West Liberty University

Financial Statements as of and for the
Years Ended June 30, 2010 and 2009, and
Independent Auditors' Reports

WEST LIBERTY UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
West Liberty University:

We have audited the statements of net assets of West Liberty University (the "University") as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of West Liberty University Foundation, Incorporated (the "Foundation"), a discretely presented component unit of the University. 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 such 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 Foundation's financial statements, 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 respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such financial statements present fairly, in all material respects, the respective financial position and changes in net assets of the University and the discretely presented component unit of the University as of June 30, 2010 and 2009, and cash flows of the University for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 3 to 12 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

October 12, 2010

West Liberty University
State Route 88
P.O. Box 295
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Management Discussion and Analysis
Fiscal Year 2010 (Unaudited)
Financial Statements

Overview of the Financial Statements and Financial Analysis

West Liberty University (WLU) presents its financial statements for fiscal years 2010 and 2009. The emphasis of discussions about these statements will be for the year ended June 30, 2010. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This discussion and analysis of WLU's financial statements provides an overview of its financial activities for the fiscal years 2010 and 2009 and is required supplemental information.

The Governmental Accounting Standards Board (GASB) has issued directives for presentation of governmental college and university financial statements. The previous reporting format presented financial balances and activities by fund groups. The current format places emphasis on the overall economic resources of WLU.

GASB Statement No. 39

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the university is required to include the foundation's financial activities in the university's financial statements.

The reader should understand that although WLU is the beneficiary of the West Liberty University Foundation, Incorporated (the "Foundation"); the Foundation is independent of WLU in all respects. It is not a subsidiary or affiliate of WLU and is not directly or indirectly controlled by WLU. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to WLU.

WLU is neither accountable for, nor has ownership of, any of the financial and capital resources of the Foundation. WLU does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The members of the Foundation's board of directors are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to WLU, in accordance with donor designations, if any. Third parties dealing with WLU, the Higher Education Policy Commission and the State of West Virginia (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of WLU as of June 30, 2010 and 2009. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of WLU. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (assets minus liabilities). The difference between current and noncurrent assets and liabilities is discussed in the Notes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of WLU. They are also able to determine how much is owed to vendors, employees, and lending institutions.

Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by WLU.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides equity in the property, plant, and equipment owned by WLU. The next asset category is restricted net assets, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Within expendable net assets are balances that have been restricted by the West Virginia Legislature ("Legislature"). These restricted activities are fundamental to the normal ongoing operations of WLU and are subject to change by future actions of the Legislature. The final category is unrestricted net assets, which are available for expenditure for any lawful purpose of WLU.

Condensed Statements of Net Assets
(In Thousands)

	2010	2009	2008
ASSETS:			
Current assets	$ 8,808	$ 7,513	$ 7,233
Other noncurrent assets	2,212	2,122	2,105
Capital assets—net	45,508	45,753	44,661
TOTAL ASSETS	$ 56,528	$ 55,388	$ 53,999
LIABILITIES:			
Current liabilities	$ 4,901	$ 4,206	$ 4,114
Noncurrent liabilities	17,325	16,214	16,889
Total liabilities	22,226	20,420	21,003
NET ASSETS:			
Invested in capital assets, net of related debt	31, 089	30,312	26,907
Restricted expendable	1,461	1,407	2,113
Unrestricted	1,752	3,249	3,976
Total net assets	34,302	34,968	32,996
TOTAL LIABILITIES AND NET ASSETS	$ 56,528	$ 55,388	$ 53,999

A review of the individual asset and liabilities categories that contributed to the overall increase in net assets indicates the following:

2010:

- Cash and cash equivalents were up $1,430,015 to $7,859,412 due to a combination of conservative budget spending and summer school enrollment credit hours being up 66% in FY 10 over FY 09. All summer school classes, except laboratory required, were held at the new Highlands education center.

- Capital assets were down $245,468 in FY 10 from FY 09 primarily due to depreciation exceeding the 2010 additions. Depreciation was higher than 2009 primarily due to the addition of the Highlands project which was acquired through the Ohio County Development Authority. Major capital work in FY 10 included the new women's softball field, College Hall fire suppression system, Main Hall generator, Physician's Assistant laboratory and office, and continued road paving and sidewalk replacement.

- Total liabilities increased by $1,805,531 in FY 10 from FY 09 primarily due to a $1,951,563 increase in other post retirement benefits liability. Bonds payable decreased in FY 10 by $427,644 and debt obligation to the Commission was down $376,097 due to no new activity in these areas in FY 10.

<u>2009</u>:

- Capital Assets — net increased $1,092,941 in 2009 with the completion of major projects such as the football field, new roof on the library, renovation of two floors of Beta dormitory, and substantial repaving of roads and parking lots.

- Noncurrent liabilities were down in 2009 with debt reduction in obligations to the Higher Education Policy Commission of $363,121, bonds payable of approximately $400,000 and capital leases of $54,265.

- Cash and cash equivalents were up $164,743 remaining stable at $6,429,397. Movement in payables was up slightly by $57,072, while receivables increased by $121,909.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). The purpose of the SRECNA is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by WLU.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLU. 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 WLU mission. Revenues for which goods and services are not provided are reported as nonoperating revenues. For example, state appropriations are nonoperating revenues because they are provided by the Legislature to WLU 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.

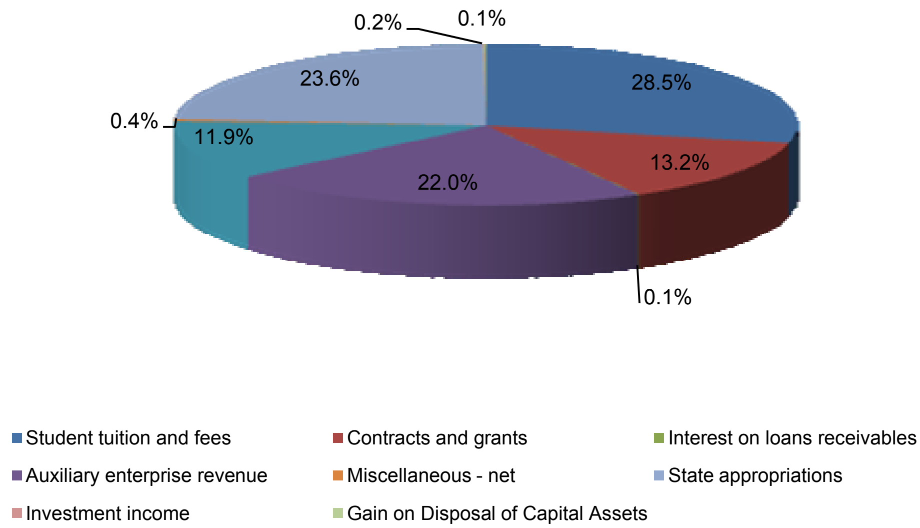
Condensed Statements of Revenues, Expenses and Changes in Net Assets

(In Thousands)

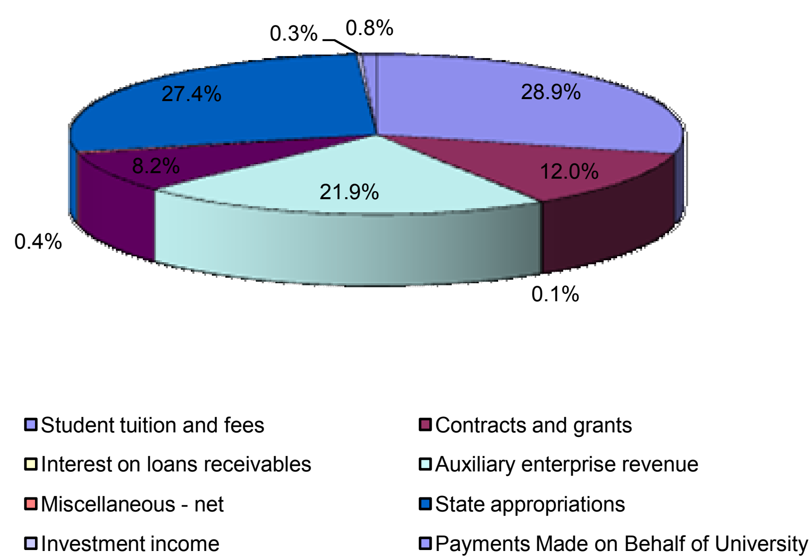
	2010	2009	2008
OPERATING REVENUES	$ 23,234	$ 21,079	$ 19,675
OPERATING EXPENSES	36,377	31,173	28,584
OPERATING LOSS	(13,143)	(10,094)	(8,909)
NONOPERATING REVENUES	12,407	11,091	10,959
(DECREASE) INCREASE IN NET ASSETS BEFORE TRANSFER	(736)	997	2,050
CAPITAL AND BOND PROCEEDS FROM COMMISSION	70	175	-
CAPITAL STATE APPROPRIATION		800	
CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE	-	-	1,567
(DECREASE) INCREASE IN NET ASSETS	(666)	1,972	3,618
NET ASSETS—Beginning of year	34,968	32,996	29,378
NET ASSETS—End of year	$ 34,302	$ 34,968	$ 32,996

- A review of the individual revenue and expense categories that contributed to the overall decrease in net assets reveals the following:

FY 2010 Total Revenues
Operating, Nonoperating, and Capital



FY 2009 Total Revenues
Operating, Nonoperating, and Capital



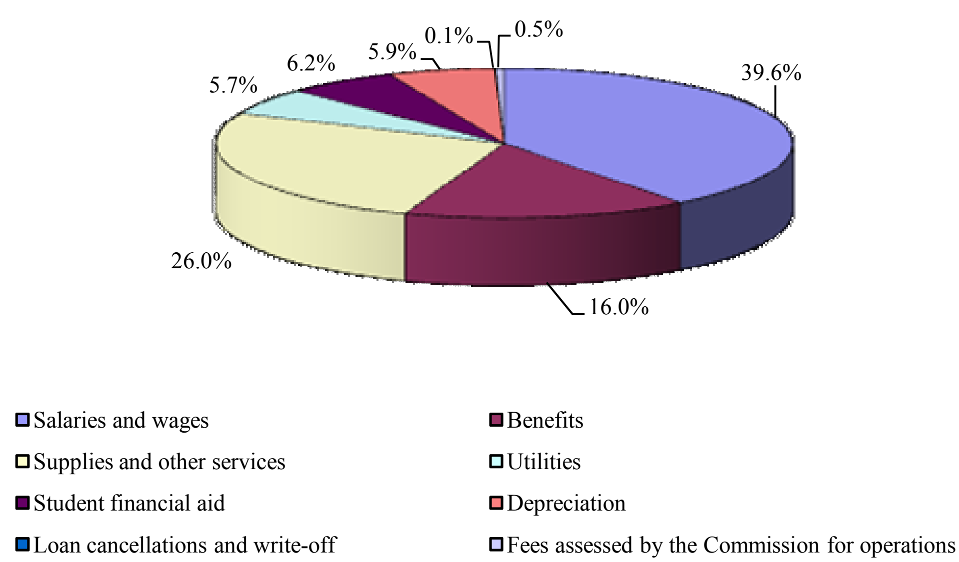
- Student tuition and fees (net of scholarship allowance) accounted for 44.4% of WLU's operating revenues and 28.5% of total operating, non-operating, and capital revenues in FY 10. Tuition and fees increased in FY 10 by 6.6% resident, 6.1% metro and 8.5% non-resident. WLU had implemented the metro rate in FY 09 at a $1,000 reduction per semester off the non-resident rate for students in select counties in Ohio and Pennsylvania. This rate was changed in FY 10 to a 20% reduction off the non-resident rate for students in select counties in Maryland, Ohio, and Pennsylvania.

- Pell Grants increased from $2,747,375 in FY 09 to $4,317,819 in FY 10. As indicated on the pie chart, the grants increased from 8.1% in FY 09 to 11.9% in FY 10 of the total revenues. This can be attributed to increased enrollment, increased Pell payment schedule, and the current economic climate.

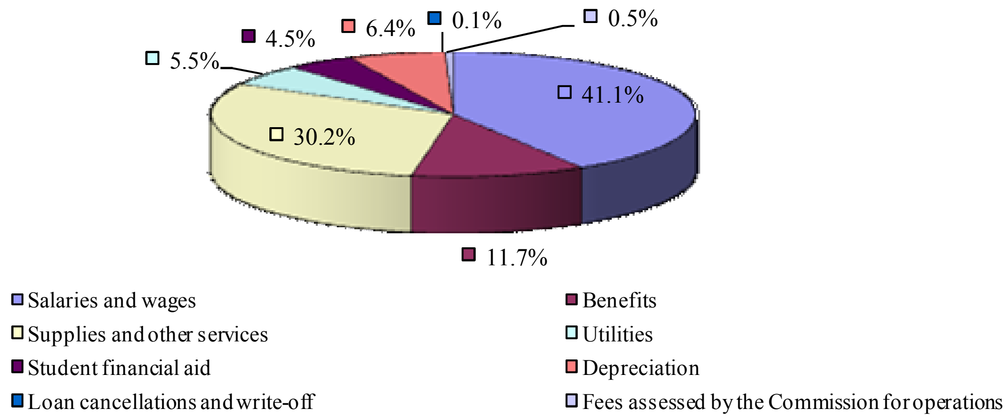
- Non-operating revenues from the State in FY 10 consisted of the regular State appropriation of $8,546,892 and the State fiscal stabilization funds (Federal) of $577,388 for a total of $9,124,280. In FY 09, the regular State appropriation was $9,125,137 and the capital State appropriation for the Highlands was $800,000. These appropriations are shown on the pie charts as 23.6% in 2010 and 29.1% in 2009.

- Investment income was $16,803 (.05%) in FY 10 contrasted to $85,609 (.25%) in FY 09. WLU participates in the investments pool managed by the State.

FY 2010 Operating Expenses



FY 2009 Operating Expenses



- Salary/wages and employee benefit categories made up 55.6% and 53% of the operating expenses of WLU for FY 10 and FY 09 respectfully. An employee raise of approximately 3% was given to eligible employees in July of FY 10 and was based on the respective employee pooling classification. Similar salary increases were made in FY 09.

  Salary and wages increased by $1,568,845 in FY 10. This can be attributed to the salary increases and the addition of faculty. Benefits increased by $2,196,044 in FY 10. Actual benefits accounted for $224,481 and the balance $1,951,563 was the increase in other post retirement benefit liability.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLU during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WLU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the SRECNA.

Condensed Statements of Cash Flows
(In Thousands)

Cash Provided by (Used in)	2010	2009	2008
OPERATING ACTIVITIES	$ (8,583)	$ (7,421)	$ (6,177)
NONCAPITAL FINANCING ACTIVITIES	13,442	11,873	11,440
CAPITAL FINANCING ACTIVITIES	(3,445)	(4,381)	(5,577)
INVESTING ACTIVITIES	16	94	290
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,430	165	(24)
CASH AND CASH EQUIVALENTS—Beginning of year	6,429	6,264	6,288
CASH AND CASH EQUIVALENTS—End of year	$ 7,859	$ 6,429	$ 6,264

Capital Asset and Debt Administration

2010: In FY 10, the University completed two roofing projects: the commons at $38,300 and Blatnik Hall at $362,211 of which $150,000 came from the Higher Education Policy Commission.

- The Highlands was opened in August of 2009 and was outfitted with $209,170 worth of classroom furniture and state of the art technology. This cost was partially offset by a $95,000 grant from the U.S. Department of Education.

- The new women's softball field, located at the south end of the football stadium was completed in the fall of 2009 at a cost of $420,000.

- A new fire suppression system was installed in College Hall for $125,102, bringing the building into compliance with the State Code.

- A new generator was installed in Main Hall for $167,952. The generator protects the University's telephone system, computer, and major utilities in this area.

<u>2009</u>:

- Athletic complex upgrade of $1.2 million ($900,000 donation from West Liberty University Foundation, Inc.) included a new surface on the football field, new fencing, and extensive landscaping.

- New roof on the library of $416,000 ($175,000 funds from Higher Education Policy Commission).

- Extensive paving ($446,000) of major campus roads and parking lots.

- Payment of $800,000 (special legislative appropriation) to the Ohio County Development Authority on June 30, 2009 upon substantial completion of the Highland Educational Center. Classes began in August 2009.

Economic Outlook

Even though the economic recovery both nationally and locally continues at a slow rate, WLU continues to move forward. Admissions, up 5% in FY 10, represented the fourth consecutive year of enrollment increase. In-State day students tuition and fees were $4,880 per year in FY 10 and the rate will not increase in FY 11. Metro rates were changed in FY 10 from a $1,000 per semester reduction in out-of-state tuition and fees to a 20% reduction of tuition and fees. Metro area eligibility which covers bordering counties in Ohio and Pennsylvania was increased and now includes several counties in Maryland. The University remains very competitive with four-year educational institutions in the geographical enrollment area.

The Warwood educational center was officially sold in August 2009 and the Highlands educational center was opened in August 2009. This is a new educational center located in the Highlands on Interstate 70, east of Wheeling. The center consists of 20,000 square feet encompassing ten classrooms, offices and related auxiliary facilities. Master degree, degree completion, and non-degree courses are offered on a regular basis. Summer courses, with the exception of laboratory courses, were conducted at the Highlands in FY 10 resulting in a 66% increase in credit hours taken over FY 09.

WLU continues to expand its degree offerings, receiving approval from the Higher Education Policy Commission ("HEPC") to offer a Bachelor of Social Work, Bachelor of Music and a BA in Organizational Leadership and Administration. The latter degree is an accelerated adult program.

The HEPC also gave approval to a Physicians Assistant Masters Program. This is the third step in a five step program for accreditation.

As to new construction, WLU has received a $750,000 State Energy Project Grant for new windows in Main Hall to be completed in the summer of 2011 and $2,750,000 from the State for renovation of Shaw Hall into administrative offices, the latter to be completed in late 2011.

WLU remains a very affordable University with an expanding curriculum dedicated to cost containment.

WEST LIBERTY UNIVERSITY

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,859,412	$ 6,429,397
Accounts receivable — net	547,989	693,737
Loans to students — current portion	295,244	316,292
Prepaid expenses	3,887	5,173
Inventories	101,362	68,063
Total current assets	8,807,894	7,512,662
NONCURRENT ASSETS:		
Cash and cash equivalents	1,110,108	1,111,419
Loans to students — net of allowance of $758,031 and $730,424 in 2010 and 2009, respectively	1,101,859	1,010,493
Capital assets — net	45,508,191	45,753,659
Total noncurrent assets	47,720,158	47,875,571
TOTAL	$ 56,528,052	$ 55,388,233

(Continued)

WEST LIBERTY UNIVERSITY

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES:		
Accounts payable	$ 1,040,041	$ 809,321
Due to Commission	34,590	1,340
Accrued liabilities	1,730,596	1,354,736
Deferred revenue	292,498	310,439
Compensated absences — current portion	992,270	893,330
Debt obligation to Commission — current portion	376,097	363,121
Capital leases — current portion		54,265
Bonds payable — current portion	435,000	420,000
Total current liabilities	4,901,092	4,206,552
NONCURRENT LIABILITIES:		
Advances from federal sponsors	1,486,565	1,523,396
Other post employment benefits liability	2,230,224	278,661
Debt obligation to Commission	2,727,499	3,103,596
Bonds payable	10,880,369	11,308,013
Total noncurrent liabilities	17,324,657	16,213,666
Total liabilities	22,225,749	20,420,218
NET ASSETS:		
Invested in capital assets — net of related debt	31,089,227	30,311,930
Restricted for — expendable:		
Scholarships	59,276	59,348
Debt service	1,109,099	1,109,299
Capital projects	293,117	238,546
Total restricted expendable	1,461,492	1,407,193
Unrestricted	1,751,584	3,248,892
Total net assets	34,302,303	34,968,015
TOTAL	$ 56,528,052	$ 55,388,233

See notes to financial statements. (Concluded)

WEST LIBERTY UNIVERSITY

WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 481,145	$ 680,899
Unconditional promises to give	184,744	275,251
Other receivables	13,897	13,501
Investments at estimated fair value	8,886,776	7,822,069
Beneficial interest in perpetual trust	1,888,100	1,744,618
Other assets	44,036	48,349
Total assets	$ 11,498,698	$ 10,584,687
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ -	$ 88,457
Liability for charitable gift annuities	63,884	71,401
Total liabilities	63,884	159,858
NET ASSETS:		
Unrestricted	1,310,972	1,203,957
Temporarily restricted	1,248,873	595,871
Permanently restricted	8,874,969	8,625,001
Total net assets	11,434,814	10,424,829
TOTAL	$ 11,498,698	$ 10,584,687

See notes to financial statements.

WEST LIBERTY UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $3,978,576 and $3,272,220 in 2010 and 2009, respectively	$ 10,323,086	$ 9,627,581
Contracts and grants:		
Federal	1,034,723	510,947
State	3,321,333	2,757,401
Private	431,201	738,029
Interest on student loans receivable	24,918	23,700
Auxiliary enterprise revenue — net of scholarship allowance of $3,065,617 and $2,475,629 in 2010 and 2009, respectively	7,954,261	7,283,840
Miscellaneous — net	144,672	137,705
Total operating revenues	23,234,194	21,079,203
OPERATING EXPENSES:		
Salaries and wages	14,391,381	12,822,536
Benefits	5,828,016	3,631,972
Supplies and other services	9,464,238	9,421,671
Utilities	2,077,038	1,715,355
Student financial aid — scholarships and fellowships	2,260,896	1,398,616
Depreciation	2,155,861	2,010,514
Loan cancelations and write-offs	20,404	3,860
Fees assessed by the Commission for operations	178,867	168,885
Total operating expenses	36,376,701	31,173,409
OPERATING LOSS	(13,142,507)	(10,094,206)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	8,546,892	9,125,137
State fiscal stabilization funds (federal)	577,388	-
Federal Pell Grants	4,317,819	2,747,375
Payments on behalf of the University	-	265,568
Investment income	16,803	85,609
Gain on disposal of capital assets	46,814	-
Interest on indebtedness	(679,706)	(698,659)
Fees assessed by the Commission for debt service	(419,215)	(433,795)
Net nonoperating revenues	12,406,795	11,091,235
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(735,712)	997,029
CAPITAL AND BOND PROCEEDS FROM COMMISSION	70,000	175,000
CAPITAL STATE APPROPRIATION	-	800,000
(DECREASE) INCREASE IN NET ASSETS	(665,712)	1,972,029
NET ASSETS — Beginning of year	34,968,015	32,995,986
NET ASSETS — End of year	$ 34,302,303	$ 34,968,015

See notes to financial statements.

WEST LIBERTY UNIVERSITY

WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	$ 127,044	$ 732,226	$ 29,704	$ 888,974
Interest and dividend income	63,335	149,865	80,080	293,280
Gain (loss) on investments	222,685	590,545	-	813,230
Change in value of split interest	-	-	-	-
agreements	-	(747)	143,482	142,735
Other income	-	101,677	-	101,677
Net assets released from	-	-	-	-
restrictions and other	923,862	(920,564)	(3,298)	-
Total support and revenues	1,336,926	653,002	249,968	2,239,896
EXPENSES AND LOSSES:				
West Liberty University Support:				
Scholarships	549,740	-	-	549,740
Athletic programs	71,250	-	-	71,250
Academic programs	122,968	-	-	122,968
Capital improvements	37,394	-	-	37,394
Other programs	406,566	-	-	406,566
Fundraising	4,377	-	-	4,377
General and administrative expenses	37,616	-	-	37,616
Total expenses and losses	1,229,911	-	-	1,229,911
CHANGES IN NET ASSETS	107,015	653,002	249,968	1,009,985
NET ASSETS — Beginning of year	1,203,957	595,871	8,625,001	10,424,829
NET ASSETS — End of year	$ 1,310,972	$ 1,248,873	$ 8,874,969	$ 11,434,814

See notes to financial statements.

WEST LIBERTY

WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	$ 157,310	$ 574,764	$ 185,848	$ 917,922
Interest and dividend income	71,565	186,207	84,596	342,368
Gain (loss) on investments	(54,974)	(2,166,057)	-	(2,221,031)
Change in value of split interest	-	-	-	-
agreements	-	(17,065)	(382,622)	(399,687)
Other income	-	146,747	-	146,747
Net assets released from	-	-	-	-
restrictions and other	264,864	(467,012)	202,148	-
Total support and revenues	438,765	(1,742,416)	89,970	(1,213,681)
EXPENSES AND LOSSES:				
West Liberty State College Support:				
Scholarships	498,891	-	-	498,891
Athletic programs	384,438	-	-	384,438
Academic programs	90,952	-	-	90,952
Capital improvements	38,657	-	-	38,657
Other programs	476,765	-	-	476,765
Fundraising	(809)	-	-	(809)
General and administrative expenses	153,078	-	-	153,078
Total expenses and losses	1,641,972	-	-	1,641,972
CHANGES IN NET ASSETS	(1,203,207)	(1,742,416)	89,970	(2,855,653)
NET ASSETS — Beginning of year	2,407,164 -	2,338,287	8,535,031	13,280,482
NET ASSETS — End of year	$ 1,203,957	$ 595,871	$ 8,625,001	$ 10,424,829

See notes to financial statements.

WEST LIBERTY UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 10,320,407	$ 9,737,328
Contracts and grants	5,004,245	3,622,340
Payments to and on behalf of employees	(17,812,036)	(15,917,222)
Payments to suppliers	(9,520,767)	(9,130,225)
Payments to utilities	(2,074,641)	(1,671,148)
Payments for scholarships and fellowships	(2,260,896)	(1,398,616)
Loans issued to students	(318,616)	(279,000)
Collection of loans to students	223,826	173,043
Auxiliary enterprise charges	7,897,143	7,482,484
Fees assessed by Commission	(178,867)	(168,884)
Other receipts — net	136,822	129,283
Net cash used in operating activities	(8,583,380)	(7,420,617)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	8,546,892	9,125,137
State fiscal stabilization funds (federal)	577,388	-
Federal Pell grants	4,317,819	2,747,375
William D. Ford direct lending receipts	12,910,358	11,126,252
William D. Ford direct lending payments	(12,910,358)	(11,126,252)
Net cash provided by noncapital financing activities	13,442,099	11,872,512
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Purchases of capital assets	(1,675,197)	(3,336,422)
Capital and bond proceeds from Commission	-	210,000
Capital State Appropriations	-	800,000
Proceeds from sale of assets	165,000	-
Principal paid on long-term liabilities	(417,386)	(568,931)
Principal paid on bonds	(420,000)	(400,000)
Interest paid on bonds	(678,968)	(697,562)
Interest paid on long term liabilities	(779)	(4,971)
Withdrawals from noncurrent cash and cash equivalents	1,311	50,981
Fees assessed by Commission	(419,215)	(433,795)
Net cash used in capital financing activities	(3,445,234)	(4,380,700)
CASH FLOWS FROM INVESTING ACTIVITY — Interest on investments	16,530	93,550
INCREASE IN CASH AND CASH EQUIVALENTS	1,430,015	164,745
CASH AND CASH EQUIVALENTS — Beginning of year	6,429,397	6,264,652
CASH AND CASH EQUIVALENTS — End of year	$ 7,859,412	$ 6,429,397

(Continued)

WEST LIBERTY UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (13,142,507)	$ (10,094,206)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,155,861	2,010,515
Expenses paid on behalf of the University	-	265,568
Changes in assets and liabilities:		
Due from Primary Government	-	-
Accounts receivable — net	175,862	(97,551)
Due from Commission	(30,114)	(24,358)
Loans to students — net	(70,318)	(62,714)
Prepaid expenses	1,286	(1,918)
Inventories	(33,299)	4,057
Accounts payable	41,493	174,310
Due to Commission	28,587	(59,298)
Accrued liabilities	292,396	70,479
Compensated absences	2,050,503	304,889
Deferred revenue	(17,941)	92,904
Advances from federal sponsors	(36,831)	(16,402)
Other	1,642	13,108
NET CASH USED IN OPERATING ACTIVITIES	$ (8,583,380)	$ (7,420,617)
NONCASH TRANSACTIONS — Fixed assets additions in accounts payable and accrued liabilities	$ 470,088	$ 192,734

See notes to financial statements. (Concluded)

1. ORGANIZATION

West Liberty University (the "University") is governed by the West Liberty University Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653"). The University changed its name from West Liberty State College on May 1, 2009 as approved by the Board.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") as prescribed by Governmental Accounting Standards Board (GASB) standards. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

The University 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 University 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 University is a separate entity which, along with all State institutions of higher education, the Commission (which includes the West Virginia Network for Educational Telecomputing (WVNET)), and the 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 University. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of related entities. A related foundation of the University is not part of the University reporting entity and is not included in the accompanying financial statements, as the

University has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the foundation under GASB.

In accordance with GASB, the audited financial statements of West Liberty University Foundation, Incorporated (the "Foundation") are discretely presented here with the University's financial statements for the fiscal years ended June 30, 2010 and 2009. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from the 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 17).

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

- *Invested in Capital Assets — Net of Related Debt* — This represents the University'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 University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

  The West Virginia State Legislature (the "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 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 State 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 University does not have any restricted nonexpendable net assets as of June 30, 2010 and 2009.

- *Unrestricted Net Assets* — 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 University, 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 University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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 expenses when materials or services are received.

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

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

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

Allowance for Doubtful Accounts — It is the University'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 University on such balances, and such other factors which, in the University'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 and Cash Equivalents — Cash and cash equivalents that are (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds, or (2) to purchase capital or other noncurrent assets are 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 fair value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was $5,752 and $9,682 for the years ended June 30, 2010 and 2009, 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, seven years for library books, and 3 to 10 years for furniture and equipment. The University capitalizes all purchases of library books and uses a capitalization threshold of $5,000 for other capital assets. The 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 tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits — The University accounts for compensated absences in accordance with the provisions of GASB.

GASB provides standards for the measurement, recognition, and display of other postemployment 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. Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. 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, West Virginia 25305-0710 or hppt://www.wvpeia.com.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or other postretirement employee benefits as such benefits are earned and payment becomes probable.

The University'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 1½ 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 3⅓ 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 statements 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 University and its employees. Such coverage is provided to the University 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 University or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the University and the University'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 third-party insurers, the University 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 insurers, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Classification of Revenues — The University 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 University 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 University attempts to utilize restricted net assets first when practicable. The University did not have any designated net assets as of June 30, 2010 and 2009.

Federal Financial Assistance Programs — The University 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 universities like the University. Direct student loan receivables are not included in the University's statements of net assets, as the loans are repayable directly to the U.S. Department of Education. In 2010 and 2009, the University received and disbursed $12,910,358 and $11,126,252, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net assets.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, Academic Competitive Grant, Science Math Access to Retain Talent Grant, Federal Teacher Education Assistance for College and Higher Education Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2010 and 2009, the University received and disbursed approximately $4,830,000 and $3,260,000, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, 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 University Business Officers. 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 University 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 University 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 University 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 generally accepted accounting principles 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.

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — During 2010, the University 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 standard did not have a material impact on the University's financial statements.

The University 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 standard did not have a material impact on the University's 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 University 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 held at June 30, 2010 and 2009, is as follows:

2010	**Current**	**Noncurrent**	**Total**
With State Treasurer	$ 7,355,906	$ -	$ 7,355,906
With Trustee Bank	-	1,110,108	1,110,108
In bank	485,566	-	485,566
On hand	17,940	-	17,940
	$ 7,859,412	$ 1,110,108	$ 8,969,520

2009	**Current**	**Noncurrent**	**Total**
With State Treasurer	$ 5,852,635	$ -	$ 5,852,635
With Trustee Bank	-	1,111,419	1,111,419
In bank	547,722	-	547,722
On hand	29,040	-	29,040
	$ 6,429,397	$ 1,111,419	$ 7,540,816

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued on September 3, 2003. The University uses WesBanco Bank (the “Trustee Bank”) as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2010 and 2009, is $1,110,108 and $1,111,419, respectively, and was invested in commercial paper and U.S. Treasury money market funds.

Cash and cash equivalents invested with the Trustee Bank in commercial paper and U.S. Treasury money market funds are rated AAAm by Standard and Poor’s and Aaa by Moody’s. The carrying values at June 30, 2010, of the commercial papers and U.S. Treasury money market funds are $1,094,644 and $15,464, respectively. The carrying values at June 30, 2009, of U.S. Treasury money market funds are $1,111,419. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The combined carrying amounts of cash in the bank at June 30, 2010 and 2009, were $485,566 and $547,722, respectively, as compared with the combined bank balance of $404,581 and $384,995, respectively. The difference in these balances is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance or were collateralized by financial instruments held as collateral by the State’s agent.

Amounts with the State Treasurer and the Municipal Bond Commission 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 Pool

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 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, respectively, of which the West Liberty's ownership represents .23% and .20%, respectively.

WV Government Money Market Pool

Credit Risk — For the years ended June 30, 2010 and 2009, the WV Government 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 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, respectively, of which the University ownership represents .02% and .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):

Security Type	Credit Rating* Moody's	Credit Rating* S&P	2010 Carrying Value	2010 Percent of Pool Assets	2009 Carrying Value	2009 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		
	Caa1	BB**			254	0.08
	Caa1	CCC**	230	0.05		
	Caa2	CCC**	779	0.17		
	NR*	AAA	3,538	0.78	679	0.22
			43,565	9.60	29,372	9.33
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
			189,095	41.70	125,104	39.72
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
			$ 453,518	100 %	$ 314,932	100 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2010 and/or 2009. 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 University's ownership represents .13% and .03%, 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:

	2010		2009	
Security Type	**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
	$ 2,876,711	33	$ 2,570,261	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:

	2010		2009	
Security Type	**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
	$ 221,183	44	$ 283,826	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:

	2010		2009	
Security Type	**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	17,715	1	6,426	1
	$ 453,518	530	$ 314,932	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:

	2010	2009
Student tuition and fees — net of allowance for doubtful accounts of $1,228,139 and $1,088,972 in 2010 and 2009, respectively	$ 477,745	$ 370,365
Due from West Virginia agencies	8,700	3,535
Interest receivable on State cash accounts	1,869	1,595
Research grant receivable	-	219,996
Expense reimbursement receivable	-	63,246
Due from the Commission	59,675	35,000
	$ 547,989	$ 693,737

5. CAPITAL ASSETS

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

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 108,777	$ -	$ -	$ 108,777
Construction in progress	934,151	741,358	1,399,495	276,014
Total capital assets not being depreciated	$ 1,042,928	$ 741,358	$ 1,399,495	$ 384,791
Other capital assets:				
Infrastructure	$ 6,291,238	$ 490,167	$ -	$ 6,781,405
Buildings	58,442,877	845,260	125,667	59,162,470
Leasehold improvements	-	829,767	-	829,767
Equipment	6,694,857	466,932	251,549	6,910,240
Leased equipment	292,090	-	-	292,090
Library books	2,203,991	42,956	4,000	2,242,947
Total other capital assets	73,925,053	2,675,082	381,216	76,218,919
Less accumulated depreciation for:				
Infrastructure	967,110	331,724	-	1,298,834
Buildings	21,327,859	1,237,791	23,149	22,542,501
Leasehold improvements	-	75,291	-	75,291
Equipment	4,591,906	471,678	247,515	4,816,069
Leased equipment	288,471	1,207	-	289,678
Library books	2,038,976	38,170	4,000	2,073,146
Total accumulated depreciation	29,214,322	2,155,861	274,664	31,095,519
Other capital assets — net	$ 44,710,731	$ 519,221	$ 106,552	$ 45,123,400
Capital asset summary:				
Capital assets not being depreciated	$ 1,042,928	$ 741,358	$ 1,399,495	$ 384,791
Other capital assets	73,925,053	2,675,082	381,216	76,218,919
Total cost of capital assets	74,967,981	3,416,440	1,780,711	76,603,710
Less accumulated depreciation	29,214,322	2,155,861	274,664	31,095,519
Capital assets — net	$ 45,753,659	$ 1,260,579	$ 1,506,047	$ 45,508,191

	2009			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	$ 108,777	$ -	$ -	$ 108,777
Construction in progress	964,516	934,151	964,516	934,151
Total capital assets not being depreciated	$ 1,073,293	$ 934,151	$ 964,516	$ 1,042,928
Other capital assets:				
Infrastructure	$ 4,299,521	$ 2,005,227	$ 13,510	$ 6,291,238
Buildings	57,680,450	762,427	-	58,442,877
Equipment	6,442,856	403,838	151,837	6,694,857
Leased equipment	361,549	-	69,459	292,090
Library books	2,203,417	16,825	16,251	2,203,991
Total other capital assets	70,987,793	3,188,317	251,057	73,925,053
Less accumulated depreciation for:				
Infrastructure	673,832	300,270	6,992	967,110
Buildings	20,144,019	1,183,840	-	21,327,859
Equipment	4,209,788	485,974	103,856	4,591,906
Leased equipment	356,722	1,208	69,459	288,471
Library books	2,016,007	39,222	16,253	2,038,976
Total accumulated depreciation	27,400,368	2,010,514	196,560	29,214,322
Other capital assets — net	$ 43,587,425	$ 1,177,803	$ 54,497	$ 44,710,731
Capital asset summary:				
Capital assets not being depreciated	$ 1,073,293	$ 934,151	$ 964,516	$ 1,042,928
Other capital assets	70,987,793	3,188,317	251,057	73,925,053
Total cost of capital assets	72,061,086	4,122,468	1,215,573	74,967,981
Less accumulated depreciation	27,400,368	2,010,514	196,560	29,214,322
Capital assets — net	$ 44,660,718	$ 2,111,954	$ 1,019,013	$ 45,753,659

The University 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.

The University has construction commitments of approximately $50,000 as of June 30, 2010.

6. CHANGES IN LONG-TERM LIABILITIES

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

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable:					
Revenue bonds payable	$ 11,860,000	$ -	$ (420,000)	$ 11,440,000	$435,000
Discount on issuance	(131,987)		7,356	(124,631)	
Total bonds payable — net	11,728,013		(412,644)	11,315,369	
Capital leases payable	54,265		(54,265)		
Other long-term liabilities:					
Accrued compensated absences	893,330	98,940		992,270	992,270
Advances from federal sponsors	1,523,396		(36,831)	1,486,565	
OPEB liability	278,661	1,951,563		2,230,224	
Debt obligation to Commission	3,466,717		(363,121)	3,103,596	376,097
Total long-term liabilities	$ 17,944,382	$ 2,050,503	$ (866,861)	$ 19,128,024	

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable:					
Revenue bonds payable	$ 12,260,000	$ -	$ (400,000)	$ 11,860,000	$420,000
Discount on issuance	(139,344)		7,357	(131,987)	
Total bonds payable — net	12,120,656		(392,643)	11,728,013	
Capital leases payable	269,051		(214,786)	54,265	54,265
Other long-term liabilities:					
Accrued compensated absences	759,803	133,527		893,330	893,330
Advances from federal sponsors	1,539,798		(16,402)	1,523,396	
OPEB liability	107,299	171,362		278,661	
Debt obligation to Commission	3,820,862		(354,145)	3,466,717	363,121
Total long-term liabilities	$ 18,617,469	$ 304,889	$ (977,976)	$ 17,944,382	

7. BONDS PAYABLE

Bonds payable at June 30, 2010 and 2009, are summarized as follows:

	Original Interest Rates	Annual Principal Installment Due	2010 Principal Amount Outstanding	2009 Principal Amount Outstanding
Capital Improvements 2003:				
Series A Due 2028	4.125–6.125%	$235,000–650,000	$ 7,415,000	$ 7,650,000
Series B Due 2018	4.125–5.625	$80,000–120,000	785,000	865,000
Series C Due 2028	4.125–6.000	$105,000–285,000	3,240,000	3,345,000
			11,440,000	11,860,000
Discount			(124,631)	(131,987)
			$ 11,315,369	$ 11,728,013

The Board of Governors of the University issued bonds on September 3, 2003: the Dormitory Revenue Bonds or Series 2003A for $8,870,000, the University Union Revenue Bonds, or Series 2003B for $1,145,000, and the Capital Improvement Revenue Bonds, or Series 2003C for $3,890,000, for a total of bonds issued for capital improvements to the University of $13,905,000. The University set up three separate capital fees to be used solely for the payment of the bonds. The bond proceeds are maintained with a trustee until funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. The State Treasurer's Office verifies and remits payments for the bonds to the Trustee.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2010, is as follows:

Years Ending June 30	Principal	Interest	Total
2011	$ 435,000	$ 659,233	$ 1,094,233
2012	460,000	638,503	1,098,503
2013	480,000	616,453	1,096,453
2014	505,000	592,115	1,097,115
2015	535,000	565,878	1,100,878
2016–2020	2,920,000	2,354,587	5,274,587
2021–2025	3,465,000	1,456,539	4,921,539
2026–2028	2,640,000	328,094	2,968,094
Total	$ 11,440,000	$ 7,211,402	$ 18,651,402

8. LEASE OBLIGATIONS

The University leases building and classroom/office space under multiple operating lease agreements. Aggregate payments under these agreements approximated $258,450 for the year ended June 30, 2010. There were no payments made under these agreements for the year ended June 30, 2009. Future minimum rental commitments as of June 30, 2010, are as follows:

Years Ending June 30	
2011	$ 243,690
2012	240,000
2013	240,000
2014	240,000
2015	256,800
2016 and thereafter	1,027,200
Total	$2,247,690

The University has no capital lease obligations as of June 30, 2010.

9. OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB standards, 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 $2,230,224 and $278,661, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees were $2,447,718 and $485,037, respectively, during 2010, and $976,348 and $529,231, respectively, during 2009. As of the years ended June 30, 2010 and 2009, there were 63 and 65 retirees, respectively, receiving these benefits.

10. UNRESTRICTED NET ASSETS

The University did not have any designated unrestricted net assets as of June 30, 2010 or 2009.

	2010	2009
Total unrestricted net assets before OPEB liability	$ 3,981,808	$ 3,527,553
Less: OPEB liability	2,230,224	278,661
Total unrestricted net assets	$ 1,751,584	$ 3,248,892

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education and the University 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 University'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 University. 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 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, effective as of June 30, 2002.

For the years ended June 30, 2010 and 2009, the debt services assessed are as follows:

	2010	2009
Principal	$ 263,121	$ 254,145
Interest	139,832	151,464
Other	279,383	282,332
	$ 682,336	$ 687,941

In December 2006, the Commission provided a non-interest-bearing loan of $500,000 to the University, payable beginning June 2007 in five annual installments of $100,000. The University has paid four installments on this loan, leaving a balance of $100,000 and $200,000 at June 30, 2010 and 2009, respectively.

12. RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan ("Educators Money"). New hires have the choice of either plan.

Total contributions to the Educators Money for the years ended June 30, 2010, 2009, and 2008, were $22,100, $8,604, and $3,726, respectively, which consisted of contributions of $11,050 from the University and $11,050 from the covered employees in 2010, $4,302 from the University and $4,302 from the covered employees in 2009, and $1,863 from the University and $1,863 from the covered employees in 2008.

The STRS is a cost-sharing, defined benefit public, employee retirement system. Employer and employee contribution rates are established annually by the West Virginia State Legislature. The contractual maximum contribution rate is 15%. The University accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for both the years ended June 30, 2010 and 2009. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2010 and 2009, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with 5 years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five 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 $146,139, $141,328, and $146,769, respectively, which consisted of $104,385, $100,948, and $104,841, from the University in 2010, 2009, and 2008, respectively, and $41,754, $40,380, and $41,928, from the covered employees in 2010, 2009, and 2008, respectively.

The contribution rate is set by the West Virginia State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the University. 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, West Virginia 25305.

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

Total contributions to the TIAA-CREF for the years ended June 30, 2010, 2009, and 2008, were $1,456,828, $1,298,102, and $1,136,276, respectively, which consisted of contributions of $728,414 from the University and $728,414 from the covered employees in 2010, contributions of $649,051 from the University and $649,051 from the covered employees in 2009, $568,138 from the University and $568,138 from the covered employees in 2008.

The University's total payroll for the years ended June 30, 2010 and 2009, was $14,391,381 and $12,822,536, respectively, and total covered employees' salaries in the STRS, TIAA-CREF, and Educators Money were $695,898, $12,140,236 and $184,161, and $672,351, $10,817,515, and $71,702, in 2010 and 2009, respectively.

13. FOUNDATION

The West Liberty University Foundation, Incorporated (the "Foundation") is a separate nonprofit organization incorporated in the State and has as its purpose "… to aid, strengthen, and further in every proper and useful way, the work and services of the University 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 University. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University 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 is restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements in accordance with GASB.

During the years ended June 30, 2010 and 2009, the Foundation contributed $1,187,918 and $1,489,703, respectively, to the University for scholarships, capital improvements, athletic, academic, and other programs.

14. CONTINGENCIES

The nature of the educational industry is such that, from time-to-time, claims will be presented against the University 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 University would not seriously impact the financial status of the University.

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 University's management believes disallowances, if any, will not have a significant financial impact on the University'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 University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The University 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 University 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.

15. SUBSEQUENT EVENTS

During August 2010, the West Virginia Development Office issued approximately $162 million of Education, Arts, Science and Tourism (EAST) bonds. The Commission, as provided in the State Code, received 60%, or $97.2 million, of the proceeds to help fund various building and campus renewal projects. West Liberty University has been approved to receive $2,750,000 of these proceeds. The West Virginia Development Office is responsible for repayment of the debt.

16. SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors, the University issued revenue bonds to finance certain of its auxiliary enterprise activities and capital improvements. Investors in those bonds rely solely on the revenue generated from new capital fees created for repayment.

Descriptive information for each of the University's segments is shown below:

a. *The Board of Governors of the University issued Dormitory Revenue Bonds 2003, Series A*

On September 3, 2003, the University issued Dormitory Revenue Bonds 2003, Series A, amounting to $8,870,000.

The 2003A Bonds consist of $1,230,000 Serial Bonds with varying interest rates from 3.0% to 6.125% and mature from June 30, 2004 to June 1, 2028, and Term Bonds of $7,640,000. The amount outstanding at June 30, 2010 is $7,415,000.

b. *The Board of Governors of the University issued University Union Revenue Bonds 2003, Series B*

On September 3, 2003, the University issued University Union Revenue Bonds 2003, Series B, amounting to $1,145,000.

The 2003B Bonds consist of $940,000 Serial Bonds with varying interest rates from 4.125% to 5.625% and mature from June 30, 2009 to June 1, 2018, and Term Bonds of $205,000 which were due on June 1, 2006, 2007, and 2008. The amount outstanding at June 30, 2010 is $785,000.

c. *The Board of Governors of the University issued Capital Improvement Revenue Bonds 2003, Series C*

On September 3, 2003, the University issued Capital Improvement Revenue Bonds 2003, Series C, amounting to $3,890,000.

The 2003C Bonds consist of $840,000 Serial Bonds with varying interest rates from 3.0% to 5.5% and mature from June 1, 2004 to June 1, 2017, and Term Bonds of $3,050,000 which were due on June 1, 2006, 2007, and 2008. The amount outstanding at June 30, 2010 is $3,240,000.

	2010			2009		
	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C	Dormitory 2003A	College Union 2003B	Capital Improvement 2003C
Condensed Statements of Net Assets as of June 30						
Assets:						
Current assets	$ 1,266,630	$ 374,632	$1,167,694	$ 942,472	$ 298,638	$ 961,388
Noncurrent assets	8,062,913	1,297,679	3,526,699	8,223,623	1,323,823	3,597,173
Total assets	$ 9,329,543	$1,672,311	$4,694,393	$ 9,166,095	$1,622,461	$4,558,561
Liabilities:						
Current liabilities	$ 281,085	$ 83,419	$ 125,432	$ 272,025	$ 83,712	$ 120,843
Noncurrent liabilities	7,091,116	698,761	3,090,492	7,331,734	777,982	3,198,297
Total liabilities	7,372,201	782,180	3,215,924	7,603,759	861,694	3,319,140
Net assets (deficit):						
Invested in capital assets — net of related debt	33,664	404,314	23,836	-	351,102	-
Restricted — debt service	692,394	114,486	302,219	692,623	114,522	302,154
Unrestricted	1,231,284	371,331	1,152,414	869,713	295,143	937,267
Total net assets	1,957,342	890,131	1,478,469	1,562,336	760,767	1,239,421
Total net assets and liabilities	$ 9,329,543	$1,672,311	$4,694,393	$ 9,166,095	$1,622,461	$4,558,561
Condensed Statements of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30						
Operating:						
Operating revenues	$ 8,728,629	$ 200,247	$ 500,619	$ 7,637,950	$ 180,079	$ 450,178
Operating expenses	5,562,284	50	125	5,221,782		
Net operating income	3,166,345	200,197	500,494	2,416,168	180,079	450,178
Nonoperating:						
Nonoperating revenues	9,605	210	544	37,256	1,294	3,199
Nonoperating expenses	(607,663)	(71,043)	(261,990)	(618,505)	(74,172)	(266,707)
Net nonoperating expense	(598,058)	(70,833)	(261,446)	(581,249)	(72,878)	(263,508)
Income before other revenues expenses, gains or losses	2,568,287	129,364	239,048	1,834,919	107,201	186,670
Amounts retained by the University	(2,173,281)			(1,529,615)		
Net increase in net assets	395,006	129,364	239,048	305,304	107,201	186,670
Net assets — beginning of year	1,562,336	760,767	1,239,421	1,257,032	653,566	1,052,751
Net assets — end of year	$ 1,957,342	$ 890,131	$1,478,469	$ 1,562,336	$ 760,767	$1,239,421
Condensed Statements of Cash Flows for the Years Ended June 30						
Net cash provided by operating activities	$ 3,166,345	$ 200,197	$ 500,494	$ 2,416,168	$ 180,079	$ 450,178
Net cash used in capital and related financing activities	(2,842,187)	(124,203)	(294,188)	(2,142,396)	(114,542)	(277,508)
Net increase in cash and cash equivalents	324,158	75,994	206,306	273,772	65,537	172,670
Cash and cash equivalents — beginning of year	942,472	298,638	961,388	668,700	233,101	788,718
Cash and cash equivalents — end of year	$ 1,266,630	$ 374,632	$1,167,694	$ 942,472	$ 298,638	$ 961,388

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

	2010								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	$ 7,317,769	$ 2,685,746	$ 1,655,598	$ 36,476	-	-	-	-	$ 11,695,589
Research	188,504	15,041	153,167						356,712
Public service									
Academic support	1,287,172	495,338	281,157						2,063,667
Student services	1,252,244	505,835	558,785						2,316,864
General institutional support	2,023,755	1,100,255	1,610,863	2,474					4,737,347
Operations and maintenance of plant	822,628	445,384	650,811	1,319,624					3,238,447
Student financial aid					2,260,896				2,260,896
Auxiliary enterprises	1,499,309	580,417	4,553,857	718,464					7,352,047
Depreciation						2,155,861			2,155,861
Other							20,404	178,867	199,271
Total	$ 14,391,381	$ 5,828,016	$ 9,464,238	$ 2,077,038	$ 2,260,896	$ 2,155,861	$ 20,404	$ 178,867	$ 36,376,701

	2009								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Loan Cancellations and Write-offs	Fees Assessed by the Commission	Total
Instruction	$ 6,146,316	$ 1,604,866	$ 1,098,745	$ 83,800	-	-	-	-	$ 8,933,727
Research	146,280	8,069	143,053						297,402
Public service	1,009		2,512						3,521
Academic support	1,129,982	323,502	224,858						1,678,342
Student services	1,280,101	367,628	549,978						2,197,707
General institutional support	1,920,311	631,932	1,855,057						4,407,300
Operations and maintenance of plant	808,864	294,226	709,985	1,180,634					2,993,709
Student financial aid					1,398,616				1,398,616
Auxiliary enterprises	1,389,673	401,749	4,837,483	450,921					7,079,826
Depreciation						2,010,514			2,010,514
Other							3,860	168,885	172,745
Total	$ 12,822,536	$ 3,631,972	$ 9,421,671	$ 1,715,355	$ 1,398,616	$ 2,010,514	$ 3,860	$ 168,885	$ 31,173,409

18. COMPONENT UNIT'S DISCLOSURE

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

NATURE OF ACTIVITIES

The West Liberty University Foundation, Incorporated (the Foundation) is a not-for-profit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The Foundation was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty University (the University). Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a non-voting member of the Board of Directors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation — Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement of Accounting Standards Codification (FASB ASC) No. 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC No. 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for University support according to the restrictions are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment accounts which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses, is recorded as temporarily restricted until disbursed according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Liberty University.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

Investments — Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis. Consequently, investment income gains and losses allocated to temporarily restricted funds are also classified as temporarily restricted.

Split-interest agreements consist of beneficial interests in perpetual trusts and charitable gift annuities. The Foundation was bequeathed a beneficial interest in a perpetual trust established at a local bank in accordance with a decedent’s will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10 percent of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation’s beneficial interest is valued in the statement of financial position at 10 percent of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair market value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by the American Council on Gift Annuities and discount rates ranging from .31 percent to 7.75 percent.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Money market funds included in non-current investments are not considered cash equivalents.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2010 and 2009, are as follows:

	2010	2009
Receivable in one year	$ 142,175	$ 144,380
Receivable in two to five years	45,375	132,000
Receivable in six to ten years		7,500
Total unconditional promises to give	187,550	283,880
Less discounts to net present value	2,806	8,629
Net unconditional promises to give	$ 184,744	$ 275,251

The discount rates used on long-term promises to give were 3.25% for the period ended June 30, 2010.

INVESTMENTS

The cost and estimated fair values of investments at June 30, 2010 and 2009, are as follows:

	2010		2009	
	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Corporate bonds and notes	$ 716,167	$ 682,110	$ 728,433	$ 737,393
United States Treasury, government agency, and other government obligations	341,881	340,014	244,456	239,617
Equity securities	659,308	595,144	1,578,036	1,694,609
Mutual funds	6,813,142	6,760,441	4,914,866	5,294,923
Real estate held-for-sale	356,278	356,278	356,278	356,278
Total	$ 8,886,776	$ 8,733,987	$ 7,822,069	$ 8,322,820

The following table shows the gross unrealized losses and fair value, aggregated by investment category and lengths of time, that the individual securities have been in a continuous unrealized loss position at June 30, 2010 and 2009.

	2010					
	Estimated Fair Value	Cost	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Corporate bonds and notes	$ -	$ -	$ 52,590	$ 12,411	$ 52,590	$ 12,411
Equity securities	174,535	8,381	42,561	17,088	217,096	25,469
Mutual funds	1,138,056	141,688	1,708,955	159,297	2,847,011	300,985
Total investments	$ 1,312,591	$ 150,069	$ 1,804,106	$ 188,796	$ 3,116,697	$ 338,865

	2009					
	Estimated Fair Value	Cost	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Corporate bonds and notes	$ 47,289	$ 3,152	$ 315,570	$ 44,780	$ 362,859	$ 47,932
Equity securities	84,867	4,073	471,333	227,873	556,200	231,946
Mutual funds	1,504,075	230,995	1,622,069	334,523	3,126,144	565,518
Total investments	$ 1,636,231	$ 238,220	$ 2,408,972	$ 607,176	$ 4,045,203	$ 845,396

Management periodically evaluates the severity and duration of impairment for its investment securities portfolio unless the Foundation has the ability to hold the security to maturity without incurring a loss. Generally, impairment is considered other than temporary when an investment security has sustained a decline of 10 percent or more for 6 months. There are 17 positions that are temporarily impaired at June 30, 2010.

Interest and dividends from investments are recorded net of investment expenses. These investment expenses totaled $21,713 and $19,750 in 2010 and 2009, respectively.

Investments include securities held to satisfy charitable gift annuity agreements as follows:

	2010	2009
Fair value	$ 126,555	$ 119,953
Cost	$ 124,812	$ 135,495

Gains (losses) on investments for the periods ended June 30 are summarized as follows:

	2010	2009
Net realized gains (losses)	$ 159,698	$ (1,537,398)
Net unrealized gains (losses)	653,532	(683,633)
Total gains (losses) on investments	$ 813,230	$ (2,221,031)

SPLIT-INTEREST AGREEMENTS

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2010 and 2009:

	2010	2009
Distributions received from the trust recorded as a permanently restricted investment	$ 80,080	$ 84,596
Change in value of the split-interest agreement	$ 143,482	$ (382,622)

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were temporarily and permanently restricted for the following purposes at June 30, 2010:

	Temporarily Restricted	Permanently Restricted
Scholarships	$ 869,970	$ 8,202,208
Sponsored projects	378,659	672,761
Capital projects	244	
Totals	$ 1,248,873	$ 8,874,969

RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 3009, West Liberty University, through its Office of Development, provided facilities and administrative services to the Foundation in exchange for which the Foundation pays a fee equivalent to the salary and benefits of certain staff positions within the Office of Development. Fundraising, general, and administrative expenses included $117,252 in 2009. During the fiscal year ended June 30, 2010, the Foundation maintained its own staff, so no fee was charged to the Foundation by the University.

SUPPLEMENTAL CASH FLOW INFORMATION

The Foundation has the following noncash transactions during the years ended June 30, 2010 and 2009:

	2010	2009
Noncash contributions received:		
Professional services	$	$ 10,653
Property, equipment, and other goods	37,394	30,604
Investment securities		1,033
Total	$ 37,394	$ 42,290

FAIR VALUE MEASUREMENTS

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

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

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

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

The following table presents assets reported on the financial statements at their fair value as of June 30, 2010 and 2009, by level within the fair value hierarchy. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

June 30, 2010	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
Investments available-for-sale	$ 8,188,617	$ 341,881	$ 356,278	$ 8,886,776
Beneficial interest in perpetual trust	1,888,100	-	-	1,888,100

June 30, 2009	**Level I**	**Level II**	**Level III**	**Total**
Assets:				
Investments available-for-sale	$ 7,221,335	$ 244,456	$ 356,278	$ 7,822,069
Beneficial interest in perpetual trust	1,744,618	-	-	1,744,618

No activity occurred in the Level III asset identified during the period ended June 30, 2010.

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

To the Board of Directors of West Liberty University:

We have audited the financial statements of West Liberty University (the "University") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 12, 2010, which states reliance on other auditors for the discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audit of the University's discretely presented component unit was conducted in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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*.

This report is intended solely for the information and use of management and the Board of Directors, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 12, 2010