

# **New River Community and Technical College**

Financial Statements

Years Ended June 30, 2012 and 2011

and

Independent Auditors' Reports

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

To the Governing Board  
New River Community and Technical College  
Beckley, West Virginia

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New River Community and Technical College (the "College"), as of June 30, 2012 and 2011, and for the years then ended which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on the financial statements based on our audits. We did not audit the discretely presented financial statements of the New River Community & Technical College Foundation, Inc. (a component unit of the College). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the New River Community & Technical College Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the New River Community & Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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 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 opinions.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2012 and 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the College'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Charleston, West Virginia

November 19, 2012

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

Our discussion and analysis of New River Community and Technical College's (the College) financial performance provides an overview of the College's financial activities during the years ended June 30, 2012 and 2011. Since this discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts, please refer to the College's basic financial statements on pages 12 to 17 and the notes to financial statements on pages 18 to 53.

### **Financial Highlights**

With the passage of Senate Bill 448, the College was established and attained independent accreditation in February, 2005, separating from Bluefield State College (BSC). Senate Bill 401 defined the process for separation of assets and liabilities from BSC to BSC and the College. The attached statements represent separate financial information for the College. The following are brief summaries for the College:

- The College's assets exceeded its liabilities by \$14.1 million for FY2012 and \$14.0 million for FY2011.
- Net operating loss was \$(13.6) million in FY2012 and \$(14.7) million in FY2011.

### **Overview of the Financial Statements**

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB 35 requires the College to present financial information as a whole rather than focusing on individual funds.

This report consists of management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The basic financial statements include the statement of net assets; statement of revenues, expenses, changes in net assets; and statement of cash flows.

The statement of net assets presents the College's assets and liabilities, with the difference reported as net assets. Increases or decreases in net assets can be an indicator of improvement or deterioration of the College's financial position.

Changes in net assets during the year are reported in the statement of revenues, expenses, and changes in net assets. All revenues, expenses, and changes are reported as the underlying event occurs that results in the revenue, expense, or change. The statement of cash flows presents information on actual cash inflows or outflows as they occur.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

The New River Community & Technical College Foundation, Inc. (Foundation) is significant enough to be included in the financial statements of the College in accordance with GASB 39. As such, the Foundation audited financial statements are discretely presented as part of the College's financial statements. The assets of the Foundation are controlled by an independent board.

**Financial Analysis of the College**

Total net assets of the College for FY2012 and FY2011 were \$14.1 million and \$14.0 million, with invested in capital assets, net of related debt comprising 99% and 91% of the total, respectively, an increase of 8% from FY2011 to FY2012. These capital assets are utilized to provide educational and related services to students and the communities but are not readily available for future spending. The unrestricted net assets were \$(1.2) million deficit (9%) and \$(1.0) million (7%) of the total net assets for FY2012 and FY2011, respectively. The deficit in unrestricted net assets is primarily due to the accumulation of the OPEB liability. The unrestricted net assets represent amounts not restricted by plant operations, grant and loan funds, and State code restrictions.

**Net Assets**  
**June 30, 2012, 2011 and 2010**  
**(in millions)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash	\$ 3.5	\$ 4.6	\$ 6.2
Other current assets	<u>1.2</u>	<u>1.2</u>	<u>0.7</u>
Total current assets	<u>4.7</u>	<u>5.8</u>	<u>6.9</u>
Capital assets	<u>14.1</u>	<u>13.1</u>	<u>9.0</u>
Total noncurrent assets	<u>14.1</u>	<u>13.1</u>	<u>9.0</u>
Total assets	<u>18.8</u>	<u>18.9</u>	<u>15.9</u>
Current liabilities	2.1	3.1	3.3
Noncurrent liabilities	<u>2.5</u>	<u>1.8</u>	<u>1.1</u>
Total liabilities	<u>4.6</u>	<u>4.9</u>	<u>4.4</u>
Net assets (deficit)			
Invested in capital assets	13.9	12.8	8.5
Restricted, expendable	1.4	2.2	2.8
Unrestricted net assets (deficit)	<u>(1.2)</u>	<u>(1.0)</u>	<u>0.2</u>
Total net assets	<u>\$ 14.1</u>	<u>\$ 14.0</u>	<u>\$ 11.5</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

For the years ended June 30, 2012 and 2011 the income (loss) before other revenues, expenses, gains or losses was \$(0.6) million and \$(1.0) million. The College has continued to experience increased enrollment growth and expansion of workforce education training programs. Our gross tuition revenue increased for FY2012 by approximately \$0.3 million to \$3.4 million due to an increase in tuition during the year. Financial aid assistance is reflected in the appropriate Federal, State or Pell grant revenue source from which the financial aid was issued. The State appropriation for FY2012 increased by \$0.4 million to \$5.6 million as the State implemented a budget increase.

**Operating Results**  
**Years Ended June 30, 2012, 2011 and 2010**  
**(in millions)**

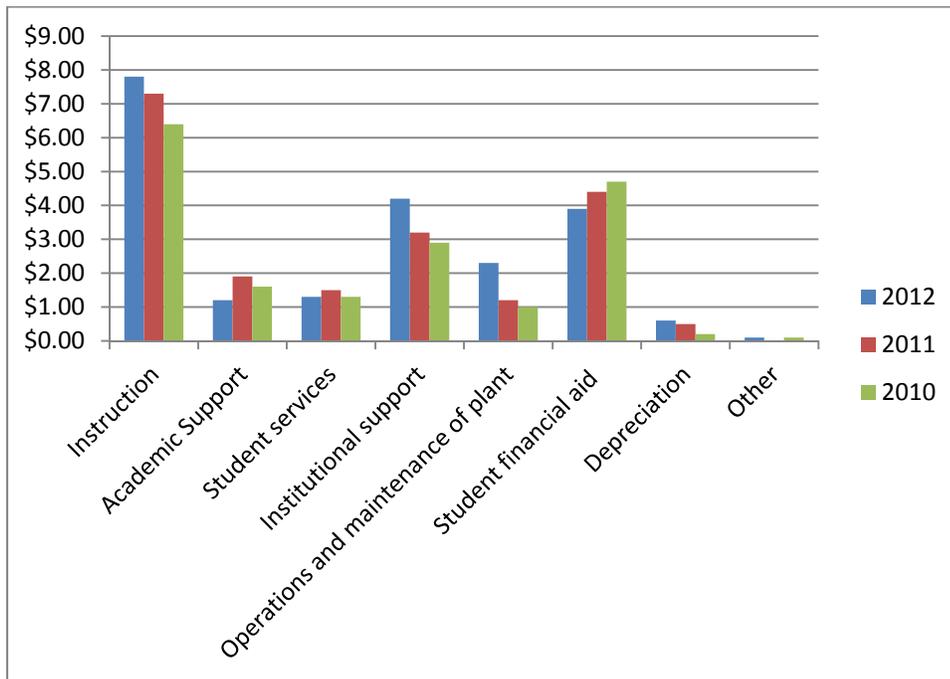
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues			
Tuition and fees	\$ 3.4	\$ 3.1	\$ 2.5
Contracts and grants	4.0	2.9	2.5
Other	<u>0.4</u>	<u>0.4</u>	<u>0.1</u>
Total operating revenues	7.8	6.4	5.1
Less: operating expenses	<u>21.4</u>	<u>21.1</u>	<u>18.2</u>
Operating loss	(13.6)	(14.7)	(13.1)
Nonoperating revenues			
State appropriation	5.6	5.3	5.4
Pell grant revenue	7.4	8.4	7.8
Other	<u>-</u>	<u>-</u>	<u>0.4</u>
Net nonoperating revenue	<u>13.0</u>	<u>13.7</u>	<u>13.6</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(0.6)</u>	<u>(1.0)</u>	<u>0.5</u>
Other revenues			
Capital payments on behalf of the College	<u>0.7</u>	<u>3.5</u>	<u>-</u>
Total other revenues	<u>0.7</u>	<u>3.5</u>	<u>-</u>
Total change in net assets	<u>\$ 0.1</u>	<u>\$ 2.5</u>	<u>\$ 0.5</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

**Operating Expenses**  
**Years Ended June 30, 2012, 2011 and 2010**  
**(in millions)**

FUNCTIONAL CLASSIFICATION OF EXPENSES	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 7.8	\$ 7.4	\$ 6.4
Academic support	1.2	1.9	1.6
Student services	1.3	1.5	1.3
Institutional support	4.2	3.3	2.9
Operations and maintenance of plant	2.3	1.2	1.0
Student financial aid	3.9	5.2	4.7
Depreciation	0.6	0.5	0.2
Other	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
 Total	 <u>\$ 21.4</u>	 <u>\$ 21.1</u>	 <u>\$ 18.2</u>

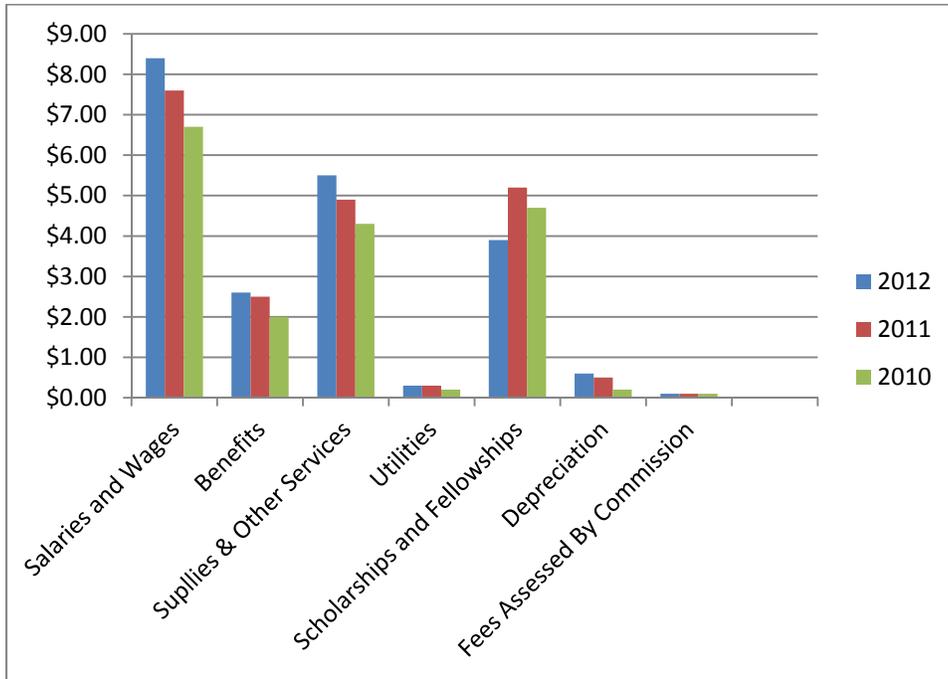
**New River Community & Technical College**  
**Functional Classifications of Expenditures FY 2012**



NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

NATURAL CLASSIFICATION OF EXPENSES	<u>2012</u>	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 8.4	\$ 7.6	\$ 6.7
Benefits	2.6	2.5	2.0
Supplies and other services	5.5	4.9	4.3
Utilities	0.3	0.3	0.2
Scholarships and fellowships	3.9	5.2	4.7
Depreciation	0.6	0.5	0.2
Fees assessed by Commission	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
 Total	 <u>\$ 21.4</u>	 <u>\$ 21.1</u>	 <u>\$ 18.2</u>

**New River Community & Technical College  
Natural Classifications of Expenditures FY 2012**



NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

The Statement of Cash Flows presents detailed information about the cash activities of the College during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Cash and cash equivalents for the years ended June 30, 2012 and 2011 were \$3.5 million and \$4.6 million, a decrease of \$1.1 million from FY2011 to FY2012.

**Cash Flows**  
**Years Ended June 30, 2012, 2011 and 2010**  
**(in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash provided by (used in)			
Operating activities	\$ (13.5)	\$ (13.4)	\$ (11.8)
Non capital financing activities	13.4	13.0	13.5
Capital and related financing activities	(1.0)	(1.2)	(1.0)
Investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(1.1)	(1.6)	0.7
Cash and cash equivalents, beginning of year	<u>4.6</u>	<u>6.2</u>	<u>5.5</u>
Cash and cash equivalents, end of year	<u>\$ 3.5</u>	<u>\$ 4.6</u>	<u>\$ 6.2</u>

**Capital Asset and Debt Administration**

The debt service obligation for the College as of June 30, 2012 and 2011, respectively, was \$200,000 and \$309,095. During FY2009 the College took on an additional \$500,000 debt service obligation by entering into a capital project loan with the Higher Education Policy Commission (HEPC) to fund a networking project. During FY2012 the College made \$100,000 in payments toward the capital project loan.

During December 2009 HEPC, on behalf of the Council for Community and Technical College Education, issued approximately \$78 million in bonds which will be repaid from excess Lottery Funds. The College's share of the bond issuance was \$16.5 million, of which \$13.5 million will be used to finance the construction of the Beckley Higher Education Center. The remaining \$3.0 million will be used for classroom renovations at the College's Greenbrier campus. The College's construction in progress of \$940,848 as of June 30, 2012 was paid on behalf of the College by HEPC from the bond proceeds for the Beckley Higher Education Center. In FY2012,

the College purchased approximately \$542,000 in equipment \$40,000 thousand in library books, and \$314,000 in building improvement.

Readers interested in more detailed information regarding capital assets and debt administration should review the accompanying notes 4 and 5 to the financial statements.

### **Economic Outlook**

Accreditation for the College was approved for a seven year period from the Higher Learning Commission following an institutional visitation in September 2008 providing for solid academic standards that potential students will likely consider when selecting a school to attend. Management is monitoring both the national and State economic conditions for changes which may impact ability to meet the College mission. During times of economic distress, community colleges traditionally experience growth and management is confident that the College will be able to withstand economic downturns.

The Other Post Employment Benefit liability continues to present a challenge state wide. However, during the 2012 legislative session the State of west Virginia took proactive measure to address the unfunded liability which will take effect in future years and fully fund the liability by 2037.

### **Contacting the College's Financial Management**

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report should be addressed to the Vice President for Finance and Administration, 200 George Street Suite 7, Beckley, West Virginia 25801.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF NET ASSET  
JUNE 30, 2012 AND 2011

12

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,526,448	\$ 4,648,755
Accounts receivable, net of allowance of \$381,556 and \$289,620	515,930	410,097
Due from Commission	302	72
Grants receivable	336,425	-
Due from Federal government	<u>327,621</u>	<u>723,709</u>
Total current assets	<u>4,706,726</u>	<u>5,782,633</u>
Noncurrent assets		
Capital assets - net	<u>14,074,042</u>	<u>13,111,695</u>
Total noncurrent assets	<u>14,074,042</u>	<u>13,111,695</u>
Total assets	<u>18,780,768</u>	<u>18,894,328</u>
 <b>LIABILITIES</b>		
Current liabilities		
Accounts payable	632,885	312,945
Cash overdraft	-	289,783
Accrued liabilities	416,398	542,234
Due to the Commission/Council	9,011	1,500
Due to Bluefield State College	268,678	268,678
Deferred revenue	403,951	1,292,791
Compensated absences - current portion	308,049	263,525
Debt service obligation payable to the Commission - current portion	<u>100,000</u>	<u>109,095</u>
Total current liabilities	<u>2,138,972</u>	<u>3,080,551</u>
Noncurrent liabilities		
Compensated absences	153,103	124,267
Other post employment benefits liability	2,216,066	1,449,621
Debt service obligation payable to the Commission	<u>100,000</u>	<u>200,000</u>
Total noncurrent liabilities	<u>2,469,169</u>	<u>1,773,888</u>
Total liabilities	<u>4,608,141</u>	<u>4,854,439</u>
 <b>NET ASSETS</b>		
Invested in capital assets - net of related debt	<u>13,874,042</u>	<u>12,802,600</u>
Restricted for:		
Expendable:		
Other	<u>1,452,827</u>	<u>2,266,673</u>
Total restricted	<u>1,452,827</u>	<u>2,266,673</u>
Unrestricted net assets (deficit)	<u>(1,154,242)</u>	<u>(1,029,384)</u>
Total net assets	<u>\$ 14,172,627</u>	<u>\$ 14,039,889</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 309,899	\$ 250,991
Unconditional promises to give	104,750	99,240
Miscellaneous receivables and deposits	2,103	604
Prepaid expenses	-	20,784
Marketable equity securities, at fair market value	-	11,800
Beneficial interest in assets held by community foundation	982,450	869,564
Donated personal property	<u>28,000</u>	<u>-</u>
 Total assets	 <u>\$ 1,427,202</u>	 <u>\$ 1,252,983</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 7,053	\$ 8,148
Scholarships payable	34,489	46,640
Accrued expenses	<u>8,680</u>	<u>8,680</u>
Total liabilities	<u>50,222</u>	<u>63,468</u>
<b>NET ASSETS</b>		
Unrestricted	(145,549)	(105,950)
Temporarily restricted	338,966	201,718
Permanently restricted	<u>1,183,563</u>	<u>1,093,747</u>
Total net assets	<u>1,376,980</u>	<u>1,189,515</u>
 Total liabilities and net assets	 <u>\$ 1,427,202</u>	 <u>\$ 1,252,983</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Student tuition and fees, net of scholarship allowance of \$5,683,130 and \$5,214,424	\$ 3,422,635	\$ 3,097,466
Contracts and grants		
Federal	1,265,924	835,417
State	2,727,960	2,067,222
Sales and services of educational activities	145,812	270,837
Miscellaneous - net	<u>279,427</u>	<u>143,315</u>
Total operating revenues	<u>7,841,758</u>	<u>6,414,257</u>
Operating expenses		
Salaries and wages	8,397,250	7,646,553
Benefits	2,600,744	2,499,558
Supplies and other services	5,513,530	4,923,896
Utilities	301,904	279,629
Student financial aid - scholarships and fellowships	3,920,618	5,222,897
Depreciation	592,881	464,581
Assessments by the Policy Commission for operations	<u>80,503</u>	<u>73,759</u>
Total operating expenses	<u>21,407,430</u>	<u>21,110,873</u>
Operating loss	<u>(13,565,672)</u>	<u>(14,696,616)</u>
Nonoperating revenues (expenses)		
State appropriations	5,617,112	5,248,676
Federal Pell grants	7,422,041	8,419,381
Investment income	3,104	10,807
Assessments by the Commission for debt service	<u>(1,914)</u>	<u>(2,632)</u>
Net nonoperating revenues	<u>13,040,343</u>	<u>13,676,232</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(525,329)</u>	<u>(1,020,384)</u>
Capital payments made and expenses incurred on behalf of New River Community and Technical College	<u>658,067</u>	<u>3,560,941</u>
Total other revenues	<u>658,067</u>	<u>3,560,941</u>
Increase in net assets	132,738	2,540,557
Net assets, beginning of year	<u>14,039,889</u>	<u>11,499,332</u>
Net assets, end of year	<u>\$ 14,172,627</u>	<u>\$ 14,039,889</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Public Support and Revenue</u></b>				
Road scholar program revenue	\$ 142,515	\$ -	\$ -	\$ 142,515
Contributed services and supplies revenue	142,392	-	-	142,392
Contributions	28,815	113,004	95,075	236,894
Grants	-	55,500	-	55,500
Interest and dividends income	3,150	24,558	-	27,708
Realized losses on investment securities, net	79	660	(5,259)	(4,520)
Unrealized losses on investment securities, net	532	4,865	-	5,397
Bank and investment fees	(1,597)	(13,997)	-	(15,594)
Fundraising revenue				-
Net assets released from restrictions due to expiration of pending purpose restrictions	41,747	(41,747)	-	-
<b>Total public support and revenue</b>	<u>357,633</u>	<u>142,843</u>	<u>89,816</u>	<u>590,292</u>
<b><u>Expenses</u></b>				
Student support and program services	230,960	-	-	230,960
Management and general	34,691	-	-	34,691
Fundraising	137,176	-	-	137,176
<b>Total expenses</b>	<u>402,827</u>	<u>-</u>	<u>-</u>	<u>402,827</u>
<b>Excess of (Expenses Over Public Support and Revenue)</b>				
<b>Public Support and Revenues Over Expenses</b>	(45,194)	142,843	89,816	187,465
Transfer between net asset classifications, resulting from recoupment of 2009 year underwater funds transfer	5,595	(5,595)	-	-
Increase (Decrease) in Net Assets	(39,599)	137,248	89,816	187,465
<b>Net Assets, Beginning of Year</b>	<u>(105,950)</u>	<u>201,718</u>	<u>1,093,747</u>	<u>1,189,515</u>
<b>Net Assets, End of Year</b>	<u>\$ (145,549)</u>	<u>\$ 338,966</u>	<u>\$ 1,183,563</u>	<u>\$ 1,376,980</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
A COMPONENT UNIT OF NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Public Support and Revenue</u></b>				
Road scholar program revenue	\$ 125,260	\$ -	\$ -	\$ 125,260
Contributed services and supplies revenue	95,563	-	-	95,563
Contributions	8,817	169,725	78,037	256,579
Grants	-	8,000	-	8,000
Interest and dividends income	(311)	17,800	-	17,489
Realized losses on investment securities, net	376	3,192	-	3,568
Unrealized losses on investment securities, net	8,708	61,168	-	69,876
Bank and investment fees	(1,099)	(12,124)	-	(13,223)
Net assets released from restrictions due to expiration of spending purpose restrictions	55,766	(55,766)	-	-
<b>Total public support and revenue</b>	<u>293,080</u>	<u>191,995</u>	<u>78,037</u>	<u>563,112</u>
<b><u>Expenses</u></b>				
Student support and program services	221,988	-	-	221,988
Management and general	22,997	-	-	22,997
Fundraising	116,891	-	-	116,891
<b>Total expenses</b>	<u>361,876</u>	<u>-</u>	<u>-</u>	<u>361,876</u>
<b>Excess of (Expenses Over Public Support and Revenue)</b>				
<b>Public Support and Revenues Over Expenses</b>	(68,796)	191,995	78,037	201,236
Transfer between net asset classifications, resulting from recoupment of 2009 year underwater funds transfer	105,699	(105,699)	-	-
Increase (Decrease) in Net Assets	36,903	86,296	78,037	201,236
<b>Net Assets, Beginning of Year</b>	<u>(142,853)</u>	<u>115,422</u>	<u>1,015,710</u>	<u>988,279</u>
<b>Net Assets, End of Year</b>	<u>\$ (105,950)</u>	<u>\$ 201,718</u>	<u>\$ 1,093,747</u>	<u>\$ 1,189,515</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Student tuition and fees	\$ 3,316,802	\$ 2,894,098
Contracts and grants	2,845,005	3,098,838
Payments to and on behalf of employees	(10,284,025)	(9,379,096)
Payments to suppliers	(5,199,109)	(5,162,574)
Payments to utilities	(296,385)	(279,283)
Payments for scholarships and fellowships	(3,920,618)	(5,222,897)
Sales and service of educational activities	145,812	270,837
Fees assessed by Commission	(80,503)	(73,759)
Other receipts (payments)-net	<u>(10,356)</u>	<u>433,098</u>
Net cash (used) in operating activities	<u>(13,483,377)</u>	<u>(13,420,738)</u>
Cash flows from noncapital financing activities		
State appropriations	5,617,112	5,248,676
Pell grants	7,749,246	7,793,241
William D. Ford direct lending receipts	3,059,392	2,958,874
William D. Ford direct lending payments	<u>(3,059,392)</u>	<u>(2,958,874)</u>
Net cash provided in noncapital financing activities	<u>13,366,358</u>	<u>13,041,917</u>
Cash flows from capital financing activities		
Purchases of capital assets	(899,297)	(1,045,154)
Payments to Commission for debt service	<u>(109,095)</u>	<u>(119,810)</u>
Net cash (used) in capital financing activities	<u>(1,008,392)</u>	<u>(1,164,964)</u>
Cash flows from investing activities		
Interest on investments	<u>3,104</u>	<u>10,807</u>
Net cash provided in investing activities	<u>3,104</u>	<u>10,807</u>
	<u>(1,122,307)</u>	<u>(1,532,978)</u>
Cash and cash equivalents - beginning of year	<u>4,648,755</u>	<u>6,181,733</u>
Cash and cash equivalents - end of year	<u>\$ 3,526,448</u>	<u>\$ 4,648,755</u>
Reconciliation of operating loss to net cash (used) in operating activities		
Operating loss	\$ (13,565,672)	\$ (14,696,616)
Adjustments to reconcile operating loss to net cash (used) in operating activities		
Depreciation expense	592,881	464,581
Changes in assets and liabilities:		
Accounts receivables - net	(105,833)	(203,368)
Due from Commission	(230)	1,747
Due from WV Council for Community & Technical Colleges	-	553,000
Grant Receivable	(336,425)	-
Due from Federal government	69,105	(97,569)
Accounts payable	319,940	(238,332)
Cash overdraft	(289,783)	289,783
Accrued liabilities	(125,836)	(60,199)
Due to the Commission/Council	7,511	(6,014)
Deferred revenue	(888,840)	(254,965)
Compensated absences	73,360	87,312
Other post employment benefits	<u>766,445</u>	<u>739,902</u>
Net cash (used) in operating activities	<u>\$ (13,483,377)</u>	<u>\$ (13,420,738)</u>
Noncash transaction		
Capital payments made on behalf of New River Community and Technical College	<u>\$ 658,067</u>	<u>\$ 3,560,941</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

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NOTE 1 - ORGANIZATION

New River Community and Technical College (the "College") is governed by the New River Community and Technical College Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("S.B. 653").

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise and manage the financial, business and educational policies and affairs of the 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. Senate Bill 448 gives the West Virginia Council for Community and Technical College Education (the "Council") the responsibility of developing, overseeing, and advancing the State's Public Policy agenda as it relates to community and technical college education. Senate Bill 401 required the transfer of certain net assets from Bluefield State College to its separately governed community and technical college after the community and technical college received its independent accreditation. The College received its accreditation on February 8, 2005.

As a requirement of Governmental Accounting Standards Board standards (GASB), the College has included information from the New River Community and Technical College Foundation, Inc. (the "Foundation").

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying financial statements present all funds under the authority of the College. The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities. Related foundations (see Note 12) are not part of the College reporting entity and are not included in the accompanying combined financial statements, since the College has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

The audited financial statements of the Foundation are presented here as a discrete component unit with the College combined financial statements in accordance with GASB. The Foundation's audited financial statements were as of and for the years ended June 30, 2012 and 2011. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein except that in accordance with governmental accounting standards, the Foundation's statements of cash flows are not presented.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Invested in capital assets-net of related debt*** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- ***Restricted net assets, expendable*** - This includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

- ***Restricted net 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.
- ***Unrestricted net assets*** - Unrestricted net assets include resources that are not subject to externally imposed stipulations. Such resources are derived from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities and auxiliary enterprises. Unrestricted net assets are used for transactions related to the educational and general operations of the College and may be designated for specific purposes by action of the Board of Governors.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets** - Capital assets include property, plant and equipment, and books and materials that are part of a catalogued library. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 20 years for land improvements, 7 years for library books and 3 to 10 years for furniture and equipment. The College's capitalization threshold is \$5,000. There was no interest capitalized during 2012 or 2011. The accompanying financial statements reflect all adjustments required by GASB.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the combined 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 medical malpractice liability coverage to the College and its employees. Such coverage may be provided to the College by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Classification of Revenues** - The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, and investment income, and sale of capital assets (including natural resources).
- **Other Revenue** - Other revenues consist primarily of capital grants and gifts.

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

**Federal Financial Assistance Programs** - The College makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through the College. Direct student loan receivables are not included in the College's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2012 and 2011, respectively the College received and disbursed approximately \$3.1 million and \$3.0 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses and changes in net assets.

The College also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2012 and 2011, respectively the College received and disbursed approximately \$7.6 million and \$8.5 million, under these federal student aid programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

**Income Taxes** - The College is exempt from income taxes, except for unrelated business income, as a governmental instrumentality under federal income tax laws and regulations of the Internal Revenue Service as described in Section 115 of the Internal Revenue Code.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Newly Adopted Statements Issued by the Governmental Accounting Standards Board*** - During 2011, the College adopted Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this statement did not have a material impact on the financial statements.

The College also adopted Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

***Recent Statements Issued by the Governmental Accounting Standards Board*** - The Governmental Accounting Standards Board has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The College has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The College has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has also issued Statement No. 66, *Technical Corrections - 2012: An Amendment of GASB Statements No. 10 and No. 64*, effective for fiscal years beginning after December 15, 2012. This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 FASB and AICPA Pronouncements*. The College has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	<u>2012</u>	<u>2011</u>
Cash on deposit with the State Treasurer	\$ 2,854,397	\$ 4,611,518
Cash in Bank	670,401	35,587
Cash on hand	<u>1,650</u>	<u>1,650</u>
	<u>\$ 3,526,448</u>	<u>\$ 4,648,755</u>

Cash held by the State Treasurer and cash in bank include for years ended June 30, 2012 and 2011 respectively, \$1,592,180 and \$3,332,814 of restricted cash for specific purposes by West Virginia State Code, grant resources and loan funds.

The combined carrying amount of cash in the bank was \$670,401 and \$35,587 as compared with the combined bank balance of \$834,859 and \$315,931 at June 30, 2012 and 2011, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest bearing accounts are 100% insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are 100% insured through December 31, 2012. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal.

Amounts with the State Treasurer and the Municipal Bond Commission as of June 30, 2012 and 2011, are comprised of the following investment pools:

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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 is 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 in which the College invests, 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, 2012 and 2011, 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 P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2012 and 2011, the WV Money Market Pool investments had a total carrying value of \$2,786,968,000 and \$3,018,560,000, respectively, of which the College’s ownership represents 0.09% and 0.13% respectively.

**WV Government Money Market Pool - Credit Risk** - For the years ended June 30, 2012 and 2011, 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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, 2012 and 2011, the WV Government Money Market Pool investments had a total carrying value of \$299,629,000 and \$262,692,000, respectively, of which the College's ownership represents 0.01% and 0.01%, 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 P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating*		2012		2011	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	\$ 95,628	18.99 %	\$ 87,197	18.40 %
	Aaa	NR *	38,524	7.64	19,891	4.20
	Aa3	AA+ **			454	0.10
	B1	CCC **	896	0.18	885	0.19
	B3	B **			366	0.08
	B3	BB **	311	0.06		
	B3	BBB **			631	0.13
	B3	BBB- **	53	0.01		
	B3	CCC **	280	0.06		
	Ca	CCC **	586	0.12	664	0.14
	Caa2	CCC **	186	0.04	473	0.10
	Caa3	CCC **	243	0.05	393	0.08
	Caa3	D **	26	0.01	27	0.01
	NR	AA+ *	3,900	0.77		
	NR	* NR *	3,786	0.75	4,000	0.84
			<u>144,419</u>	<u>28.68</u>	<u>114,981</u>	<u>24.27</u>
	Corporate bonds and notes	Aaa	AA			2,043
Aa1		A			4,143	0.87
Aa2		AA+	9,025	1.79		
Aa2		AA			11,866	2.50
Aa3		AA			7,064	1.49
Aa3		AA-	15,666	3.11		
Aa3		A	23,032	4.57	13,040	2.75
A1		AA	12,145	2.41	8,107	1.71
A1		A+	30,684	6.09		
A1		A			22,731	4.80
A2		AA			2,555	0.54
A2		A	39,064	7.76	23,976	5.06
A3		A			8,770	1.85
A3		A-	7,755	1.54		
A3		BBB+	3,006	0.60		
Baa1		A-	4,162	0.83		
Baa2	A-	6,709	1.33			
		<u>151,248</u>	<u>30.03</u>	<u>104,295</u>	<u>22.00</u>	
Commercial paper	P-1	A-1			15,995	3.38
U.S. agency bonds	Aaa	AAA			20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94		
U.S. Treasury notes***	Aaa	AAA			25,034	5.28
U.S. Treasury notes***	Aaa	AA+	44,251	8.79		
U.S. agency mortgage backed securities****	Aaa	AAA			97,296	20.53
U.S. agency mortgage backed securities****	Aaa	AA+	77,065	15.30		
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
			<u>\$503,617</u>	<u>100 %</u>	<u>\$473,905</u>	<u>100 %</u>

\* NR = Not Rated

\*\* The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. 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 explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2012 and 2011, the College's ownership represents 0.07% and 0.11%, 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	2012		2011	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 90,204	3	\$ 84,357	1
U.S. Treasury notes	330,865	122	298,345	137
U.S. Treasury bills	237,978	37	231,051	34
Commercial paper	853,470	35	1,069,576	35
Certificates of deposit	110,000	10	140,000	58
U.S. agency discount notes	738,706	44	697,164	45
Corporate bonds and notes	36,000	48	127,000	20
U.S. agency bonds/notes	189,691	68	170,788	66
Money market funds	200,054	1	200,279	1
	<u>\$2,786,968</u>	46	<u>\$3,018,560</u>	46

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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	2012		2011	
	Carrying Value (In thousands)	WAM (Days)	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 91,900	3	\$ 98,400	1
U.S. Treasury notes	103,324	111	45,811	131
U.S. Treasury bills	4,999	62		
U.S. agency discount notes	76,397	52	60,852	74
U.S. agency bonds/notes	23,004	9	57,498	22
Money market funds	5	1	131	1
	<u>\$299,629</u>	54	<u>\$262,692</u>	45

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration 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:

Security Type	2012		2011	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
U. S. Treasury bonds/notes	\$ 44,251	366	\$ 25,034	227
Commercial paper			15,995	55
Corporate notes	151,248	242	104,295	234
Corporate asset backed securities	144,419	250	114,981	268
U.S. agency bonds/notes	45,024	23	20,017	85
U.S. agency mortgage backed securities	77,065	13	97,296	18
Money market funds	41,610	1	96,287	1
	<u>\$503,617</u>	180	<u>\$473,905</u>	138

*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 a pool managed by the securities lending agent. 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.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

*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.

NOTE 4 - CAPITAL ASSETS

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

	2012			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 1,184,000	\$ -	\$ -	\$ 1,184,000
Construction in progress	<u>282,781</u>	<u>658,067</u>	<u>-</u>	<u>940,848</u>
Total capital assets not being depreciated	<u>\$ 1,466,781</u>	<u>\$ 658,067</u>	<u>\$ -</u>	<u>\$ 2,124,848</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	11,946,579	314,416	-	12,260,995
Equipment	1,737,847	542,444	-	2,280,291
Library books	<u>461,305</u>	<u>40,301</u>	<u>-</u>	<u>501,606</u>
Total other capital assets	<u>14,243,668</u>	<u>897,161</u>	<u>-</u>	<u>15,140,829</u>
Less accumulated depreciation for:				
Land improvements	42,232	6,529	-	48,761
Buildings	1,508,417	365,631	-	1,874,048
Equipment	703,163	191,933	-	895,096
Library books	<u>344,942</u>	<u>28,788</u>	<u>-</u>	<u>373,730</u>
Total accumulated depreciation	<u>2,598,754</u>	<u>592,881</u>	<u>-</u>	<u>3,191,635</u>
Other capital assets - net	<u>\$ 11,644,914</u>	<u>\$ 304,280</u>	<u>\$ -</u>	<u>\$ 11,949,194</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 1,466,781	\$ 658,067	\$ -	\$ 2,124,848
Other capital assets	<u>14,243,668</u>	<u>897,161</u>	<u>-</u>	<u>15,140,829</u>
Total cost of capital assets	15,710,449	1,555,228	-	17,265,677
Less accumulated depreciation	<u>2,598,754</u>	<u>592,881</u>	<u>-</u>	<u>3,191,635</u>
Capital assets - net	<u>\$ 13,111,695</u>	<u>\$ 962,347</u>	<u>\$ -</u>	<u>\$ 14,074,042</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - CAPITAL ASSETS (Continued)

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 824,000	\$ 360,000	\$ -	\$ 1,184,000
Construction in progress	<u>21,840</u>	<u>260,941</u>	<u>-</u>	<u>282,781</u>
Total capital assets not being depreciated	<u>\$ 845,840</u>	<u>\$ 620,941</u>	<u>\$ -</u>	<u>\$ 1,466,781</u>
Other capital assets:				
Land improvements	\$ 97,937	\$ -	\$ -	\$ 97,937
Buildings	8,276,657	3,669,922	-	11,946,579
Equipment	1,499,510	238,337	-	1,737,847
Library books	<u>387,042</u>	<u>74,263</u>	<u>-</u>	<u>461,305</u>
Total other capital assets	<u>10,261,146</u>	<u>3,982,522</u>	<u>-</u>	<u>14,243,668</u>
Less accumulated depreciation for:				
Land improvements	35,703	6,529	-	42,232
Buildings	1,242,538	265,879	-	1,508,417
Equipment	535,837	167,326	-	703,163
Library books	<u>320,095</u>	<u>24,847</u>	<u>-</u>	<u>344,942</u>
Total accumulated depreciation	<u>2,134,173</u>	<u>464,581</u>	<u>-</u>	<u>2,598,754</u>
Other capital assets - net	<u>\$ 8,126,973</u>	<u>\$ 3,517,941</u>	<u>\$ -</u>	<u>\$ 11,644,914</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 845,840	\$ 620,941	\$ -	\$ 1,466,781
Other capital assets	<u>10,261,146</u>	<u>3,982,522</u>	<u>-</u>	<u>14,243,668</u>
Total cost of capital assets	11,106,986	4,603,463	-	15,710,449
Less accumulated depreciation	<u>2,134,173</u>	<u>464,581</u>	<u>-</u>	<u>2,598,754</u>
Capital assets - net	<u>\$ 8,972,813</u>	<u>\$ 4,138,882</u>	<u>\$ -</u>	<u>\$ 13,111,695</u>

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

At June 30, 2012, the College had \$157,961 in outstanding contractual commitments for property, plant, and equipment expenditures.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - LONG-TERM LIABILITIES

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

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 387,792	\$ 73,360	\$ -	\$ 461,152	\$ 308,049
Debt obligation due Commission	309,095	-	109,095	200,000	100,000
OPEB liability	1,449,621	766,445	-	2,216,066	-
Due to Bluefield State College	<u>268,678</u>	<u>-</u>	<u>-</u>	<u>268,678</u>	<u>268,678</u>
Total noncurrent liabilities	<u>\$ 2,415,186</u>	<u>\$ 839,805</u>	<u>\$ 109,095</u>	<u>\$ 3,145,896</u>	<u>\$ 676,727</u>

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 300,480	\$ 87,312	\$ -	\$ 387,792	\$ 263,525
Debt obligation due Commission	428,905	-	119,810	309,095	109,095
OPEB liability	709,719	739,902	-	1,449,621	-
Due to Bluefield State College	<u>268,678</u>	<u>-</u>	<u>-</u>	<u>268,678</u>	<u>268,678</u>
Total noncurrent liabilities	<u>\$ 1,707,782</u>	<u>\$ 827,214</u>	<u>\$ 119,810</u>	<u>\$ 2,415,186</u>	<u>\$ 641,298</u>

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2012 and 2011, the noncurrent liability related to OPEB costs was \$2,216,066 and \$1,449,621, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$982,179 and \$215,734, respectively, during 2012, \$929,889 and \$189,987, respectively, during 2011 and \$850,719 and \$141,499, respectively, during 2010. As of the years ended June 30, 2012, 2011 and 2010, there were five, five and four retirees receiving these benefits, respectively.

NOTE 7 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 7 - STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (Continued)

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

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on these various bonds. The tuition and registration fees of the members of the former State College System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission. During 2005, the College assumed \$119,300 in additional debt obligation from the Commission, including amounts from Glenville State College for the Nicholas County Campus. During 2012, and 2011, respectively the College paid \$9,095 and \$19,810 to the Commission against the debt obligation. During fiscal year 2009, the College entered into a \$500,000 capital project loan with the Higher Education Policy Commission to fund a networking project. The loan is to be repaid over five years in semi-annual payments of \$50,000. During 2012, and 2011, respectively the College paid \$100,000 and \$100,000 to the Commission against the loan. The amount due to Commission at June 30, 2012 is \$200,000.

During December 2009, the Commission, on behalf of the Council, issued \$78,295,000 of Community and Technical Colleges Improvement Revenue Bonds, 2009 Series A (the "2010 Bonds"). The proceeds of the 2009 Bonds will be used to finance the acquisition, construction, equipping, or improvement of community and technical college facilities in West Virginia. The bond projects listed in the bond offering for the 2009 Bonds proposes bond funding of \$16,500,000 for the College. State lottery funds will be used to repay the debt. As of June 30, 2012, the College had drawn down \$940,848 of these funds to pay for capital projects.

NOTE 8 - UNRESTRICTED NET ASSETS (DEFICIT)

The College's unrestricted net assets at June 30, 2012 and 2011, include certain undesignated net assets, as follows:

	<u>2012</u>	<u>2011</u>
Total unrestricted net assets before OPEB liability	\$ 1,061,824	\$ 420,237
Less: OPEB liability	<u>2,216,066</u>	<u>1,449,621</u>
Total unrestricted net assets (deficit)	<u>\$ (1,154,242)</u>	<u>\$ (1,029,384)</u>

NOTE 9 - RETIREMENT PLANS

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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan. New hires have a choice of either plan. As of June 30, 2012, there were no employees enrolled in the new Educators Money 401(a) basic retirement plan.

The STRS is a cost sharing, multiple employer defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The contractual maximum contribution rate is 15%. The College accrued and paid its contribution to the STRS at the rate of 15% of each enrolled employee's total annual salary for the years ended June 30, 2012 and 2011. Required employee contributions were at the rate of 6% of total annual salary for the years ended June 30, 2012 and 2011. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. Lump-sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest five years' salaries out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2012, 2011 and 2010 respectively, were \$39,813 and \$38,748 and \$45,543 which consisted of \$28,438, \$27,677 and \$35,018 from the College, and \$11,375, \$11,071 and \$10,525 from the covered employees in 2012, 2011 and 2010, respectively.

The contribution rate is set by the State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the College. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of the report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 9 - RETIREMENT PLANS (Continued)

Total contributions to the TIAA-CREF for the years ended June 30, 2012, 2011 and 2010 respectively, were \$763,832, \$676,176 and \$573,740 which consisted of equal contributions of \$381,916, \$338,088 and \$286,870 from both the College and covered employees.

Total contributions to Great West for the years ended June 30, 2012, 2011 and 2010 respectively, were \$15,388, \$14,244 and \$11,310, which consisted of equal contributions of \$7,694, \$7,122 and \$5,655 from both the College and covered employees.

The College's total payroll for the years ended June 30, 2012, 2011 and 2010 respectively, was \$8,397,250, \$7,646,553 and \$6,703,255. Total covered employees' salaries in STRS, TIAA-CREF and Great West were \$6,683,088, \$5,938,016 and \$5,108,876.

NOTE 10 - LEASES

The College leases various equipment, software and buildings under operating leases. Rental payments for operating leases were \$652,284 and \$603,374 for the years ended June 30, 2012 and 2011. Following is a schedule of future minimum lease payments for the term of these operating leases.

<u>Year Ending June 30</u>	<u>Rental Payments</u>
2013	\$ 461,245
2014	176,644
2015	79,373
2016	66,339
2017	<u>2,492</u>
	<u>\$ 786,093</u>

NOTE 11 - FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State of West Virginia and has as its purpose "...to aid, strengthen and further in every proper and useful way, the work and services of the College and its affiliated nonprofit organizations..." Oversight of the Foundation is the responsibility of a separate and independently elected Board of Directors, not otherwise affiliated with the College. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy and maintains fiscal accountability over funds administered by the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented with the College's financial statements in accordance with GASB. Based on the Foundation's audited financial statements for the years ended June 30, 2012 and 2011, the Foundation's net assets (including unrealized gains) totaled \$1,376,980 and \$1,189,515, respectively. Complete financial statements for the Foundation can be obtained from the President of the New River Community and Technical College Foundation, Inc.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 11 - FOUNDATION (Continued)

Gifts, grants, pledges and bequests to the Foundation totaled \$236,894 and \$256,579 for the years ended June 30, 2012 and 2011, respectively.

NOTE 12 - CONTINGENCIES

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

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

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

NOTE 13 - COMPONENT UNIT DISCLOSURES

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**Note 1 - Description of the Organization**

New River Community and Technical College Foundation, Inc. (“**the Organization**”) is a non-profit West Virginia corporation organized to promote educational and fraternal opportunities for current students and alumni of New River Community and Technical College (“**New River**”), located and operating in various communities in southeastern, West Virginia. It has been organized to serve New River, its faculty, students and alumni through fundraising, managing funds, overseeing the distribution of these funds, the undertaking of capital and other educational projects. The Organization currently accomplishes these by engaging in the following principal activities:

- Solicitation of restricted and unrestricted charitable contributions.
- Investment of available liquid assets.
- Awarding to qualifying students, faculty or staff of New River certain grants or scholarships.
- Operation of Road Scholar program as an enterprise (**See Note 2**).

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation:** The Organization has implemented the financial statement presentation required by the Financial Accounting Standards Board Codification of Accounting Standard No. 958 the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted, described as follows:

- **Unrestricted:** Resources over which the Board of Directors has discretionary control as a result of not being restricted by donors or for which the restrictions have been satisfied or expired.
- **Temporarily Restricted:** Resources resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets consist principally of donor-imposed stipulations related to student financial aid or capital projects.
- **Permanently restricted:** Resources resulting from contributions whose use is limited by donor stipulations that neither expire through the passage of time nor by actions of the Organization. Such net assets consist of endowments which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity; spending of the related investment income is limited to the actual income earned.

**Financial Statement Presentation (continued):** Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Cash and Equivalents:** Cash and equivalents include cash, demand deposits with financial institutions and other short-term investments with original maturities of three months or less.

**Unconditional Promises to Give:** Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional (**See Note 3**). The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience concerning the general trends of collection, and managements' analysis of specific promises made.

**Beneficial Interest In Assets Held By Community Foundation:** The Organization placed with the Greater Greenbrier Valley Community Foundation, Inc. ("**GGVCF**") certain unrestricted and restricted assets in the form of a "Donor Designated Sub-Fund Agreements" ("the Agreements"). The substance of these agreements provides for the resulting investment returns from the investment of the assets to be distributed to the Organization. One of these agreements further provides for the Organization to have at its discretion the ability to invade 100% of the principal (corpus) placed with GGVCF, whereas the others do not. The assets subject to this agreement amount to approximately 10% and 11% of the total of such assets at June 30, 2012 and 2011, respectively. Notwithstanding this, GGVCF does have variance power with respect to these funds whereby the Board of GGVCF by majority vote has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of this Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with charitable needs of the area served by the GGVCF.

The applicable accounting standards require that if a community foundation accepts a contribution from an Agency and agrees to transfer those assets, the return on investment of those assets or both back to the Agency, then these contributions and accumulated net earnings are presented as an asset in financial statements of the agency (in this case the Organization). Accordingly, the value of the assets held by GGVCF as of June 30, 2012 and 2011 are presented in the accompanying statements of financial position in the amount of \$982,450 and \$869,564, respectively.

As of December 31, 2011, the latest reviewed financial statements of GGVCF reflect total investment assets, at market value of \$3,868,654 comprised of the following:

	Market Value
Fixed income securities	\$ 1,456,624
Mutual funds	829,438
Commons stocks	1,503,963
Preferred stocks	78,629
	<u>\$ 3,868,654</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

**Note 2 - Summary of Significant Accounting Policies (continued)**

A condensed statement of financial position as of December 31, 2011, the most recent reviewed financial statements of GGVCF is as follows:

Assets

Cash and equivalents	\$	251,576
Accrued interest and dividends		18,205
Marketable securities		3,868,654
Office equipment, net		877
Total Assets	\$	<u>4,139,312</u>

Liabilities and Net Assets

Funds held for benefit of others	\$	3,341,816
Accounts payable and accrued expenses		7,012
Net assets		790,484
Total Liabilities and Net Assets	\$	<u>4,139,312</u>

These assets essentially represent the fair value of the underlying assets held by GGVCF for the benefit of the Organization.

**Donated Goods, Facilities and Services:** Contributions of donated services that create or enhance non-financial assets, or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received as donations revenues with a corresponding expense.

**Risks and Uncertainties:** A substantial portion of the Organization's assets consist of beneficial interest in assets held by the community foundation, which is supported by investment securities held by the respective community foundation. These investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the beneficial interest in assets held in community foundation reported in the statements of financial position, and the realized and unrealized losses in the statements of activities.

**Income Taxes:** There is no provision for federal or state income taxes on income since the Organization is an exempt nonprofit association under Internal Revenue Code Section 501©(3). Management believes there is no unrelated business taxable income associated with the Organization. The Organization adopted Financial Accounting Standards Codification Topic "Accounting for Uncertainty in Income Taxes", which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011

**Note 2 - Summary of Significant Accounting Policies (continued)**

The Organization is generally no longer subject to examination by income taxing authorities for years ending prior to June 30, 2008.

**Concentrations:** The Organization places its cash and cash equivalents with high credit quality financial institutions and brokerage firms. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk.

**Investment Risk:** The Organization's investments subject it to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Organization's investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks could materially impact the amounts reflected in the accompanying financial statements.

**Economic Geographic and Other Dependencies:** The Organization generates a significant amount of its support and revenue (including fundraising activities) from within the state of West Virginia. Its economy is largely dependent upon the mineral extraction (coal), timbering, farming, and recreation/resort industries. Changes in economies of these industries could significantly influence the Organization's ability to provide its services.

The Organization is also dependent upon significant amounts of support in the form of salaries, wages and employee benefits and other operating costs provided by New River. The ability or desire of New River to continue to provide this support could significantly influence the Organization's ability to provide its services (**See Note 6**).

**Functional Reporting:** The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on management's estimates among program services and supporting services benefited. A brief description of each of the functional classifications is as follows:

- Student Support and Program Services – Funds expended primarily to provide support services for students, alumni and faculty of New River. It includes scholarships awarded to the students and the provision of services that directly assist the academic functions, such as faculty development, as well a capital projects.
- Management and General – Expenses incurred principally for (1) central executive-level activities concerned with management of day-to-day operations and long-range planning, (2) legal and fiscal operations, and administrative data processing.
- Fundraising – Expenses related to community and alumni relations, including development and fundraising.

**Compensated Absences:** Compensated absences are not provided for in the accompanying statement of financial position as New River provides all compensation and benefits for employees who serve/operate the Organization (**See Note 6**).

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Road Scholar Enterprise:** As an enterprise and under terms of a contract the Organization operates as a “program provider” for Road Scholar, Inc. Road Scholar, Inc. is a not-for-profit organization dedicated to providing learning opportunities to adults through short-term academic programs. It is the nation’s first and the world’s largest educational travel organization primarily for adults. As a program provider the Organization is responsible for providing a variety of approved services to include meals, lodging, instruction, learning opportunities and transportation to groups of adults enlisted into the Road Scholar programs. The current contract commenced January 12, 2009 and ends on January 12, 2014. Revenues recognized for the provision of these services amounted to \$142,515 and \$125,260 for the years ended June 30, 2012 and 2011, respectively and are reported in the accompanying statements of activities.

**Date of Management Review:** Subsequent events (events or transactions that have occurred which may have a material effect on the financial statements and that require adjustment to or disclosure in the financial statements) have been evaluated through September 10, 2012, which is the date the financial statements were available to be issued.

**Note 3 - Unconditional Promises to Give**

Unconditional promises to give at June 30, 2012 and 2011 were comprised of the following:

	<u>2012</u>	<u>2011</u>
Gross unconditional promises to give	\$ 119,193	\$ 127,195
Less gross allowance for doubtful accounts	(5,960)	(18,929)
Less unamortized discounts	<u>(8,483)</u>	<u>(9,026)</u>
Net unconditional promises to give	<u>\$ 104,750</u>	<u>\$ 99,240</u>

These gross amounts are expected to be collected as follows:

<u>Year ended June 30th</u>	
2013	\$ 29,594
2014	29,493
2015	26,909
2016 and after	<u>33,197</u>
Totals	<u>\$ 119,193</u>

An annual rate of three percent was used to discount unconditional promises to give expected to be collected at June 30, 2012.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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**Note 4 - Marketable Equity Securities**

Marketable equity securities consisted of 4,000 shares of Powerwave Technologies, Inc. common stock having a fair value of \$11,800 at June 30, 2012.

**Note 5 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following or are available for the following purposes as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unconditional promises to give	\$ 104,750	\$ 98,240
Scholarships	74,233	49,033
Endowments	(6,481)	(5,064)
Ongoing capital campaign	71,649	17,342
Grants	55,500	2,900
Board restricted	39,267	39,267
Other	48	-
Totals	<u>\$ 338,966</u>	<u>\$ 201,718</u>

**Note 6 - Related Party Transactions**

New River provides facilities, furniture, fixtures and equipment which are used by the Organization. The value of the usage of these items has not been recorded in the accompanying financial statements, as there is no objective basis to determine this value.

New River also provides all the compensation, payroll taxes and employee benefits for the personnel who operate the Organization as well as supplies and other operational needs. These are recorded as contributed services and supplies revenue and contributed salaries, wages, payroll taxes and employee benefits and supplies and operating expenses in the accompanying statements of activities. The total amount of the services, supplies and operating expenses provided were \$142,392 and \$95,563 for the years ended June 30, 2012 and 2011, respectively.

**Note 7 - Endowments and Permanently Restricted Net Assets**

Substantially all of permanently restricted net assets are made up of endowments. Endowments consist of forty-three individual funds established for a variety of specific purposes. These represent entirely donor-restricted endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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**Note 7 - Endowments and Permanently Restricted Net Assets (continued)**

The Board of Directors has interpreted the State of West Virginia Uniform Prudent Management of Institutional Funds Act (WVUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by WVUPMIFA.

In accordance with WVUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization.

These permanently restricted scholarship funds are largely held and invested by the Greater Greenbrier Valley Community Foundation, Inc. in the form of Donor Designated Sub-Fund Agreements (**See Note 2**). Only the distributions/disbursements received from GGVCF for these funds have been used to pay scholarships during the year, which management believes have been determined in accordance with the provisions of the WVUPMIFA.

The endowment net assets consisted of the following types of funds as of June 30, 2012 and 2011:

<u>June 30, 2012</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Donor restricted endowment funds	\$ <u>(6,481)</u>	\$ <u>1,180,086</u>
	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>
<u>June 30, 2011</u>		
Donor restricted endowment funds	\$ <u>(5,064)</u>	\$ <u>1,090,270</u>

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2012 AND 2011

**Note 7 - Endowments and Permanently Restricted Net Assets (continued)**

Changes in endowment net assets for the years ended June 30, 2012 and 2011 were as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Endowment net assets, June 30, 2010	\$ <u>52,725</u>	\$ <u>1,012,233</u>
Contributions	-	78,037
Investment return:		
Interest and dividends	17,800	-
Net realized and unrealized gains	64,360	-
Bank and investment fees	<u>(12,124)</u>	<u>-</u>
Total additions	<u>70,036</u>	<u>78,037</u>
Scholarship awards	22,126	-
Transfer of net assets	<u>105,699</u>	<u>-</u>
Total reductions	<u>127,825</u>	<u>-</u>
Endowment net assets, June 30, 2011	<u>(5,064)</u>	<u>1,090,270</u>
Contributions	-	95,075
Investment return:		
Interest and dividends	24,558	-
Net realized and unrealized gains	6,847	(5,259)
Bank and investment fees	<u>(13,997)</u>	<u>-</u>
Total additions	<u>17,408</u>	<u>89,816</u>
Scholarship awards	13,230	-
Transfer of net assets	<u>5,595</u>	<u>-</u>
Total reductions	<u>18,825</u>	<u>-</u>
Endowment net assets, June 30, 2012	\$ <u>(6,481)</u>	\$ <u>1,180,086</u>

From time to time and more specifically during recent years, the fair value of assets associated with individual donor restricted endowment funds have fallen below the level that the individual donor or WVUPMIFA requires the Organization to retain as a fund of perpetual duration. The amount of this deficiency at June 30, 2012 amounted to approximately \$296,000. Of this amount, approximately \$159,000 is being retained in unrestricted cash balances. It is expected that these components of cash balances will be invested for the benefit of the applicable endowments as market conditions allow for prudent placement. The remaining deficiency resulted principally from unfavorable market fluctuations that occurred in the year ended June 30, 2009 (See Note 9).

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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**Note 8 - Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer as liability in an orderly transaction between market participants at the measurement date. Generally Accepted Accounting Principles (**GAAP**) require the Organization to disclose fair value of all financial instruments for which it is practicable to estimate fair value, including those which are not reported at fair value in the statements of financial position. At June 30, 2012 and 2011, the fair values of all financial instruments were substantially equal to the carrying values.

The carrying value of certain financial assets and liabilities such as cash, cash equivalents, miscellaneous receivables and deposits, prepaid expenses, accounts payable, accrued expenses, scholarships payable is a reasonable estimate of fair value due to the short term nature of these instruments. Following is a description of the techniques used for the fair values of all other financial instruments. There have been no changes in the techniques used during the year ended June 30, 2012 and 2011.

**Marketable Equity Securities:** The fair value of equity investments is determined by the investment custodian based on recent sales in the open market of same or similar investments,

**Beneficial Interest in Assets Held by Community Foundation:** This is determined by the community foundation based on the Organization's representative share of the underlying investment assets of the community foundation (**See Note 2**).

*Financial Instruments Recorded at Fair Value*

For financial instruments recorded at fair value on a recurring basis, GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements.

The inputs are summarized in the three broad levels listed below:

- **Level 1:** Unadjusted quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- **Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The estimated fair value amounts of financial instruments have been determined by the Organization using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
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**Note 8 - Fair Value Measurements (continued)**

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

<b>Fair Value Measurement at Reporting Date of June 30, 2012 Using</b>				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by community foundation	\$ 982,450	\$ -	\$ 982,450	\$ -
Donated personal property	\$ 28,000	\$ -	\$ -	\$ 28,000

<b>Fair Value Measurement at Reporting Date of June 30, 2011 Using</b>			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Beneficial interest in assets held by community foundation	\$ 869,564	\$ -	\$ 869,564
Marketable equity securities	\$ 11,800	\$ 11,800	\$ -

**Note 9 - Transfer Between Net Asset Classifications**

During the year ended June 30, 2009 certain endowment funds that were and currently are permanently restricted as to their usage incurred investment losses and payment of scholarship awards that caused the funds to infringe upon the original corpus (defined as being the accumulated contributions to these permanently restricted funds) (i.e. original gift value) of the fund ("underwater funds"). In accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205-45-28, "Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure", transfers of net assets sufficient to restore these funds to their original corpus were made from the unrestricted net asset classification. This reclassification of net assets for the year ended June 30, 2009 amounted to \$181,382.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE FOUNDATION, INC.  
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**Note 9 - Transfer Between Net Asset Classifications (continued)**

During the years ended June 30, 2012 and 2011 sufficient earnings occurred in these endowment funds to allow for a transfer back to unrestricted net assets a portion of the \$181,382 amount noted above. This was accomplished without impinging upon the original corpus of the respective endowment funds and amounted to \$5,595 and \$105,699 for the years ended June 30, 2012 and 2011, respectively. This is presented in the accompanying 2012 and 2011 statements of activities as, "Transfer between net asset classifications, resulting from recoupment of 2009 year underwater funds transfer". The remainder of \$70,088 will be transferred in future accounting periods as earnings in these endowments allow, without restricting scholarship awards from these endowments.

**Note 10 - Title III Grant**

During the year ended June 30, 2012 the Organization received \$55,500 in the form of a grant from United States Department of Education under the Title III program, which is officially known as the "English Language Acquisition, Language Enhancement and Academic Achievement Act. The purpose of this grant is to allow for the establishment of an endowment with a specified term of twenty years. The corpus and earnings of this "quasi endowment" are to be used for the professional development of the faculty at New River. The terms of this grant require the Organization to do the following:

- Receive grants which are expected to total \$170,500 and raise matching funds of an equal amount.
- Invest the grant and matching amounts in certain low risk segregated investment assets.
- During the twenty year grant period, one-half of the investment earnings may be used for the purposes of the grant summarized above. The remainder of investment earnings will be utilized to add to the quasi endowed fund.
- At the end of the twenty year grant period the entire corpus and residual earnings may be used for the purposes of the grant as summarized above.

As of June 30, 2012 the funds received from this grant along with the matching amounts had not been placed in the required segregated investment assets, but during July 2012 \$91,000 was appropriately placed. Management anticipates that appropriate segregation will take place for the remainder in the near term and that new receipt of funds allocable to this endowment will be appropriately segregated in the normal course of operations. The endowed component of these amounts along with the applicable investment earnings are and will be reflected as a component of temporarily restricted net assets due to the non permanent nature of the grantor restrictions.

**Note 11 - Commitment**

On January 10, 2010, the Organization entered into a consulting contract with a nationally known fundraising consulting group. The contract provides for this consulting group to provide services associated with the establishment of a "Major Gifts Campaign". In consideration for these services, the Organization is obligated to pay the consulting group a sum total of \$198,000 in monthly installments of \$5,500 per month, plus direct expenses over a thirty-six month period, which commenced during March 2010. During the years ended June 30, 2012 and 2011, \$49,500 and \$66,000 of these installments were paid and they are included in the accompany statements of activities as a component of professional fundraising fees expense. The diminishment of the required payments during the 2012 year results from the consulting firm not providing the required services for an approximate three month period.

This contract is cancellable without cause upon thirty days written notice by either party to the contract.

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
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NOTE 14 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

This table represents operating expenses within both natural and functional classifications for the year ended June 30:

	2012							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 4,138,216	\$ 825,663	\$ 2,733,905	\$ 86,716	\$ -	\$ -	\$ -	\$ 7,784,500
Academic support	569,282	121,646	461,371	-	-	-	-	1,152,299
Student services	876,221	221,478	218,462	2,077	-	-	-	1,318,238
General institutional support	2,218,938	1,279,452	718,990	8,644	-	-	-	4,226,024
Operations and maintenance of plant	594,593	152,505	1,380,802	204,467	-	-	-	2,332,367
Student financial aid	-	-	-	-	3,920,618	-	-	3,920,618
Depreciation	-	-	-	-	-	592,881	-	592,881
Other	-	-	-	-	-	-	80,503	80,503
<b>Total</b>	<b>\$ 8,397,250</b>	<b>\$ 2,600,744</b>	<b>\$ 5,513,530</b>	<b>\$ 301,904</b>	<b>\$ 3,920,618</b>	<b>\$ 592,881</b>	<b>\$ 80,503</b>	<b>\$ 21,407,430</b>

	2011							Total
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Fees Assessed by Commission	
Instruction	\$ 4,600,209	\$ 1,429,661	\$ 1,367,391	\$ -	\$ -	\$ -	\$ -	\$ 7,397,261
Academic support	1,065,411	364,339	490,078	-	-	-	-	1,919,828
Student services	627,761	223,383	682,428	1,557	-	-	-	1,535,129
General institutional support	1,037,936	342,030	1,926,525	(1,429)	-	-	-	3,305,062
Operations and maintenance of plant	315,236	140,145	457,474	279,501	-	-	-	1,192,356
Student financial aid	-	-	-	-	5,222,897	-	-	5,222,897
Depreciation	-	-	-	-	-	464,581	-	464,581
Other	-	-	-	-	-	-	73,759	73,759
<b>Total</b>	<b>\$ 7,646,553</b>	<b>\$ 2,499,558</b>	<b>\$ 4,923,896</b>	<b>\$ 279,629</b>	<b>\$ 5,222,897</b>	<b>\$ 464,581</b>	<b>\$ 73,759</b>	<b>\$ 21,110,873</b>



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

To the Governing Board  
New River Community and Technical College  
Beckley, West Virginia

We have audited the financial statements of New River Community and Technical College (the "College") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012, which states reliance on other auditors for the discretely presented component unit. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the New River Community and Technical College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the New River Community and Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College'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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses as 2012-01 to be a material weakness in internal control over financial reporting.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

We noted other matters that we have reported to management of the College in a separate letter dated November 19, 2012.

The College's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the College's response and, accordingly we express no opinion on it.

This report is intended for the information and use of the College's management, the Members of the College's Governing Board, the West Virginia Higher Education Policy Commission, the West Virginia Council for Community and Technical College Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.



Charleston, West Virginia  
November 19, 2012

NEW RIVER COMMUNITY AND TECHNICAL COLLEGE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2012

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**2012-01 FINANCIAL REPORTING**

<b>Criteria:</b>	Management of the College is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. The College is also responsible for having a financial management system in place to account for the receipt and expenditure of grant and other funds, prepare accurate financial reports and be able to trace funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable laws and regulations, in a timely manner.
<b>Condition:</b>	As noted in the prior year, while conducting the audit we noted the following weaknesses in internal control: <ul style="list-style-type: none"><li>• Several accounts required material adjustments to reconcile to supporting documentation.</li></ul>
<b>Context:</b>	Total assets, liabilities, operating revenues and operating expenses of the College are \$18.8 million, \$4.6 million, \$7.8 million and \$21.4 million, respectively. The impact of audit adjustments to assets, liabilities, operating revenues and operating expenses was \$1.0 million, \$0, \$2.2 million and \$1.2 million, respectively.
<b>Cause:</b>	Inaccuracies in the reports generated from Banner for the fiscal year 2012 trial balance resulted in material adjustments to the financial statements.
<b>Effect:</b>	The material audit adjustments required to accurately state certain account balances created a delay in the timely completion of the audited financial statements.
<b>Recommendation:</b>	We recommend that management review the daily accounting functions, staffing, and financial reporting processes to ensure adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that the accounting system is posted in a timely manner, account reconciliations are prepared and reviewed in a timely manner and supporting schedules are maintained for all account balances. We further recommend that management prepare quarterly financial statements in accordance with Generally Accepted Accounting Principles (GAAP) to ensure that any issues with account mapping in the Banner system are addressed during the year and do not result in delays in the yearend audit process.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	The College is continuously working to improve the preparation of the financial statement audit and daily procedures. The finance staff continues to work with West Virginia Network (WVNET) to finalize the mapping of Banner to improve the ability to pull all of the financial data needed for the audit.