

# WEST VIRGINIA NORTHERN COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### 1. ORGANIZATION

West Virginia Northern Community College (the "College") is governed by the West Virginia Northern Community College Board of Governors (the "Board"). The Board was established by Senate Bill 448 ("S.B. 448").

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 rules and affairs of the College under its jurisdiction, the duty to develop a master plan for the College, the power to prescribe the specific functions and College's budget request, the duty to review, at least every five years, all academic programs offered at the College, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its College.

S.B. 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility for developing, overseeing and advancing the state of West Virginia (the "State") public policy agenda as it relates to community and technical college education.

### 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 (generally accepted accounting principles) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

The College follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its financial statements.

**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 Council and the West Virginia Higher Education Policy Commission (the "Commission") (which includes West Virginia Network for Educational Telecomputing (WVNET)), form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. A related alumni association of the College is not part of the College reporting entity and is not included in the accompanying financial statements, since the College has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for its fiscal matters under GASB.

The audited financial statements of West Virginia Northern Community College Foundation, Inc. (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 Foundation's audited financial information as it is presented herein (see also Note 12).

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

*Invested in Capital Assets, Net of Related Debt*—This represents the College's total investment in capital assets, net of accumulated 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 invested in capital assets, net of related debt.

*Restricted Net Assets, Expendable*—This includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia 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 restrictions to auxiliaries 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 Legislature.

*Restricted Net Assets, Nonexpendable*—This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not have any restricted nonexpendable net assets at June 30, 2010 and 2009.

*Unrestricted Net Assets*—Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board to meet current expenses for any purpose.

**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 focus on the flow of economic resources measurement. Revenues are reported when earned and expenses when materials or services are received.

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and trust agreements when applicable. Balances in the investment pools are recorded at

fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool (formerly Enhanced Yield Pool) and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the College may invest in. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual 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.wvbt.com>.

**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 collectibility experienced by the College on such balances; and such other factors that, in the College's judgment, require consideration in estimating doubtful accounts.

**Noncurrent Cash and Cash Equivalents**—Cash that is (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets, or (3) permanently restricted net assets, is classified as a noncurrent asset in the 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 at market value at the date of donation in the case of gifts. If material, interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. No interest was capitalized as part of the cost of assets for the years ended June 30, 2010 and 2009. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The College capitalizes all purchases of library books and uses a capitalization threshold of \$1,000 for other capital assets. The accompanying financial statements reflect all adjustments required by GASB.

**Deferred Revenue**—Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenue, including items such as application, orientation, and tuition fees. Financial aid and other deposits are separately classified as deposits.

**Compensated Absences and Other Post Employment Benefits**—The College accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other post employment benefit (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 can be obtained by contacting 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>.

These GASB statements require 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, 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. 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.

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

***Risk Management***—The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the College and its employees. Such coverage is 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 PEIA and a third-party insurer, the College has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums PEIA and the third-party insurer, the College has transferred its risks related to health, life, prescription drug, and job-related injuries coverage.

***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 and investment income.

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

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

*Federal Financial Assistance Program*—For the year ended June 30, 2010, the College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions like the College. Direct student loan receivables are not included in the College's accompanying statements of net assets since the loans are repayable directly to the U.S. Department of Education. In 2010, the College received and disbursed approximately \$5.7 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

For the year ended June 30, 2009, the College made loans to students under the Federal Stafford Loan Program. Under this program, the U.S. Department of Education made interest subsidized and nonsubsidized loans directly to students through institutions like the College. Federal Stafford loan receivables were not included in the College's accompanying statements of net assets since the loans are repayable directly to the Pennsylvania Higher Education Assistance Agency. In 2009, the College received and disbursed approximately \$4.3 million, under the Federal Stafford Loan Program on behalf of the Pennsylvania Higher Education Assistance Agency, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010 and 2009, the College received and disbursed approximately \$8.1 and \$4.9 million, respectively, under these federal student aid programs.

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

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and College Business Officers. Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct or Stafford 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 accompanying 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 cash flow statement purposes.

***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.

***Reclassification***—Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 classifications for comparative purposes.

***Newly Adopted Statements Issued by the GASB*** — During 2010, the College adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The adoption of this statement did not have a material impact on the financial statements.

***Recent Statements Issued by the Governmental Accounting Standards Board***—The Governmental Accounting Standards Board has issued Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. This statement improves financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards related to certain financial instruments and external investment pools. The College has not yet determined the effect that the adoption of Statement No. 59 may have on its financial statements.

### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents at June 30, 2010 and 2009, is held as follows:

<b>2010</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
State Treasurer	\$ 9,862,359	\$ 2,136,872	\$ 11,999,231
Bank	679,566	18,162	697,728
	<u>\$ 10,541,925</u>	<u>\$ 2,155,034</u>	<u>\$ 12,696,959</u>
<b>2009</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
State Treasurer	\$ 8,232,486	\$ 1,564,485	\$ 9,796,971
Bank	89,354	18,710	108,064
	<u>\$ 8,321,840</u>	<u>\$ 1,583,195</u>	<u>\$ 9,905,035</u>

Amounts held by the State Treasurer include \$2,136,872 and \$1,564,485 at June 30, 2010 and 2009, respectively, restricted for capital assets. These amounts were collateralized by financial instruments held by the State's agent.

The combined carrying amounts of cash in the bank at June 30, 2010 and 2009 were \$697,728 and \$108,064, respectively, as compared with the combined bank balance of \$708,405 and \$155,383, respectively. The difference is primarily caused by items in transit and outstanding checks. The bank balances are covered by federal depository insurance or are collateralized by securities held by the State's agent.

Amounts with the State Treasurer as of June 30, 2010 and 2009 are comprised of the following investment pools:

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

#### **WV Money Market**

*Credit Risk* — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2010 and 2009, the WV Money Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has

been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010 and 2009, the WV Money Market Pool investments had a total carrying value of \$2,876,711,000 and \$2,570,261,000, of which the College's ownership represents 0.39% and 0.31%, respectively.

#### **WV Government Money Market Pool**

*Credit Risk* — For the years ended June 30, 2010 and 2009, the WV Government Market Pool has been rated AAAM by Standard & Poor's. A Fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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

At June 30, 2010 and 2009, the WV Government Money Market Pool investments had a total carrying value of \$221,183,000 and \$283,826,000, of which the College's ownership represents 0.04% and 0.02%, respectively.

#### **WV Short Term Bond Pool**

*Credit Risk* — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands) at June 30, 2010 and 2009:

Security Type	Credit Rating*		2010		2009	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	\$ 24,330	5.37 %	\$ 16,402	5.21 %
	Aaa	NR *	10,353	2.28	5,136	1.63
	Aa3	AAA	1,000	0.22	223	0.07
	Aa2	AAA			461	0.15
	A3	AAA			273	0.09
	Baa2	AAA			831	0.26
	Baa1	BBB**			332	0.10
	Baa2	BBB**			1,376	0.44
	Ba1	CC**	45	0.01		
	Ba2	BB**	219	0.05		
	Ba3	AAA			645	0.20
	B1	AAA			779	0.25
	B1	BBB**	605	0.13		
	B1	CCC**	857	0.19		
	B2	B**			493	0.16
	B2	CCC**	366	0.08	539	0.17
	B3	AAA			949	0.30
	B3	B**	442	0.10		
	B3	BBB**	247	0.05		
	B3	CCC**	554	0.12		
	Caal	BB**			254	0.08
	Caal	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
NR *	AAA	3,538	0.78	679	0.22	
		<u>43,565</u>	<u>9.60</u>	<u>29,372</u>	<u>9.33</u>	
Corporate bonds and notes	Aaa	AAA	72,549	16.00	47,204	14.99
	Aaa	AA	2,060	0.46		
	Aa1	AA	5,430	1.20	4,445	1.41
	Aa1	A			2,052	0.65
	Aa2	AAA			3,040	0.96
	Aa2	AA	6,650	1.47	9,066	2.88
	Aa3	AA	6,722	1.48		
	Aa3	A	13,850	3.05	7,831	2.49
	A1	AA	15,485	3.41	4,813	1.53
	A1	A	21,098	4.65	5,522	1.75
	A2	A	41,093	9.06	32,040	10.17
	A3	A	4,158	0.92	7,024	2.23
	Baa3	A			2,067	0.66
			<u>189,095</u>	<u>41.70</u>	<u>125,104</u>	<u>39.72</u>
U.S. agency bonds	Aaa	AAA	40,180	8.86	60,250	19.13
U.S. Treasury notes***	Aaa	AAA	158,423	34.93	88,805	28.20
U.S. agency mortgage backed securities****	Aaa	AAA	4,540	1.00	4,975	1.58
Money market funds	Aaa	AAA	17,715	3.91	6,426	2.04
		<u>\$ 453,518</u>	<u>100 %</u>	<u>\$ 314,932</u>	<u>100 %</u>	

\* NR = Not Rated

\*\* The securities were not in compliance with BTI Investment Policy at June 30, 2010. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

\*\*\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

\*\*\*\* U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2010 and 2009, the College's ownership represents 0.21% and 0.05%, respectively, of these amounts held by the BTI.

*Interest Rate Risk* — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the BTI's Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool at June 30, 2010 and 2009 (in thousands):

Security Type	2010		2009	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 174,980	1	\$ 212,010	1
U.S. Treasury notes	\$ 65,153	140		
U.S. Treasury bills	476,670	35	483,714	69
Commercial paper	855,844	18	592,479	32
Certificates of deposit	281,000	45	128,402	56
U.S. agency discount notes	606,048	52	635,602	57
Corporate bonds and notes	20,000	19	73,812	38
U.S. agency bonds/notes	246,990	55	294,019	70
Money market funds	150,026	1	150,223	1
	<u>\$ 2,876,711</u>	33	<u>\$ 2,570,261</u>	47

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool at June 30, 2010 and 2009 (in thousands):

Security Type	2010		2009	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 66,600	1	\$ 53,000	1
U.S. Treasury notes	8,526	114		
U.S. Treasury bills	29,982	72	74,424	94
U.S. agency discount notes	36,465	115	87,662	55
U.S. agency bonds/notes	79,532	30	68,608	37
Money market funds	78	1	132	1
	<u>\$ 221,183</u>	44	<u>\$ 283,826</u>	51

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2010 and 2009 (in thousands):

Security Type	2010		2009	
	Carrying Value (in thousands)	Effective Duration (Days)	Carrying Value (in thousands)	Effective Duration (Days)
U.S. Treasury bonds/notes	\$ 158,423	583	\$ 88,805	917
Corporate notes	189,095	560	125,104	559
Corporate asset backed securities	43,565	679	29,372	622
U.S. agency bonds/notes	40,180	288	60,250	752
U.S. agency mortgage backed securities	4,540	360	4,975	540
Money market funds	<u>17,715</u>	1	<u>6,426</u>	1
	<u>\$ 453,518</u>	530	<u>\$ 314,932</u>	691

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's statement of fiduciary net assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

*Deposits* — Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Student tuition and fees, net of allowance for doubtful accounts of \$335,720 and \$308,912, respectively	\$ 293,304	\$ 206,922
Third party contracts receivable	8,724	23,931
Other accounts receivable	<u>          </u>	<u>102</u>
	<u>\$ 302,028</u>	<u>\$ 230,955</u>

#### 5. CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 1,412,926	\$ -	\$ -	\$ 1,412,926
Construction in Progress	<u>125,526</u>	<u>874,000</u>	<u>(52,543)</u>	<u>946,983</u>
Total capital assets not being depreciated	<u>\$ 1,538,452</u>	<u>\$ 874,000</u>	<u>\$ (52,543)</u>	<u>\$ 2,359,909</u>
Other capital assets:				
Land improvements	\$ 738,067	\$ -	\$ -	\$ 738,067
Infrastructure	972,959	1,800	-	974,759
Buildings	24,966,123	97,936	-	25,064,059
Equipment	3,417,398	806,077	(60,730)	4,162,745
Library books	<u>967,459</u>	<u>23,540</u>	<u>(49,991)</u>	<u>941,008</u>
Total other capital assets	<u>31,062,006</u>	<u>929,353</u>	<u>(110,721)</u>	<u>31,880,638</u>
Less accumulated depreciation for:				
Land improvements	(235,613)	(43,664)	-	(279,277)
Infrastructure	(749,310)	(29,310)	-	(778,620)
Buildings	(5,858,817)	(510,670)	-	(6,369,487)
Equipment	(1,976,645)	(421,735)	60,730	(2,337,650)
Library books	<u>(885,325)</u>	<u>(21,577)</u>	<u>49,991</u>	<u>(856,911)</u>
Total accumulated depreciation	<u>(9,705,710)</u>	<u>(1,026,956)</u>	<u>110,721</u>	<u>(10,621,945)</u>
Other capital assets—net	<u>\$ 21,356,296</u>	<u>\$ (97,603)</u>	<u>\$ -</u>	<u>\$ 21,258,693</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,538,452	\$ 874,000	\$ (52,543)	\$ 2,359,909
Other capital assets	<u>31,062,006</u>	<u>929,353</u>	<u>(110,721)</u>	<u>31,880,638</u>
Total cost of capital assets	32,600,458	1,803,353	(163,264)	34,240,547
Less accumulated depreciation	<u>(9,705,710)</u>	<u>(1,026,956)</u>	<u>110,721</u>	<u>(10,621,945)</u>
Capital assets—net	<u>\$ 22,894,748</u>	<u>\$ 776,397</u>	<u>\$ (52,543)</u>	<u>\$ 23,618,602</u>

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,462,926	\$ -	\$ (50,000)	\$ 1,412,926
Construction in Progress	628,822	799,260	(1,302,556)	125,526
Total capital assets not being depreciated	<u>\$ 2,091,748</u>	<u>\$ 799,260</u>	<u>\$ (1,352,556)</u>	<u>\$ 1,538,452</u>
Other capital assets:				
Land improvements	\$ 738,067	\$ -	\$ -	\$ 738,067
Infrastructure	972,959	-	-	972,959
Buildings	27,844,162	1,431,199	(4,309,238)	24,966,123
Equipment	3,298,191	554,570	(435,363)	3,417,398
Library books	944,312	29,012	(5,865)	967,459
Total other capital assets	<u>33,797,691</u>	<u>2,014,781</u>	<u>(4,750,466)</u>	<u>31,062,006</u>
Less accumulated depreciation for:				
Land improvements	(191,949)	(43,664)	-	(235,613)
Infrastructure	(720,010)	(29,300)	-	(749,310)
Buildings	(7,692,483)	(541,898)	2,375,564	(5,858,817)
Equipment	(2,004,303)	(389,155)	416,813	(1,976,645)
Library books	(869,998)	(21,192)	5,865	(885,325)
Total accumulated depreciation	<u>(11,478,743)</u>	<u>(1,025,209)</u>	<u>2,798,242</u>	<u>(9,705,710)</u>
Other capital assets—net	<u>\$ 22,318,948</u>	<u>\$ 989,572</u>	<u>\$ (1,952,224)</u>	<u>\$ 21,356,296</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 2,091,748	\$ 799,260	\$ (1,352,556)	\$ 1,538,452
Other capital assets	<u>33,797,691</u>	<u>2,014,781</u>	<u>(4,750,466)</u>	<u>31,062,006</u>
Total cost of capital assets	35,889,439	2,814,041	(6,103,022)	32,600,458
Less accumulated depreciation	<u>(11,478,743)</u>	<u>(1,025,209)</u>	<u>2,798,242</u>	<u>(9,705,710)</u>
Capital assets—net	<u>\$ 24,410,696</u>	<u>\$ 1,788,832</u>	<u>\$ (3,304,780)</u>	<u>\$ 22,894,748</u>

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

At June 30, 2010, the College had outstanding contractual commitments of approximately \$99,700 for property, plant, and equipment expenditures.

## 6. LONG-TERM LIABILITIES

Long-term obligation transactions for the College for the year ended June 30, 2010 and 2009, are as follows:

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 69,685	\$	\$ 11,000	\$ 58,685	
Accrued compensated absences	398,908		40,893	358,015	\$ 358,015
OPEB Liability	48,630	870,808		919,438	
Capital leases payable	75,114		20,646	54,468	21,919
Debt obligation to Commission	69,902		27,821	42,081	28,840
<b>Total long-term liabilities</b>	<b>\$ 662,239</b>	<b>\$ 870,808</b>	<b>\$ 100,360</b>	<b>\$ 1,432,687</b>	

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Advances from federal sponsors	\$ 64,228	\$ 5,457	\$	\$ 69,685	
Accrued compensated absences	375,957	22,951		398,908	\$ 398,908
Capital leases payable	94,560		19,446	75,114	20,646
OPEB Liability	12,760	35,870		48,630	
Debt obligation to Commission	96,759		26,857	69,902	27,822
<b>Total long-term liabilities</b>	<b>\$ 644,264</b>	<b>\$ 64,278</b>	<b>\$ 46,303</b>	<b>\$ 662,239</b>	

## 7. LEASES

The College leases equipment and building space under operating lease agreements. Aggregate payments under these agreements approximated \$117,963 and \$193,482 for each of the years ended June 30, 2010 and 2009, respectively. Future annual minimum lease payments on operating leases for years subsequent to June 30, 2010, are as follows:

Year Ending	
June 30	
2011	\$ 103,926
2012	91,925
2013	91,925
2014	91,925
2015	45,963
	<u>\$ 425,664</u>

Included in the financial statements is \$10,265 of lease expense for usage and maintenance fees for a library automation system provided by an affiliate for both the years ended June 30, 2010 and 2009.

The College leases land under capital lease agreements. Future annual minimum lease payments for years subsequent to June 30, 2010, are as follows:

Year Ending June 30	
2011	\$ 24,591
2012	24,591
2013	<u>9,426</u>
	58,608
Less interest	<u>(4,140)</u>
	<u>\$ 54,468</u>

#### **8. 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, 2010 and 2009, the noncurrent liability related to OPEB costs was \$919,438 and \$48,630, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,154,941 and \$232,449, respectively, during 2010 and \$489,921 and \$264,042, respectively, during 2009. As of the year ended June 30, 2010, there were 22 retirees receiving these benefits.

#### **9. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS**

The College is a State institution of higher education. It receives a State appropriation to finance a portion of 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 education and general capital fees (previously tuition and registration fees) of the members of the former State College System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as 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 2010 and 2009, the College paid \$27,822 and \$26,856, respectively, against the debt obligation. The amount due to Commission at June 30, 2010 and 2009 is \$42,081 and \$69,902.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2009 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond

offering for the 2009 Bonds proposes bond funding of \$6,000,000 for the College. As of June 30, 2010, \$9,107 has been recognized by the College. State lottery funds will be used to repay the debt.

#### 10. UNRESTRICTED NET ASSETS

The College's unrestricted net assets at June 30, 2010 and 2009, include certain designated net assets, as follows:

	2010	2009
Designated for capital repairs and improvements	\$ 2,000,000	\$
Undesignated	<u>7,316,414</u>	<u>7,136,675</u>
Total unrestricted net assets before OPEB liability	9,316,414	7,136,675
Less: OPEB liability	<u>919,438</u>	<u>48,630</u>
Total unrestricted net assets	<u>\$ 8,396,976</u>	<u>\$ 7,088,045</u>

#### 11. RETIREMENT PLANS

Substantially all 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's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries for the years ended June 30, 2010 and 2009. Required employee contributions were at the rate of 6% of total annual salaries for the years ended June 30, 2010 and 2009. 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 salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2010, 2009, and 2008 were \$103,248, \$129,904, and \$138,990, respectively, which consisted of \$73,749, 92,789, and \$99,279, from the College in 2010, 2009, and 2008, respectively, and \$29,499, \$37,115, and \$39,711, from the covered employees in 2010, 2009 and 2008, 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 defined contribution benefit plans in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this plan is 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, 2010, 2009, and 2008 were \$617,832, \$594,258, and \$547,308, respectively, which consisted of equal contributions from the College and covered employees of \$308,916 in 2010, 297,129 in 2009, and \$273,654 in 2008.

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 (the "Educators Money"). New hires have the choice of either plan.

Total contributions to Educators Money for the years ended June 30, 2010, 2009, and 2008, were \$19,332, \$17,558, and \$13,846, respectively, which consisted of contributions of \$9,666, 8,779, and \$6,923, from the College in 2010, 2009 and 2008, respectively, and \$9,666, \$8,779, and \$6,923, from the covered employees in 2010, 2009 and 2008, respectively.

The College's total payroll for the years ended June 30, 2010 and 2009 was \$7,442,000 and \$7,133,000, respectively; total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were \$491,657, \$5,146,074, \$161,097 and \$618,591, \$4,951,863, \$146,319 in 2010 and 2009, respectively.

## **12. FOUNDATION**

The West Virginia Northern Community College Foundation, Inc. is a separate nonprofit organization incorporated in the State and its mission "...seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is 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, 2010 and 2009, the Foundation's net assets (including unrealized gains) totaled \$2,026,409 and \$1,823,826, respectively. Complete financial statements for the Foundation can be obtained from the Foundation office located in the College B&O Building, Room 122 at 1704 Market St., Wheeling, WV 26003.

During the years ended June 30, 2010 and 2009, the Foundation contributed \$218,714 and \$81,729, respectively, to the college for scholarships, capital improvements, and institutional support.

## **13. ALUMNI ASSOCIATION (UNAUDITED)**

The College has a separately incorporated affiliated organization, the Alumni Association. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the College. Accordingly, the financial statements of this organization are not included in the College's accompanying financial statements under the blended component requirements. They are not included in the College's accompanying financial statements under directly presented component unit

requirements as, they (1) are not material or (2) have dual purposes (i.e. not entirely or almost entirely for the benefit of the College).

#### **14. CONTINGENCIES**

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

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

The 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, 2010 or 2009.

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 manner. 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 manner.

**15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

For the year ended June 30, 2010 and 2009, the following table represents operating expenses within both natural and functional classifications:

	2010						2009						
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	
Instruction	\$ 4,201,042	\$ 1,737,022	\$ 824,125	\$ 39,079	\$	\$ 6,801,268	\$ 3,905,594	\$ 1,001,205	\$ 421,688	\$ 45,756	\$	\$ 5,374,243	
Public service	42,132	16,101	40,534			98,767	42,072	14,628	143,651			200,351	
Academic support	427,009	87,789	275,356	39,078		829,232	376,850	84,885	227,778	45,756		735,269	
Student services	718,095	196,513	89,869			1,004,477	723,480	194,045	129,932			1,047,457	
General institutional support	1,794,785	501,357	882,953	100,523		3,279,618	1,831,203	532,389	578,095	118,878		3,060,565	
Operations and maintenance of plant	259,338	102,973	543,794	153,840	5,063,750	1,059,945	253,997	98,248		3,340,040	1,025,209	3,340,040	
Student financial aid						1,026,956							1,025,209
Depreciation													84,799
Other													84,799
Total	\$ 7,442,401	\$ 2,641,755	\$ 2,656,631	\$ 332,520	\$ 5,063,750	\$ 19,248,531	\$ 7,133,196	\$ 1,925,400	\$ 2,130,976	\$ 383,817	\$ 3,340,040	\$ 1,025,209	\$ 16,023,437

## 16. COMPONENT UNIT DISCLOSURES (FOUNDATION)

The following are the notes taken directly from the audited Foundation's financial statements:

### NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities - West Virginia Northern Community College Foundation, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of West Virginia. The Foundation is classified as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was organized to support and assist in the development and growth of West Virginia Northern Community College ("the College") for all aspects of its programs and services. The Foundation's mission "...seeks, receives and manages private funds to increase the College's capabilities in the areas of institutional development, professional development, capital facilities and equipment, and financial assistance to students." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Trustees not otherwise affiliated with the College. The President of the College is a non-voting member of the Board of Trustees. In carrying out its responsibilities, the Board of Trustees of the Foundation oversees management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although West Virginia Northern Community College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. During the years ended June 30, 2010 and 2009, the Foundation contributed \$18,836 and \$24,343, respectively, to the college for scholarships and grants.

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

Basis of Presentation - The Foundation reports its financial position and activities according to standards established by the Financial Accounting Standards Board (FASB). Accordingly, the Foundation has classified its net assets and its revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Under FASB, the Foundation is required to report its financial position and activities according to three classes of net assets. Below is a summary of those classifications:

Unrestricted – Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted.

Temporarily restricted – Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for College support according to the restriction are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation.