
Cash flow hedge					
Pay-fixed interest rate swap	Deferred charges	$ (632,680)	Debt	$ 1,858,080	$ 25,037,638

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

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

Terms, Fair Value, and Credit Risk: The following table displays the terms and fair value of the College’s hedging derivative instrument at June 30, 2014, along with the notional amount, credit rating of the associated counter party, and other terms as of June 30, 2014.

Type	Cash Flow Hedge for Debt Series	2014 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2014 Fair Value	2013 Fair Value
Pay-fixed interest rate swap	2009A	$ 24,601,079	12/22/2010	1/5/2017	4.34%	68 % USD-LIBOR-BBA one month plus 1.625%	BB&T / A-	$ 1,416,150	$ 1,858,080

<u>Credit Risk</u>: The College is exposed to credit risk on the hedging derivative instrument when it is in an asset position. The fair value of the hedging derivative was not in an asset position at June 30, 2014, so the College was not exposed to credit risk on this swap.

<u>Interest Rate Risk</u>: The College is not exposed to interest rate risk on its derivative instrument.

<u>Basis Risk</u>: The College is not exposed to basis risk on its derivative instrument.

<u>Termination Risk</u>: The College or the involved counterparty may terminate the derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, the hedging derivative instrument is in a liability position, the College would be liable to the counterparty for a payment equal to the liability, subject to the netting arrangement.

<u>Rollover Risk</u>: The College is not exposed to rollover risk on its derivative instrument.

15. CONTINGENCIES

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

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities that have been recorded in the financial statements as of June 30, 2014 or 2013.

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

16. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

d. *The County Commission of Gilmer County, West Virginia, Commercial Development Revenue Bonds (Glenville State College Housing Corporation Project (the "Corporation")), Series 2009A.*

In December 2009, the Corporation sold $25,500,000 of Commercial Development Revenue Bonds, Housing Facilities Series 2009 Bonds (the "Bonds"). The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds will be secured pursuant to a Trust Indenture (the "Indenture") dated as of December 21, 2009, by and between the Interim Governing Board and Branch Banking & Trust Co., Winston-Salem NC (the "Trustee"). The bonds are secured by and payable from the revenues of the student housing facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to pay all or part of the cost of constructing a 484 bed student residence hall and (2) paying a portion of the cost of issuing the bonds.

Condensed financial information for the College's segments is as follows:

Condensed Schedules of Net Position	Revenue Bonds Series 2011 June 30 2014	Revenue Bonds Series 2011 June 30 2013	Revenue Bonds Series 2006 June 30 2014	Revenue Bonds Series 2006 June 30 2013	Revenue Bonds Series 2007 June 30 2014	Revenue Bonds Series 2007 June 30 2013	Revenue Bonds Series 2009 June 30 2014	Revenue Bonds Series 2009 June 30 2013
Assets:								
Current assets	$ 75,248	$ 133,546	$ 336,789	$ 431,165	$ 66,091	$ 287,657	$ 502,941	$ 1,035,783
Noncurrent and capital assets	3,705,270	3,777,121	8,352,554	8,561,957	8,423,173	8,623,012	25,210,947	25,789,895
Total assets	$ 3,780,518	$ 3,910,667	$ 8,689,343	$ 8,993,122	$ 8,489,264	$ 8,910,669	$ 25,713,888	$ 26,825,678
Liabilities:								
Current liabilities	$ 163,221	$ 161,447	$ 109,086	$ 67,543	$ 107,255	$ 102,361	$ 496,680	$ 442,796
Long-term liabilities	3,675,091	3,838,312	1,012,943	1,079,796	3,037,083	3,144,337	25,520,549	26,459,158
Total liabilities	3,838,312	3,999,759	1,122,029	1,147,339	3,144,338	3,246,698	26,017,229	26,901,954
Net Position:								
Net Investment in capital assets	(302,950)	(386,381)	7,272,758	7,418,090	5,278,835	5,376,314	(2,311,272)	(2,282,833)
Restricted:								
Debt service	169,908	166,969					1,504,990	1,177,010
Unrestricted	75,248	130,320	294,556	427,693	66,091	287,657	502,941	1,029,547
Total net position and liabilities	$ 3,780,518	$ 3,910,667	$ 8,689,343	$ 8,993,122	$ 8,489,264	$ 8,910,669	$ 25,713,888	$ 26,825,678

Condensed Statements of Revenues, Expenses and Changes in Net Position	Housing Facilities Revenue Bonds Series 2011 As of June 30 2014	Housing Facilities Revenue Bonds Series 2011 As of June 30 2013	Facilities Improvement Revenue Bonds Series 2006 As of June 30 2014	Facilities Improvement Revenue Bonds Series 2006 As of June 30 2013	Student Fee Revenue Bonds Series 2007 As of June 30 2014	Student Fee Revenue Bonds Series 2007 As of June 30 2013	Housing Facilities Revenue Bonds Series 2009 As of June 30 2014	Housing Facilities Revenue Bonds Series 2009 As of June 30 2013
Operating:								
Operating revenues	$ 650,150	$ 685,861	$ 387,687	$ 406,746	$ 415,551	$ 427,034	$ 2,199,020	$ 2,206,678
Operating expenses	(444,285)	(614,720)	(617,669)	(561,493)	(240,923)	(199,840)	(1,333,697)	(1,512,089)
Net operating income	205,865	71,141	(229,982)	(154,747)	174,628	227,194	865,323	694,589
Nonoperating:								
Nonoperating revenues	14	61	16	61			665	993
Nonoperating expenses	(174,581)	(181,556)	(48,504)	(51,173)	(152,313)	(155,424)	(1,093,053)	(1,109,933)
Transfers In/(Out)		277,596		350,418	(341,360)	(246,607)		1,386,136
Changes in net position	31,298	167,242	(278,470)	144,559	(319,045)	(174,837)	(227,065)	971,785
Net position—beginning of year	(89,092)	(256,334)	7,845,783	7,701,224	5,663,971	5,838,808	(76,276)	(1,048,061)
Net position—end of year	$ (57,794)	$ (89,092)	$ 7,567,313	$ 7,845,783	$ 5,344,926	$ 5,663,971	$ (303,341)	$ (76,276)

Condensed Schedules of Cash Flows	Housing Facilities Revenue Bonds Series 2011 As of June 30 2014	Housing Facilities Revenue Bonds Series 2011 As of June 30 2013	Facilities Improvement Revenue Bonds Series 2006 As of June 30 2014	Facilities Improvement Revenue Bonds Series 2006 As of June 30 2013	Student Fee Revenue Bonds Series 2007 As of June 30 2014	Student Fee Revenue Bonds Series 2007 As of June 30 2013	Housing Facilities Revenue Bonds Series 2009 As of June 30 2014	Housing Facilities Revenue Bonds Series 2009 As of June 30 2013
Net cash provided by operating activities	$ 283,903	$ 137,702	$ 16,208	$ 53,167	$ 370,295	$ 411,999	$ 1,239,892	$ 1,091,536
Net cash used in capital and related activities	(344,250)	(97,120)	(112,557)	237,246	(596,034)	(501,282)	(1,528,947)	(62,903)
Net increase in cash	(60,347)	40,582	(96,349)	290,413	(225,739)	(89,283)	(289,055)	1,028,633
Cash and cash equivalents - beginning of year	252,810	212,228	410,784	120,371	265,547	354,830	1,988,786	960,153
Cash and cash equivalents - end of year	$ 192,463	$ 252,810	$ 314,435	$ 410,784	$ 39,808	$ 265,547	$ 1,699,731	$ 1,988,786

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2014 and 2013, the following table represents operating expenses within both natural and functional classifications:

2014

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 4,876,236	$ 1,176,855	$ 572,087				$ -	$ -	$ 6,625,178
Academic support	575,344	216,805	211,956	$ 170					1,004,275
Student services	1,457,747	448,429	320,361						2,226,537
General institutional support	1,919,628	536,199	705,490	11,562					3,172,879
Operations and maintenance of plant	958,538	310,179	607,968	529,742					2,406,427
Student financial aid					$ 3,246,722				3,246,722
Auxiliary enterprises	1,261,784	329,086	2,432,529	567,834					4,591,233
Depreciation						$ 2,013,731			2,013,731
Fees assessed by the Commission for operations								81,304	81,304
Total	$ 11,049,277	$ 3,017,553	$ 4,850,391	$ 1,109,308	$ 3,246,722	$ 2,013,731	$	$ 81,304	$ 25,368,286

2013

	Salaries and Wages	Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Cancellations and Write-offs	Fees Assessed by the Commission for Operations	Total
Instruction	$ 5,091,466	$ 1,292,945	$ 554,120	$ -	$ -	$ -	$ -	$ -	$ 6,938,531
Academic support	641,575	172,553	201,271						1,015,399
Student services	1,323,036	438,256	373,351						2,134,643
General institutional support	1,944,938	536,507	1,235,359						3,716,804
Operations and maintenance of plant	908,473	293,713	605,535	565,466					2,373,187
Student financial aid					3,764,582				3,764,582
Auxiliary enterprises	1,231,275	347,653	2,528,413	596,961					4,704,302
Depreciation						1,982,428			1,982,428
Fees assessed by the Commission for operations								76,705	76,705
Total	$ 11,140,763	$ 3,081,627	$ 5,498,049	$ 1,162,427	$ 3,764,582	$ 1,982,428	$	$ 76,705	$ 26,706,581

18. SERVICE CONCESSION ARRANGEMENTS

The College has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The College has identified two contracts for services that meet the four criteria of a Service Concession Agreement (SCA). SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract. The contracts are with Aramark Educational Service, LLC (Aramark) and Follett Higher Education Group, Inc. (Follett).

The College contracts with Aramark to provide food services within the College's facilities. These services provide the College with a professional campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract is for the period July 1, 2011 through June 30, 2016, and allows for five one-year renewal options. Aramark provides meal plans to students through the College as well as offering catering and cash sales to the College community. The College receives commission payments from Aramark calculated as contractually agreed percentages of sales. In 2014 and 2013, the College received $12,541 and $8,073, respectively, in commissions from Aramark. In addition, Aramark annually provides the following special funds to the College: (1) $15,000 for catering services and meal passes for the College president, (2) $40,000 for facility and equipment costs, and (3) $5,000 for meal plan scholarships. Aramark also reimburses the College for the actual wages and benefits of College employees providing services to Aramark. No significant renovations to College facilities were made by Aramark in either 2014 or 2013.

The College contracts with Follett to operate its bookstore located within the College's facilities. These services provide the College community with a professional bookstore that will provide the highest caliber of services to the College. The current contract is for the period July 1, 2008 through June 30, 2018. The College receives commission payments calculated at a contractually agreed percentage of bookstore revenue. In 2014 and 2013, the College received $39,842 and $50,854 in commissions from Follett. No significant renovations to College facilities were made by Follett in either 2014 or 2013.

19. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the state of West Virginia and has as its purpose, ". . . to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations . . . ." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employ management, form policy and maintain 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. Based on the Foundation's audited financial statements as of June 30, 2014, 2013 and 2012, the Foundation's net assets (including unrealized gains) totaled $14,922,255, $13,430,149 and $13,122,207, respectively. Complete financial statements for the Foundation can be obtained from the Executive Director of the Glenville State College Foundation, Inc., 200 High Street, Glenville, WV 26351.

During the year ended June 30, 2014 and 2013, the Foundation contributed $402,138 and $435,937, respectively, to the College for scholarships.

The following notes on pages 49 – 59 are taken directly from the Foundation's audited financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities and organization – Glenville State College Foundation, Inc. (the Foundation) was incorporated in 1959 under the laws of the State of West Virginia as a non-profit organization to receive and provide funds for scholarships, endowments, educational research, and other general educational purposes for the benefit of Glenville State College and the students at Glenville State College.

Reporting entity - The financial statements of the Foundation include all funds, functions, and activities to which the Board of Directors has oversight responsibility. There are no additional entities required to be included in the reporting entity.

Basis of accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when they are incurred, whether or not cash is received or paid out at that time.

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 expenses during the reporting period. Actual results could differ from those estimates.

Classification of net assets - These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. Accordingly transactions and balances are classified into three categories of net assets.

Unrestricted net assets are neither temporarily nor permanently restricted by donor-imposed stipulations. Unrestricted net assets are maintained and distributed at the discretion of the Foundation's Board of Directors.

Temporarily restricted net assets consist of contributions restricted by donor-imposed stipulations which will either expire by the passage of time or by action of the Foundation. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions with donor-imposed restrictions which do not expire.

Income tax status - By a letter issued February 1961, the Internal Revenue Service has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to federal and state income taxes on its exempt purpose activities. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes,* which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the years ended June 30, 2014 and 2013, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The Foundation's returns for years ending on or after June 30, 2011 remain subject to examination.

<u>Cash and cash equivalents</u> - For purposes of the statement of cash flows, the Foundation considers all cash accounts and all highly liquid instruments available for current use with an original maturity of three months or less, which are not held for long-term investment and are not subject to withdrawal restrictions or penalties, to be cash and cash equivalents.

<u>Marketable investments</u> - The Foundation carries investments with readily determinable market values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

<u>Fixed assets</u> - Fixed assets are recorded at cost, if purchased, or estimated fair value, if donated. The Foundation computes depreciation on the straight-line method over the estimated useful lives of the respective assets which ranges from 3 to 7 years. Useful lives are revised when a change in life expectancy becomes apparent.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains or losses on dispositions of fixed assets are included in current operations as realized.

<u>Bequests and contributions receivable</u> - Bequests and contributions receivable consist of bequests and contributions to give stock, cash, and life insurance proceeds. Bequests and contributions to give cash and stock are recorded at fair value, bequests and contributions to give life insurance proceeds are recorded at the cash surrender value. All bequests and contributions receivable as of June 30, 2014 and 2013 are, in the opinion of Foundation management, fully collectible.

<u>Land and other assets held for investment</u> - Contributions of land, mineral rights, works of art, and equipment are carried at their fair or appraisal value determined on the date of the gift.

<u>College support payable</u> - Glenville State College has established an agreement with the Foundation to fund the construction of the Waco Center. As construction progresses, the Foundation receives requisitions from the College for a portion of the Center's construction costs. This account consists of unpaid requisitions from the College for construction costs incurred prior to the fiscal year end.

<u>Contributions</u> - Contributions received are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising - It is the policy of the Foundation to expense advertising costs as incurred.

Risks and uncertainties - A substantial portion of the Foundation's assets consist of investment securities which are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and those changes could materially affect the investments reported in the statement of financial position, and the unrealized and realized losses in the statement of activities.

Date of management's review of subsequent events - Management has evaluated subsequent events through November 25, 2014, the date which the financial statements were available to be issued.

NOTE 2 - MARKETABLE INVESTMENTS

Investments are stated at estimated fair value in the financial statements. The following is an analysis of the composition of the Foundation's investments:

	June 30, 2014	June 30, 2013
Marketable investments, at fair value		
Cash, interest-bearing	$ 759,614	$ 942,647
Certificates of deposit	1,262,215	3,969,064
Mutual funds	4,582,032	4,192,411
Bonds	2,002,846	2,508,323
Stocks	328,251	281,067
Total marketable investments, at fair value	$ 8,934,958	$ 11,893,512

NOTE 3 - FAIR VALUE MEASUREMENTS

Determination of fair value - The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

Fair value hierarchy - In accordance with this guidance, the Foundation groups its financial assets generally measured at fair value in three levels, based on markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the Foundation has the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis as of June 30, 2014 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Total cash, interest-bearing	$ 759,614	$ -	$ 759,614	$ -
Total certificates of deposit	1,262,215	-	1,262,215	-
Mutual funds:				
Balanced	31,396	31,396	-	-
Commodities	187,530	187,530	-	-
Diversified emerging markets	201,525	201,525	-	-
International large cap value	744,822	744,822	-	-
International large growth	17,243	17,243	-	-
International real estate	94,302	94,302	-	-
International small blend	195,116	195,116	-	-
International small cap value	435,172	435,172	-	-
Large blend	483,182	483,182	-	-
Large cap value	866,770	866,770	-	-
Large growth	16,933	16,933	-	-
Real estate	137,115	137,115	-	-
Short-term bond	14,778	14,778	-	-
Small blend	334,396	334,396	-	-
Small cap value	821,752	821,752	-	-
Total mutual funds	4,582,032	4,582,032	-	-
Bonds:				
Corporate	101,679	-	101,679	-
Federal agencies	1,641,753	-	1,641,753	-
State government	259,414	-	259,414	-
Total bonds	2,002,846	-	2,002,846	-
Stocks:				
Energy	157,061	157,061	-	-
Financials	171,190	171,190	-	-
Total stocks	328,251	328,251	-	-
Total investments	$ 8,934,958	$ 4,910,283	$ 4,024,675	$ -

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis as of June 30, 2013 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices In Active Markets For Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Total cash, interest-bearing	$ 942,647	$ -	$ 942,647	$ -
Total certificates of deposit	3,969,064	-	3,969,064	-
Mutual funds:				
Balanced	27,099	27,099	-	-
Commodities	148,676	148,676	-	-
Diversified emerging markets	155,376	155,376	-	-
International large cap value	655,472	655,472	-	-
International large growth	14,346	14,346	-	-
International real estate	79,498	79,498	-	-
International small blend	174,474	174,474	-	-
International small cap value	395,368	395,368	-	-
Large blend	448,719	448,719	-	-
Large cap value	802,697	802,697	-	-
Large growth	13,088	13,088	-	-
Real estate	121,271	121,271	-	-
Short-term bond	14,718	14,718	-	-
Small blend	338,443	338,443	-	-
Small cap value	803,166	803,166	-	-
Total mutual funds	4,192,411	4,192,411	-	-
Bonds:				
Corporate	276,742	-	276,742	-
Federal agencies	1,979,174	-	1,979,174	-
Mortgage-backed	487	-	487	-
State government	251,920	-	251,920	-
Total bonds	2,508,323	-	2,508,323	-
Stocks:				
Energy	140,947	140,947	-	-
Financials	140,120	140,120	-	-
Total stocks	281,067	281,067	-	-
Total investments	$ 11,893,512	$ 4,473,478	$ 7,420,034	$ -

NOTE 4 - FIXED ASSETS

Fixed assets consist of the following:

	June 30, 2014		June 30, 2013	
Land improvements, nondepreciable	$	550,043	$	-
Office equipment		49,638		49,638
Vehicles		69,048		61,743
Construction in progress		3,067,718		-
Total		3,736,447		111,381
Less accumulated depreciation		(67,007)		(68,953)
Fixed assets-net	$	3,669,440	$	42,428

Depreciation expense for the years ended June 30, 2014 and 2013 was $15,182 and $14,200 respectively.

NOTE 5 - BEQUESTS AND CONTRIBUTIONS RECEIVABLE

Bequests and contributions receivable consist of the following:

	June 30, 2014		June 30, 2013	
Total cash surrender value of life insurance policies	$	792,275	$	704,313

NOTE 6 - LAND AND OTHER ASSETS HELD FOR INVESTMENT

Land and other assets held for investment consists of the following:

	June 30, 2014		June 30, 2013	
Land and mineral rights	$	683,914	$	683,914
Works of art		20,000		20,000
Storage equipment		1,000		1,000
Total	$	704,914	$	704,914

NOTE 7 - LOAN PAYABLE

Loan payable consists of the following:

	June 30, 2014	June 30, 2013
Loan payable to United Bank, Inc. for $3,530,000 of which the Foundation has drawn $2,100,000 as of June 30, 2014 with the intention of drawing the remaining amount in the next year. Payments are to be made in monthly installments of $15,247 including a fixed interest rate of 3.19% and matures June 27, 2024. The loan is collateralized by a first deed-of-trust on Building A located at 921 Mineral Road and the assignment of all lease agreements.	$ 2,100,000	$ -
LESS: Current portion of loan payable	(117,682)	-
Net long-term portion	$ 1,982,318	$ -

Scheduled principal payments for long-term debt are as follows:

December 31, 2015	$ 117,682
December 31, 2016	121,491
December 31, 2017	125,424
December 31, 2018	129,484
December 31, 2019	133,676
Thereafter	1,472,243
Total	$ 2,100,000

NOTE 8 - PHALA WOODS LOAN TRUST FUND

The Foundation is the recipient of only the income from an additional trust held by Fidelity Investment. These monies are restricted under the trust agreement to be used as loan funds. In accordance with accounting standards generally accepted in the United State of America, the trust fund is not included on the Foundation’s statement of financial position as of June 30, 2014 and 2013.

NOTE 9 – RELATED PARTY TRANSACTION

The Foundation entered into an operating lease agreement effective July 1, 2013 with the Glenville State College Board of Governors for 2.74 acres of a 76.2 acre tract. The lease is payable in annual installments of $1 and expires on June 30, 2043.

The Foundation had entered into a lease agreement effective July 1, 2013 with Glenville State College Board of Governors for 18,000 square feet of the 2nd floor of Building A. The lease receivable is in annual installments of $1 and expires on June 30, 2043 at which time the lease provides for the transfer of ownership of Building A to the College.

NOTE 10 - LEASES - LESSOR

Operating - The Foundation has entered into a cancellable operating lease with Minnie Hamilton for 10,585 square feet of the first floor of Building A. The lease is effective for July 15, 2014 and shall expire on July 14, 2054, unless sooner by mutual agreement. The minimum lease receivable for the first five years is $14,113 per month ($169,360 per year) with each succeeding five year period being readjusted, but at no time exceeding a 2.5% increase per year.

NOTE 11 - ADMINISTRATIVE FEE ASSESSMENT

As provided by the West Virginia Code, the Foundation is entitled to charge an administrative fee for the management of the various assets held in trust. For the years ended June 30, 2014 and 2013, the Foundation charged an administrative fee sufficient to cover operating expenses of $172,116 and $120,973, respectively.

NOTE 12 - CONCENTRATIONS

The Foundation places its cash with local high-credit quality financial institutions under normal financial arrangements. During the year ended June 30, 2014, the Foundation’s cash balances periodically exceeded the FDIC insured deposit limit of $250,000.

NOTE 13 - ENDOWMENT FUNDS

The Foundation’s endowment funds consist of individual funds established by donors for a variety of purposes, including scholarships and Foundation specified projects. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies for endowment assets that support the Foundation’s mission and purpose which are best served over the long term through a flow of interest income and an expanding flow of dividends and capital gains. Achieving these desired ends will help preserve the current purchasing power originating with the Foundation’s invested funds, and it will not place at risk the principal value of those funds. The overriding investment objective is to earn a real total rate of return (interest and dividend income, plus realized and unrealized appreciation expressed as a percentage of market value, both adjusted for inflation) averaging at least 5.0 percent per annum, measured over a three-year to five-year period.

NOTE 13 - ENDOWMENT FUNDS (Continued)

The permanent nature of the endowment funds requires that the Board of Directors work to maintain the purchasing power of endowment assets into perpetuity. To accomplish this, the Foundation links its investment objectives with its spending policy. The goal is to ensure that funds currently available from the endowment will provide the same level of support to Glenville State College, both now and in the future.

In an effort to protect the endowment funds, meet current spending needs, and provide long-term growth, the Foundation has established the following spending policy. This policy is designed to meet two objectives:

1. To release as much current income as possible in a steady and consistent stream; and,
2. To protect the value of the endowment assets against inflation so as to allow College programs, at a minimum, to be supported at today’s level far into the future.

The portfolio encompassing endowment funds generates a total investment return consisting of four components: interest income, dividend income, realized capital gains, and unrealized capital appreciation measured by growth in market value. A portion of this total investment return on the portfolio is to be distributed to all endowment accounts to be expended annually in support of the needs of the Foundation and the College in conformity with the purposes and restrictions on each specific account. The total investment return is to be calculated on June 30 of each year.

The annual amount to be distributed to endowment accounts during the fiscal year beginning each July 1, shall be the minimum of 5.0 percent of the endowments portfolio’s market value on June 30.

The Board of Directors of the Foundation has interpreted the West Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources of the Foundation.

NOTE 13 - ENDOWMENT FUNDS (Continued)

The endowment net assets consisted of the following types of funds:

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total endowment funds	$ -	$ -	$ 7,378,732	$ 7,378,732

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total endowment funds	$ -	$ -	$ 7,119,601	$ 7,119,601

Change in endowment net assets for the years ended June 30, 2014 and 2013, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds at June 30, 2012	$ -	$ -	$ 6,958,191	$ 6,958,191
Bequest and contributions	-	-	161,410	161,410
Endowment funds at June 30, 2013	-	-	7,119,601	7,119,601
Bequest and contributions	-	-	279,131	279,131
Donor released from permanently restricted	-	-	(20,000)	(20,000)
Endowment funds at June 30, 2014	$ -	$ -	$ 7,378,732	$ 7,378,732

NOTE 14 - RESTRICTIONS ON NET ASSETS

	June 30,	
	2014	2013
Temporarily restricted net assets available for grants, scholarships, and donor-designated charitable purposes for the benefit of Glenville State College	$ 2,108,143	$ 3,727,818
Permanently restricted net assets to be held in perpetuity	$ 7,378,732	$ 7,119,601

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Glenville State College (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 7, 2015. Our report includes a reference to other auditors who audited the financial statements of Glenville State College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Glenville State College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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.

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.

Hayflich Grigoraci PLLC

Huntington, West Virginia
January 7, 2015