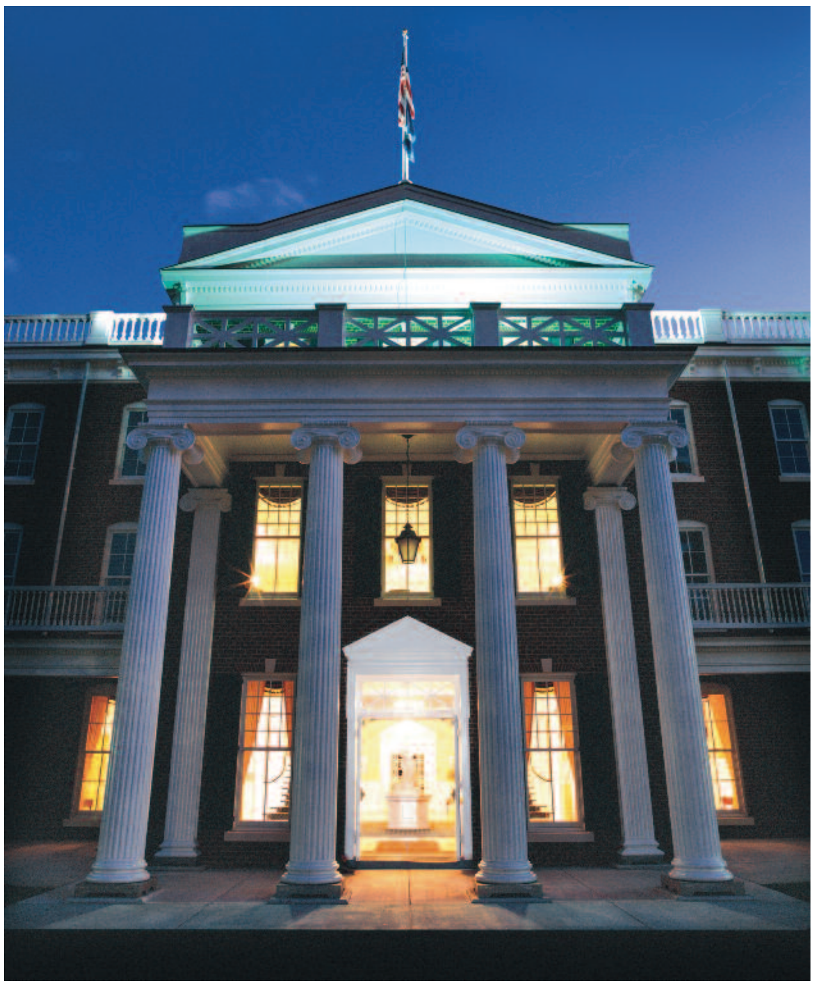
LONGWOOD UNIVERSITY



FINANCIAL STATEMENTS

For Year Ended June 30, 2011

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2010 – 2011

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LONGWOOD UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

INSTITUTIONAL PROFILE

Longwood, located in Farmville, was founded in 1839 and is one of the oldest colleges in Virginia. It was the first Virginia public institution of higher education for women. In 2002, it officially became Longwood University. As the only four-year public institution in south central Virginia, Longwood serves as a catalyst for regional prosperity and advancement.

Historically, Longwood has been a leader in the education of future teachers. It continues that leadership today while also offering strong programs in liberal arts and sciences, business and in professional and pre-professional programs. Longwood University is a coeducational, comprehensive institution offering 100 majors, minors and concentrations to more than 4800 students. Longwood University educates Virginians, with over 95 percent of the student body coming from the Commonwealth, and is a residential campus with over 70 percent of its undergraduate students living in University managed housing.

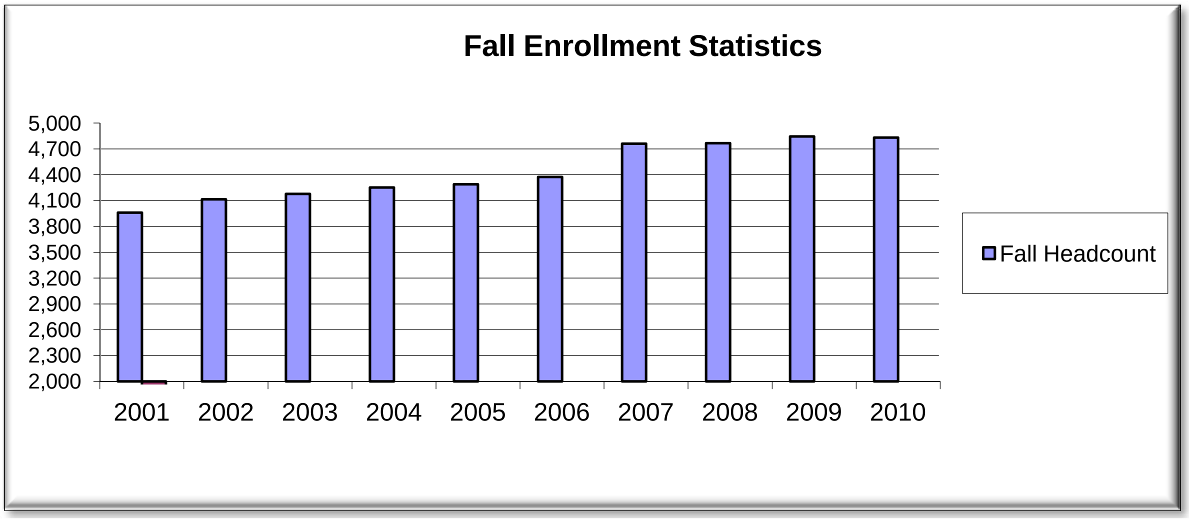
Building upon its strong foundation in the liberal arts and sciences, the University provides an environment in which exceptional teaching fosters student learning, scholarship and achievement. Longwood is dedicated to the development of citizen leaders who are prepared to make positive contributions to the common good of society. The University requires all students, in order to graduate, to participate in an internship related to their major or conduct a significant research project working with a faculty member on a major-related topic. The University prides itself on being a public institution with a "private" feel, its student/faculty ratio of 22 to 1, and the vast educational and social opportunities afforded its students.

For the 13th straight year, Longwood University is ranked among the best in the 2011 *U.S. News & World Report* survey. The new USN&WR "America's Best Colleges" report, released on 17 August 2010, ranks Longwood #9 in the category "Top Public Universities-Master's" in the South. Among all Southern Universities-Master's (public and private) Longwood remains within the top tier at #27. Additionally, Longwood University is again one of the best colleges and universities in the Southeast according to *The Princeton Review*. The education services company recently selected Longwood as one of 133 institutions it recommends in its "Best in the Southeast" section of its *2011 Best Colleges: Region by Region* survey. And, for the first time, Longwood University is included as one of the best colleges in the United States in the Forbes 2010 list of America's Best Colleges.

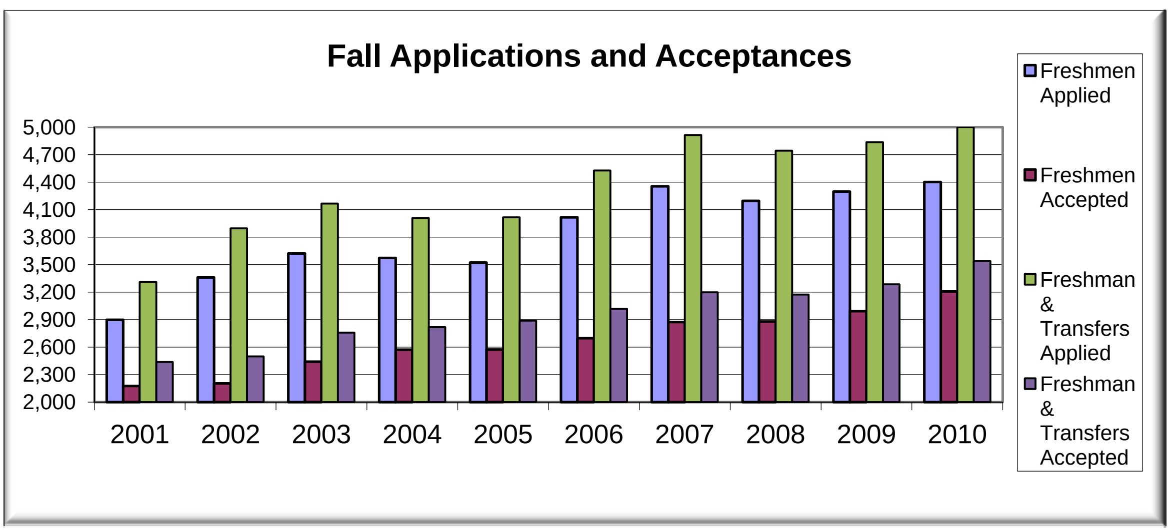
Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Comprehensive Annual Financial Report (CAFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

ENROLLMENT AND ADMISSIONS

A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Headcount enrollment has increased from 3,961 in fall 2001 to 4,831 in fall 2010. There was a decrease of 13 from fall 2009 to fall 2010.



The fall 2010 entering freshmen class remained academically competitive with a grade-point average of 3.4, an average SAT score of 1095, and an average ACT score of 23. Total applications increased from 4,298 in fall 2009 to 4,402 in fall 2010.



FINANCIAL OVERVIEW

Management's Discussion and Analysis (MD&A) is a supplement to the University's financial statement designed to assist readers in understanding the financial information presented. This MD&A provides an analysis of the institution's financial position and performance during the fiscal year ended June 30, 2011, with comparative information presented for the fiscal year ended June 30, 2010, where applicable. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service. Net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the accompanying financial statements and notes that follow. The financial statements, notes and this discussion are the responsibility of management. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). GASB principles establish standards for external reporting for public colleges and universities. The University's financial report is comprised of three basic financial statements and related notes. Those statements include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

The University's affiliated foundations are also included in these statements consistent with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. The University has two foundations whose financial information is presented in the statements under the columns titled "Component Unit". While affiliated foundations are not under the direct control of the University's Board of Visitors, this presentation provides a more holistic view of resources available to support the University and its mission. The foundations are not part of this MD&A; however, additional detail regarding their financial activities can be found in the **Notes to Financial Statements**. Transactions between the University and these component units have not been eliminated in the financial statements.

Summary of the Change in Net Assets

	Year Ended June 30,		Increase/(Decrease)	
	2011	2010	Amount	Percent
Total Operating Revenues	$ 73,458,253	$ 67,901,899	$ 5,556,354	8.18%
Total Operating Expenses	101,031,311	95,365,246	5,666,065	5.94%
Operating Loss	(27,573,058)	(27,463,347)	(109,711)	-0.40%
Nonoperating Revenues	29,235,703	29,204,452	31,251	0.11%
Other Revenue	19,268,563	18,206,476	1,062,087	5.83%
Total Increase/(Decrease)	$ 20,931,208	$ 19,947,581	$ 983,627	4.93%

On a summary basis, operating revenues increased by $5.5 million or 8% from fiscal year 2010 to fiscal year 2011. Operating expenses increased $5.7 million or 6% from fiscal year 2010 to fiscal year 2011.

The operating loss was offset by $32.4 million in non-operating revenues ($28 million state appropriations, $313,517 higher education fiscal stabilization revenue, and $3.7 million in Pell revenue) and $19.3 million in other revenues ($19.2 million in capital appropriations and $93,642 in other gifts).

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the institution. The difference between total assets and total liabilities is net assets, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2011. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net assets are divided into three major categories. The first category, "Invested in Capital Assets, net of related debt," depicts the University's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The second category is "Restricted Net Assets", which is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third major category is 'Unrestricted Net Assets" which is available to the University for any lawful purpose of the institution.

SUMMARY OF THE STATEMENT OF NET ASSETS

	Year Ended June 30,		Increase/(Decrease)	
	2011	2010	Amount	Percent
Assets:				
Current assets	$ 47,810,651	$ 54,331,220	$ (6,520,569)	-12.00%
Noncurrent assets:				
Restricted cash and cash equivalents	10,575,886	11,560,183	(984,297)	-8.51%
State Appropriations	1	16,756	(16,755)	-99.99%
Capital Assets, net	205,413,652	194,442,053	10,971,599	5.64%
Other	943,748	1,093,526	(149,778)	-13.70%
Total noncurrent assets	216,933,287	207,112,518	9,820,769	4.74%
Total assets	264,743,938	261,443,738	3,300,200	1.26%
Liabilities:				
Current liabilities	15,344,187	28,477,145	(13,132,958)	-46.12%
Noncurrent liabilities	61,470,833	65,545,497	(4,074,664)	-6.22%
Total liabilities	76,815,020	94,022,642	(17,207,622)	-18.30%
Net assets:				
Invested in capital assets, net of related debt	147,863,879	131,576,429	16,287,450	12.38%
Restricted Expendable	1,820,611	1,516,517	304,094	20.05%
Unrestricted	38,244,428	34,328,150	3,916,278	11.41%
Total net assets	$ 187,928,918	$ 167,421,096	$ 20,507,822	12.25%
Net assets, end of fiscal year 2010 restated		$ 166,997,710		

EVALUATION OF STATEMENT OF NET ASSETS FOR FISCAL YEARS 2010 AND 2011

The University's total assets increased by $3.3 million between fiscal years 2010 and 2011. The change in current assets was primarily due to the decrease in securities lending of $10.8 million and decrease in amounts due from the Commonwealth of $2.6 million partially offset by increase in cash of $6.7 million. Noncurrent assets increased by $9.8 million primarily due to an increase in capital projects. Construction in progress decreased by $8.5 million due to the close out of several capital projects, including Steam Plant Phase II, Blackwell, and Jarman renovation. Depreciable capital assets increased $19.4 million due to new buildings coming online in fiscal year 2011, including: Steam Plant Phase II-$14,863,033, Jarman renovation-$7,029,561, and Blackwell-$2,789,908, partially offset by current year depreciation of $4,685,921.

Noncurrent liabilities decreased by $4.1 million due to debt service payments made during the fiscal year. Current liabilities decreased $13.1 million due to a decrease in securities lending obligations of $10.8 million and a decrease in accounts payable of $2.4 million primarily due to a decrease in construction payables.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) presents the operating results as well as the non-operating revenues and expenses of the University. State Appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University's state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,		Increase/(Decrease)	
	2011	2010	Amount	Percent
Operating revenues	$ 73,458,253	$ 67,901,899	$ 5,556,354	8.18%
Operating expenses	101,031,311	95,365,246	5,666,065	5.94%
Operating loss	(27,573,058)	(27,463,347)	(109,711)	0.40%
Nonoperating revenues/(expenses)				
State appropriations	27,963,458	26,502,233	1,461,225	5.51%
Higher education stabilization revenue	313,517	2,221,989	(1,908,472)	-85.89%
Pell grant revenue	3,737,974	3,230,945	507,029	15.69%
Other operating and nonoperating revenues/expenses	(2,779,246)	(2,750,715)	(28,531)	1.04%
Net nonoperating revenues and expenses	29,235,703	29,204,452	31,251	0.11%
Income/(loss) before other revenues and reductions	1,662,645	1,741,105	(78,460)	-4.51%
Capital appropriations	19,174,921	17,948,296	1,226,625	6.83%
Other gifts	93,642	258,180	(164,538)	-63.73%
Total other revenues	19,268,563	18,206,476	1,062,087	5.83%
Total increase/(decrease) in net assets	20,931,208	19,947,581	983,627	4.93%
Net assets, beginning of year with restatement	166,997,710	147,473,515	19,524,195	13.24%
Net assets, end of year	$ 187,928,918	$ 167,421,096	$ 20,507,822	12.25%
Net assets, end of year fiscal year 2010 restated		$ 166,997,710		

EVALUATION OF STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR FISCAL YEARS 2010 AND 2011

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was an increase of $5.5 million from fiscal year 2010 to fiscal year 2011 due to an increase in student tuition and fee charges. Enrollment between fiscal year 2010 and fiscal year 2011 remains relatively flat, as is evidenced in the previous **Enrollment and Admissions** section.

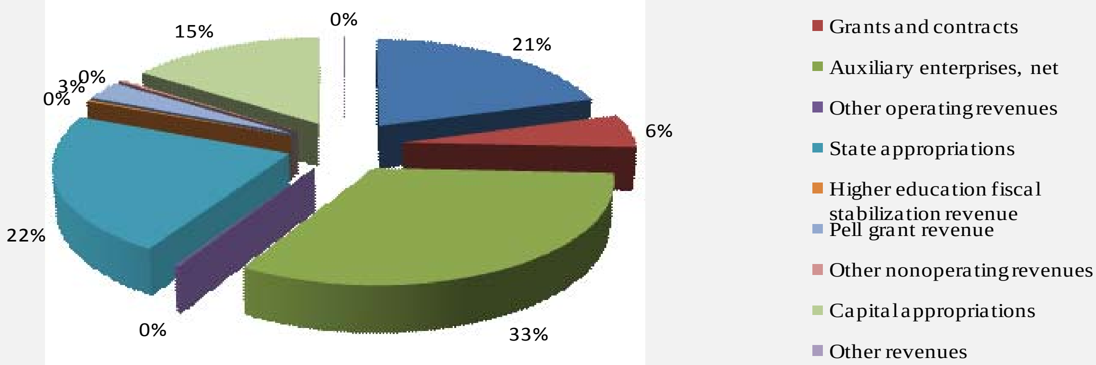
Overall, total operating expenses increased approximately $5.7 million in fiscal year 2011 compared to the previous fiscal year. This represents a 5.9% increase which is primarily due to salary and fringe increases.

Net non-operating revenues remained fairly the same. Higher education fiscal stabilization revenue decreased $1.9 million, and was partially offset by an increase in state operating appropriation revenue of $1.5 million. Other revenues increased by $1 million due to an increase in state capital appropriation revenue.

A restatement of fiscal year 2010 ending net assets from $167,421,096 to $166,997,710 was made in fiscal year 2011. Adjustments netting $393,458 were made that decreased total capital assets. These adjustments were made due to additional analysis of the fixed asset system and are shown in Note 5: Capital Assets. A beginning net asset adjustment of $71,000 was to recognize a prior year liability related to a capital asset. Other adjustments increasing net assets by $41,072 were made to beginning net assets to appropriately reflect accounting activities.

SUMMARY OF REVENUES

For the year ended June 30, 2011



Summary of Revenues
Increase (Decrease) in Revenues
For the years ended June 30, 2011 and 2010

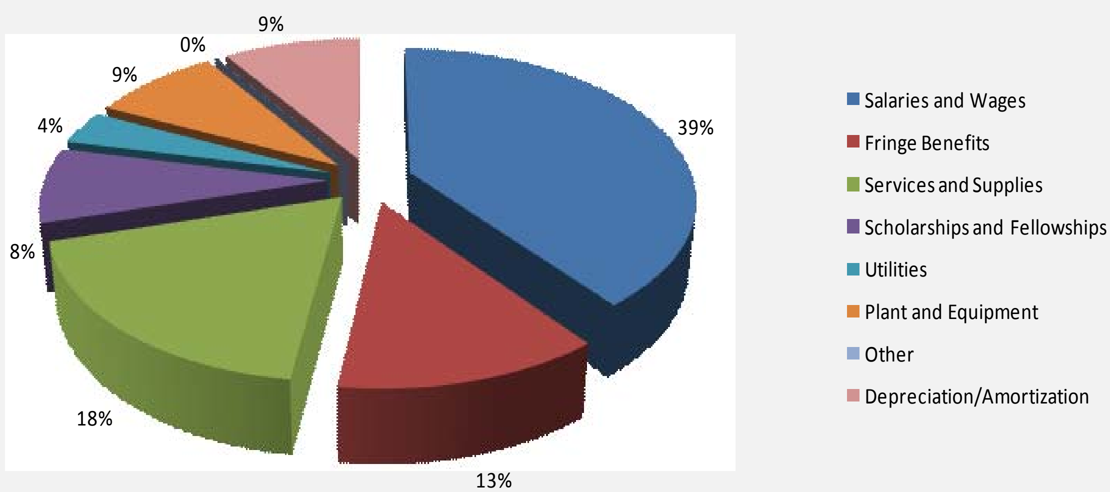
	2011	2010	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating revenues:				
Student tuition and fees, net	$ 25,517,872	$ 23,177,781	$ 2,340,091	10.10%
Grants and contracts	6,715,243	5,003,773	1,711,470	34.20%
Auxiliary enterprises, net	40,897,859	39,328,510	1,569,349	3.99%
Other operating revenues	327,279	391,835	(64,556)	-16.48%
Total operating revenues	73,458,253	67,901,899	5,556,354	8.18%
Nonoperating revenues:				
State appropriations	27,963,458	26,502,233	1,461,225	5.51%
Higher education fiscal stabilization revenue	313,517	2,221,989	(1,908,472)	-85.89%
Pell grant revenue	3,737,974	3,230,945	507,029	15.69%
Other nonoperating revenues	391,734	402,505	(10,771)	-2.68%
Total nonoperating revenues	32,406,683	32,357,672	49,011	0.15%
Other revenues				
Capital appropriations	19,174,921	17,948,296	1,226,625	6.83%
Other revenues	93,642	258,180	(164,538)	-63.73%
Total other revenues	19,268,563	18,206,476	1,062,087	5.83%
Total revenues	$ 125,133,499	$ 118,466,047	$ 6,667,452	5.63%

SUMMARY OF EXPENSES

A summary of the University's operating expenses for the years ended June 30, 2011 and 2010 is shown below. Overall, total operating expenses increased approximately $5.7 million in fiscal year 2011 compared to the previous fiscal year. This represents a 5.9% increase.

SUMMARY OF OPERATING EXPENSES BY NATURAL CLASSIFICATION

For the year ended June 30, 2011

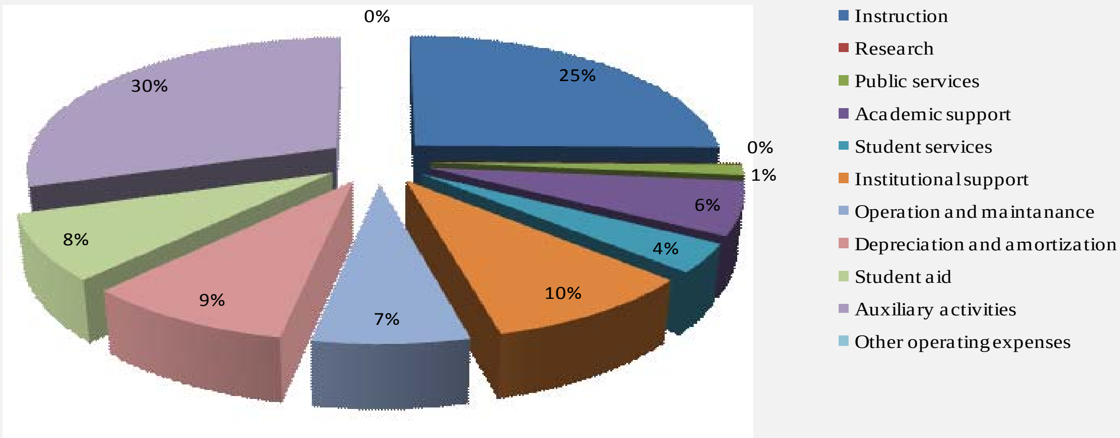


Operating Expenses by Natural Classification
For the years ended June 30, 2011 and 2010

			Increase/(Decrease)	
	2011	**2010**	**Amount**	**Percent**
Salaries and Wages	$ 39,954,382	$ 37,593,323	$ 2,361,059	6.28%
Fringe Benefits	12,710,332	11,726,214	984,118	8.39%
Services and Supplies	18,610,122	16,931,866	1,678,256	9.91%
Scholarships and Fellowships	8,098,068	8,028,954	69,114	0.86%
Utilities	3,632,386	3,052,704	579,682	18.99%
Plant and Equipment	8,654,961	8,914,572	(259,611)	-2.91%
Other	20,225	17,136	3,089	18.03%
Depreciation/Amortization	9,350,835	9,100,477	250,358	2.75%
Total Operating Expenses	$ 101,031,311	$ 95,365,246	$ 5,666,065	5.94%

SUMMARY OF OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2011



Operating Expenses by Function
For the years ended June 30, 2011 and 2010

	2011	2010	Increase/(Decrease) Amount	Percent
Operating expenses:				
Instruction	$ 25,470,725	$ 23,661,118	$ 1,809,607	7.6%
Research	39,484	120,316	(80,832)	-67.2%
Public services	1,327,738	1,713,376	(385,638)	-22.5%
Academic support	6,543,702	4,687,292	1,856,410	39.6%
Student services	3,552,154	3,534,110	18,044	0.5%
Institutional support	9,598,452	8,489,439	1,109,013	13.1%
Operation and maintanance	6,991,011	8,740,198	(1,749,187)	-20.0%
Depreciation and amortization	9,350,835	9,100,477	250,358	2.8%
Student aid	8,098,068	8,028,954	69,114	0.9%
Auxiliary activities	30,038,917	27,272,830	2,766,087	10.1%
Other operating expenses	20,225	17,136	3,089	18.0%
Total operating expenses	$ 101,031,311	$ 95,365,246	$ 5,666,065	5.9%

STATEMENT OF CASH FLOWS

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows.   The Statement of

Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations, stimulus, and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets to the cash used by operating activities.

CONDENSED STATEMENT OF CASH FLOWS

	2011	2010	Increase/ (Decrease)
Cash Provided (used) by:			
Operating activities	$ (18,818,958)	$ (18,488,787)	$ (330,171)
Noncapital financing activities	32,374,025	31,909,621	464,404
Capital financing activities	(7,847,037)	(14,510,078)	6,663,041
Investing activities	29,138	(118,354)	147,492
Net increase/(decrease) in cash	5,737,168	(1,207,598)	6,944,766
Cash - Beginning of year	45,558,634	46,766,232	(1,207,598)
Cash - End of year	$ 51,295,802	$ 45,558,634	$ 5,737,168

EVALUATION OF STATEMENT OF CASH FLOWS FOR FISCAL YEARS 2010 AND 2011

For fiscal year 2011, significant sources of operating cash include student tuition and fees of $25.8 million, auxiliary enterprise receipts of $40.7 million, and grants and contracts of $6.0 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $52.6 million and payments to suppliers and utilities of $22.4 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $28.2 million.

CAPITAL AND DEBT ACTIVITIES

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 5 of the **Notes to Financial Statements** describes the University's significant investment in capital assets. During fiscal year 2011 total capital assets increased by $11,365,053 due to various ongoing capital projects such as the Bedford Addition/ Renovation, Steam Plant Phase II, Blackwell, Athletic Offices, and Jarman.

Long-term debt decreased from $71,122,567 in 2010, to $65,894,143 in 2011 as a result of debt payments made during the fiscal year. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 7.38 percent at the end of fiscal year 2010 and 7.22 percent at the end of fiscal year 2011. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

As one of Virginia's comprehensive higher education institutions, Longwood is dependent upon ongoing financial and political support from the Commonwealth. The University's economic outlook is tied to various factors, including our ability to recruit and retain students, our State funding (in the form of both operating and capital construction appropriations), and our ability to raise revenue through tuition and fees, grants and contracts, and private funds. A review of the economic factors significant to the State of Virginia may be found in the Commonwealth's Comprehensive Annual Financial Report.

The need to recruit and retain quality students during this period of rising costs and difficult economic conditions is a concern. Longwood continues to be sensitive to the issue of affordability and accessibility. Longwood's most significant challenge has been managing five consecutive years of State budget cuts. While additional general fund support mitigated FY 2012 tuition increases, State appropriation to higher education is lower now than it was in FY 2006. The State's contribution to the cost of education has fallen to an unprecedented low of 51 percent, leaving Virginia undergraduates to pay 49 percent of the cost of their education despite the State's cost-share goal of 67/33 percent.

Given the demands on the Commonwealth's budget and constrained revenues, the University anticipates that there will be continued pressure on general fund support from the State. In light of most recent market downturns, there is evidence that the State will likely have to make further cuts in the 2012-2014 biennium. There is some good news in public higher education, however. The Governor has made higher education a top priority of his administration, and believes that investing in higher education is an investment in Virginia's economic future. Working with the General Assembly, he established legislation (The Virginia Higher Education Opportunity Act of 2011) that will, if continually implemented and funded, put higher education back on a more stable financial footing. The University will continue to examine the impacts of recommendations made by the Higher Education Advisory Committee.

Longwood University is committed to delivering its students exceptional educational and social opportunities, and will continue to employ cost containment and income enhancement techniques, and to invest in strategic initiatives. Long-term planning is critical to ensuring that the University not only protects its core academic programs but also invests strategically in the future. For this reason, Longwood is currently in the process of developing an Academic Strategic Plan. Management believes that Longwood has and will maintain a solid financial foundation. The University will continue to closely monitor its resources to ensure its ability to react to both internal and external factors that impact the institution's financial position.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET ASSETS
As of June 30, 2011

ASSETS	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Current assets:			
Cash and cash equivalents (Note 3)	$ 40,719,916	$ 2,547,207	$ 237,938
Securities lending - Cash and cash equivalents (Note 3)	194,960	-	-
Short-term investments (Note 3)	59,783	-	-
Accounts receivable, net of allowance for doubtful accounts of $408,467 (Note 4)	1,728,558	12,415	348,550
Notes receivable, net (note 4)	178,620		3,945
Contributions receivable, net (Note 4)	-	239,740	-
Due from the Commonwealth (Note 4)	2,040,157	-	-
Inventory	591,648	1,723	-
Prepaid expenses	2,297,009	2,199	23,225
Total current assets	$ 47,810,651	$ 2,803,284	$ 613,658
Noncurrent assets:			
Restricted cash and cash equivalents (Note 3)	10,575,886	1,115,738	-
Restricted appropriations available/Due from Commonwealth (Note 3)	1	-	-
Unrestricted Investments	-	16,985,775	-
Restricted investments	-	28,893,108	640,403
Restricted deposits	-	-	2,301,845
Other non-current assets	-	102,410	1,300,581
Notes receivable, net of allowance for doubtful accounts of $113,853 (Note 4)	943,748	-	298,513
Contributions receivable, net (Note 4)	-	2,877,133	-
Non-depreciable capital assets, net (Note 5)	36,614,693	4,213,116	7,919,405
Depreciable capital assets, net (Note 5)	168,798,959	1,716,137	37,783,302
Total noncurrent assets	216,933,287	55,903,417	50,244,049
Total assets	$ 264,743,938	$ 58,706,701	$ 50,857,707
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses (Note 6)	8,617,683	37,045	487,325
Line of credit	-	-	6,928,954
Deferred revenue	1,312,428	-	1,900
Obligations under securities lending (Note 3)	254,743	-	-
Deposits held in custody for others	736,023	-	-
Long-term liabilities - current portion net of deferred loss of $79,394 (Note 7)	4,423,310	468,359	684,688
Total current liabilities	15,344,187	505,404	8,102,867
Noncurrent liabilities - net of deferred loss of $664,624 (Note 7)	61,470,833	563,284	50,312,279
Total liabilities	$ 76,815,020	$ 1,068,688	$ 58,415,146
NET ASSETS			
Invested in capital assets, net of related debt	147,863,879	5,876,419	(898,527)
Restricted:			
Nonexpendable:			
Permanently restricted	-	31,442,511	-
Expendable:			
Loans	384,370	-	-
Temporarily restricted	-	15,796,736	-
Other	1,436,241	-	-
Unrestricted	38,244,428	4,522,347	(6,658,912)
Total net assets	$ 187,928,918	$ 57,638,013	$ (7,557,439)

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Operating revenues:			
Student tuition and fees, net of scholarship allowances of $2,556,394	$ 25,517,872	$ -	$ -
Gifts and contributions	-	631,975	-
Federal grants and contracts	2,810,947	-	-
State grants and contracts	489,640	490,454	-
Nongovernmental grants and contracts	3,414,656	-	-
Auxiliary enterprises, net of scholarship allowances of $4,015,094 (Note 10)	40,897,859	-	-
Other operating revenues	327,279	137,476	5,738,321
Total operating revenues	73,458,253	1,259,905	5,738,321
Operating expenses (Note 13)			
Instruction	25,470,725	-	-
Research	39,484	-	-
Public service	1,327,738	-	-
Academic support	6,543,702	-	-
Student services	3,552,154	-	-
Institutional support	9,598,452	2,305,452	842,424
Operation and maintenance - Plant	6,991,011	-	1,677,426
Depreciation	8,259,121	-	1,720,664
Amortization	1,091,714	-	47,979
Student aid	8,098,068	1,187,267	-
Auxiliary activities (Note 10)	30,038,917	-	-
Administrative and fundraising	-	612,527	-
Other expenditures	20,225	-	20,809
Total operating expenses	101,031,311	4,105,246	4,309,302
Operating gain (loss)	(27,573,058)	(2,845,341)	1,429,019
Nonoperating revenues (expenses):			
State appropriations (Note 12)	27,963,458	-	-
Higher Education Stabilization Revenue	313,517	-	-
Pell Grant revenue	3,737,974	-	-
Insurance Revenue	7,685	-	-
Investment/interest revenue	384,049	(108,761)	19,366
Realized gain on investments	-	1,801,845	-
Unrealized gain on investments	-	4,669,967	-
Unrealized loss on swap	-	-	(1,693,832)
Decrease in split interest agreements	-	(73,194)	-
Interest on capital asset-related debt	(3,158,195)	-	(2,132,152)
Loss on disposal/sale of plant assets	(12,785)	-	(2,223)
Net nonoperating revenues	29,235,703	6,289,857	(3,808,841)
Income (loss) before other revenues, expenses, gains or losses	1,662,645	3,444,516	(2,379,822)
Contributions to permanent endowments	-	1,115,738	-
Contributions to term endowments	-	4,008,984	-
Capital appropriations	19,174,921	-	-
Other Gifts	93,642	-	-
Net other revenues	19,268,563	5,124,722	-
Increase (decrease) in net assets	20,931,208	8,569,238	(2,379,822)
Net assets - Beginning of year (Note 18)	166,997,710	49,068,775	(5,177,617)
Net assets - End of year	$ 187,928,918	$ 57,638,013	$ (7,557,439)

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Student tuition and fees	$ 25,802,263
Grants and contracts	5,951,115
Auxiliary enterprises	40,690,804
Payments to employees	(52,607,165)
Payments to suppliers and utilities	(22,390,362)
Payments for scholarships and fellowships	(8,098,068)
Payments for operation and maintenance of facilities	(8,618,074)
Collection of loans to students	144,645
Other operating receipts	326,109
Payments for other expenses	(20,225)
Net cash provided (used) by operating activities	(18,818,958)
Cash flows from noncapital financing activities:	
State appropriations	28,234,613
Other non-operating	4,053,052
Change in agency balances	86,360
Net cash provided (used) by noncapital financing activities	32,374,025
Cash flows from capital financing activities:	
Capital appropriations	21,658,465
Acquisition and construction of capital assets	(22,372,849)
Principal paid on capital-related debt, leases, and installments	(4,024,765)
Interest paid on capital-related debt, leases, and installments	(3,115,573)
Insurance payments	7,685
Net cash provided (used) by capital financing activities	(7,847,037)
Cash flows from investing activities:	
Investment/interest revenue	29,138
Net cash provided (used) by investing activities	29,138
Net increase (decrease) in cash	5,737,168
Cash and cash equivalents - Beginning of the year	45,558,634
Cash and cash equivalents - End of the year	$ 51,295,802

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating gain (loss)	$ (27,573,058)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	9,350,835
Changes in assets and liabilities:	
Receivables, net	(326,026)
Inventory	(49,493)
Prepaid expenses	176,625
Notes receivable, net	144,645
Accounts payable and accrued expenses	(96,871)
Deferred revenue	64,245
Deposits payable	180,838
Accrued compensated absences	(88,747)
Other assets	(601,951)
Net cash provided (used) by operating activities	$ (18,818,958)

The accompanying notes to financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The University has two component units as defined by the Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14, *The Financial Reporting Entity*. These organizations are described in Note 2.

B. Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities* and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units.*

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Cash and Cash Equivalents

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting*, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity date of three months or less.

E. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

F. Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method.

G. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at cost or fair market value at date of donation. Library materials are valued at actual cost and average cost at time of donation. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing $5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing $25,000 or more and other intangibles costing $100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than $100,000. Normal repairs and maintenance are expensed in the year in which the expense was incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The estimated useful life of Library materials is 10 years. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years, all other intangibles vary based on type and expected useful life.

H. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Assets.

I. Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2011.

	2011
Student tuition and related fees	$1,244,154
Auxiliary enterprise fees	68,274
Total	$1,312,428

J. Accrued Compensated Absences

The amount of leave earned but not taken by classified salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's leave pay-out policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

K. Federal Financial Assistance Programs

The University participates in federally-funded financial assistance programs including Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Perkins Loans, and Direct Lending. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised

Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Compliance Supplement.

Under the Federal Direct Lending Program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loans and disburses these funds to eligible students. The Direct Lending programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Assets.*

L. Net Assets

GASB Statement 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets, not fund balances. Net assets are classified as Invested in capital assets, net of related debt; Restricted; and Unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as "restricted" when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors or imposed by law. Unrestricted net assets consist of net assets that do not meet the definitions of restricted or invested in capital assets.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purpose established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

The University's restricted net assets are expendable. Expendable restricted net assets are resources, that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets are resources derived primarily from state appropriations, sales and services of educational departments, student tuition and fees, and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources, and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

M. Revenue and Expense Classifications

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 allowances; and (3) federal, state, and nongovernmental grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *such as state appropriations and investment and interest income*.

Non-operating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

N. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

O. Long-term Liabilities

Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amortization of bond premiums and issuance costs are reported as debt service expenditures. The debt as shown in the Statement of Net Assets is divided between current and non-current liabilities (see Note 7). The Statement of Revenues, Expenses, and Changes in Net Assets shows the interest expense which is recognized as a non-operating expense when paid.

2. COMPONENT UNITS

The Financial reporting entity is defined by GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations are Component Units*. The reporting entity consists of the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion could cause the financial statements to be misleading or incomplete. These statements address the conditions under which institutions should include associated fund-raising foundations as component units in their basic financial statements and how such component units should be displayed in the basic financial statements.

The University has two component units as defined by GASB Statement 39. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the University. As a result, the University includes Longwood University Foundation, Inc. and Longwood Real Estate Foundation in the body of the financial statements as component units.

The Longwood University Foundation assists the University in raising, investing, and distributing funds to support various University operating and endowment programs. The thirty-two member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources, or income from the resources, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefits of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

The Longwood University Foundation's financial statements are audited by Cherry, Bekaert, & Holland, LLP. Complete financial statements can be obtained from the Longwood University Foundation at 201 High Street, Farmville, Virginia 23909.

The Longwood Real Estate Foundation is operated to receive, maintain, and administer assets in perpetuity exclusively for charitable and educational purposes and assists the University in real property acquisition, management, and maintenance. The Foundation's board of directors consists of nine members; six directors appointed by the Longwood University Board of Visitors and three ex-officio directors consisting of the University Vice President for Administration and Finance, the University's Real Property Manager, and the Vice President for Facilities Management. The University does not control the day-to-day activities of the Real Estate Foundation; however, the majority of Real Estate Foundation activity is for the benefit of the University.

The Longwood University Real Estate Foundation's financial statements are audited by Dixon Hughes Goodman. Complete financial statements can be obtained from the Longwood University Real Estate Foundation at 515 Main Street, Farmville, VA 23909.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. In accordance with GASB Statement 9 definition of cash and cash equivalents, cash represents cash with the Treasurer, cash on hand, and cash deposits including certificates of deposits, and temporary investments with original maturities of three months or less.

At June 30, 2011, the carrying amount of cash with the Treasurer of Virginia was $40,470,221. The carrying amount of cash not held by the Treasurer of Virginia is $1,719,538. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2011, in the amount of $1,762,225 adjusted for reconciling items such as: outstanding checks and deposits in transit. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Appropriations Available

Appropriations available are no longer included in cash amounts. They are listed separately on the line item “Restricted Appropriations Available/Due from Commonwealth”. At June 30, 2011, the amount of appropriations available was $1.

Investments

The University does not invest in funds outside of those funds held by the Treasurer of Virginia and thus does not have a separate investment policy.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2011, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP) and the Local Government Investment Pool (LGIP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2011, the carrying amount of the cash equivalents held in the SNAP program with the Bank of New York was $6,942,003 and with the Treasurer of Virginia was $2,164,038.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

Securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Assets, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains and losses are realized, the actual gains and losses are recorded by the affected agencies.

Securities Lending Balances as of June 30, 2011:

Unrestricted cash equivalents	$ 194,960
Short term investment	59,783
Total Securities Lending	$ 254,743

Investments of the Longwood Foundation

Investments and the beneficial interest in the perpetual trust portfolio are composed of the following at June 30, 2011:

	2011	
	Cost	Market Value
Cash and cash equivalents	$ 6,253,407	$ 6,253,407
Investments:		
Government and corporate obligations	183,934	183,105
Corporate stocks	611,811	717,873
Hedge Funds		
Limited partnership	34,062,402	40,149,041
Total investments	34,858,147	41,050,019
Beneficial interest in perpetual trust:		
Cash and cash equivalents	78,321	78,321
Government bonds and corporate obligations	767,608	788,365
Corporate stocks	1,059,302	1,107,376
Real estate funds	257,356	264,340
Total beneficial interest in perpetual trust	2,162,587	2,238,402
Total	$ 43,274,141	$ 49,541,828

Investment fees netted against investment income for the years ended June 30, 2011, and 2010 were $686,086 and $198,797 respectively.

In April 2010, the Foundation became a partner in The Richmond Fund, LP, a Virginia limited partnership managed by Spider Management Company, LLC, a Virginia limited liability company and wholly owned subsidiary of the University of Richmond. The Fund is only available to tax-exempt organizations described in section 501© of the Internal Revenue Code to which contributions may be made that are deductible under Code section 170 and are "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1993, as amended. On June 30, 2010, the Foundation transferred investment assets of $34,062,401 to the Fund. These investment assets, consisting of cash, were in transit into the Fund at June 30, 2010 and are included in cash and cash equivalents.

The Fund's investment objective is to provide steady gains during market upswings through a diverse array of public/private and domestic/international investments, while preserving capital during market downturns. The Fund is invested as if it is part of the endowment of the University of Richmond, and the time weighted returns for the Fund and the University of Richmond are blended on a quarterly basis. The assets of the Fund, when combined with the University of Richmond's endowment assets on a pro forma basis, will be invested in accordance with the University of Richmond's Investment Policy Statement. The Foundation's investment in the Fund is subject to an initial five-year lockup period and certain withdrawal restrictions.

At June 30, 2011, the Fund consisted of 24 partners and the Foundation's interest in the Fund represents 4.20% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

As of June 30, 2010, the Foundation has invested in "hedge funds," which include various financial instruments such as puts, calls, options, and futures contracts. The Foundation is not liable for losses greater than the invested amount. Realized and unrealized gains and losses of these funds are included with investment gains and losses in the statement of activities, with net unrealized gains of approximately $21,554 recognized for the year ended June 30, 2010.

Longwood University Foundation Beneficial Interest in Perpetual Trust

The Longwood University Foundation is the beneficiary of the annual income earned from the Nellie Ward Nance Trust (Nance Trust) held by Wells Fargo. The assets of the Nance Trust are not in the possession or under control of the Foundation. At June 30, 2011 and 2010 the Nance Trust had market value of $2,238,402 and $1,959,728, respectively, which is recorded in the consolidated statement of financial position. Income and unrealized gains on the Nance Trust for the year ended June 30, 2011, were $99,402 and $278,674; and $75,111 and $129,855 for the year ended June 30, 2010.

<u>Investments of the Longwood Real Estate Foundation</u>

Investments in real estate include the following properties:

	Acquisition Cost	Holding Cost	Total
Watson house	$ 522,476	$ 117,927	$ 640,403

The University plans to purchase the Watson house from the Real Estate Foundation at some unspecified future date. The property is recorded at cost. All cost associated with holding the property are being accumulated during the holding period. The intent of the University is to reimburse the Foundation for all associated costs.

Subsequent to year-end, the Real Estate Foundation purchased property at 113 W. Third Street in the Town of Farmville at a contract sales price of $220,000. This property is intended to be sold back to the University, with an expected sales date sometime in 2011.

4. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2011:

Student tuition and fees	$ 1,356,993
Library	3,354
Auxiliary enterprises	330,410
Federal, state, and nongovernmental grants and contracts	426,264
Due from Foundations	20,004
Total	$ 2,137,025
Less: Allowance for doubtful accounts	(408,467)
Net accounts receivable	$ 1,728,558

B. Notes Receivable consisted of the following at June 30, 2011:

Current portion:	
Federal student loans	$ 178,620
Non-current portion:	
Federal student loans	1,057,601
Less allowance for doubtful accounts	(113,853)
Net non-current notes receivable	$ 943,748

C. Due from the Commonwealth of Virginia consisted of the following at June 30, 2011:

Small Purchase Charge Card Rebate	$ 46,443
Interest Earnings on Tuition & Fees	96,741
21st Century Bonds	1,887,181
General Obligation Bonds	9,792
Total Due from Commonwealth of Virginia	$ 2,040,157

D. Longwood University Foundation contributions receivable consisted of the following at June 30, 2011:

	2011
Cash pledges expected to be collected in:	
Less than one year	$ 296,313
One year to five years	1,107,891
Over five years	4,020,203
	5,424,407
Less:	
Discount to net present value at 6% for current year pledge 3-6% net present value for prior year pledges	(2,307,401)
Net Contributions Receivable	$ 3,117,006

The ownership of contributions receivable for each class of net assets as of June 30, 2011 is as follows:

Temporarily Restricted	$ 1,053,484
Permanently Restricted	2,063,522
Total	$ 3,117,006

At June 30, 2011 and 2010, the Foundation had received bequests and other intentions to give of approximately $4,817,422 and $7,762,422 respectively. These intentions to give are conditional and, therefore, are not recognized as assets. If they are received, they will generally be restricted for specific purposes as stipulated by the donors. The Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charges to operation when that determination is made.

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2011, is presented as follows:

	Beginning Balance 6/30/2010	Adjustments	Additions	Reductions	Ending Balance 6/30/2011
Non-Depreciable Capital Assets					
Land	$ 4,846,815	$ 12,578	$ 60,100	$ -	$ 4,919,493
CIP	40,168,520	(3,202,137)	21,434,740	(26,705,923)	31,695,200
Total Non-Depreciable Capital Assets	45,015,335	(3,189,559)	21,494,840	(26,705,923)	36,614,693
Depreciable Capital Assets					
Buildings	177,590,723	(3,530,290)	23,733,289	-	197,793,722
Equipment	13,638,075	(764,208)	1,417,040	(198,059)	14,092,848
Infrastructure	38,108,410	4,110,919	196,961	-	42,416,290
Library Materials	12,560,020	-	518,153	(99,683)	12,978,490
Software	5,612,176	169,500	84,680	-	5,866,356
Total Depreciable Capital Assets, Cost	247,509,404	(14,079)	25,950,123	(297,742)	273,147,706
Accumulated Depreciation					
Buildings	55,788,915	(2,212,237)	4,685,921	-	58,262,599
Equipment	8,590,563	(721,279)	1,270,850	(174,907)	8,965,227
Infrastructure	21,044,263	73,897	1,789,576	-	22,907,736
Library Materials	9,908,462	-	512,774	(99,683)	10,321,553
Software	2,750,479	49,439	1,091,714	-	3,891,632
Total Accumulated Depreciation	98,082,682	(2,810,180)	9,350,835	(274,590)	104,348,747
Depreciable Capital Assets, Net	149,426,722	2,796,101	16,599,288	(23,152)	168,798,959
All Capital Assets, Net	$194,442,057	($393,458)	$38,094,128	($26,729,075)	$205,413,652

Longwood University Foundation

Land	$ 1,383,185
Longwood Center for Visual Arts Collection	2,831,654
Buildings	1,441,071
Property and Equipment	38,657
Vehicles	124,275
Total cost of capital assets	5,818,842
Less: accumulated depreciation	(362,866)
Total capital assets, net	$ 5,455,976

Longwood University Real Estate Foundation

Land	$ 7,153,857
Land Improvements	10,686,259
Buildings	30,964,878
Furniture and Equipment	2,112,356
Leasehold Improvements	448,999
Construction in Progress	765,548
Total cost of capital assets	52,131,897
Less: accumulated depreciation	(6,429,190)
Total capital assets, net	$ 45,702,707

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2011:

Employee salaries, wages, and fringe benefits payable	$ 3,540,557
Vendors and suppliers accounts payable	3,240,049
Retainage payable	1,139,540
Interest payable	697,537
Total accounts payable and accrued liabilities	$ 8,617,683

7. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 8), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2011, is presented as follows:

Category	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:						
9 (c)General Obligation Bonds	$ 24,411,011	$ -	$ -	$ 1,727,244	$ 22,683,767	$ 1,820,103
Deferred Loss - Bond Refinance	(387,741)	508	-	(38,519)	(348,714)	(38,519)
Unamortized Premium	1,175,053	(10,990)	-	97,231	1,066,832	95,872
	25,198,323	(10,482)	-	1,785,956	23,401,885	1,877,456
VCBA Pooled Bonds/Notes Payable	40,305,118	(118)	2,520,000	4,430,000	38,395,000	1,930,000
Deferred loss	(73,728)	-	(362,451)	(40,875)	(395,304)	(40,875)
Unamortized Premium	1,251,499	-	439,872	114,496	1,576,875	131,633
	41,482,889	(118)	2,597,421	4,503,621	39,576,571	2,020,758
Installment Purchases	402,123	71,000	-	437,623	35,500	35,500
Installment Purchase Interest	9,898	-	-	9,898	-	-
	412,021	71,000	-	447,521	35,500	35,500
Total Long Term Debt	67,093,233	60,400	2,597,421	6,737,098	63,013,956	3,933,714
Accrued Compensated Absences	1,584,990	-	834,746	923,493	1,496,243	489,596
Federal Loan Program Contribution	1,383,944	-	-	-	1,383,944	-
Total Long Term Liabilities	$ 70,062,167	$ 60,400	$ 3,432,167	$ 7,660,591	$ 65,894,143	$ 4,423,310

8. LONG-TERM INDEBTEDNESS

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

General Obligation Bonds payable at June 30, 2011, consist of the following:

	Interest Rates	Maturity	Amount
General obligation revenue bonds:			
Residence halls:			
Residence hall improvements, 2004-B 1	2.50 - 5.50%	2019	$1,432,996
Renovate housing facilities, 2005-A 1	3.50 - 5.00%	2025	1,695,000
Renovate housing facilities, 2006-B 1	4.00 - 5.00%	2026	3,150,000
Renovate housing facilities, 2007-B 1	4.00 - 5.00%	2027	5,300,000
Renovate housing facilities, 2008-B 1	4.00 - 5.00%	2028	4,175,000
1998 Refunded Portion 92A, 2008, B 2	4.00 - 5.00%	2012	369,076
2005 Refunded Portion Fac. Renov, 2009, D 1	4.00 - 5.00%	2022	1,340,000
2006 Refunded Portion Fac. Renov, 2009, D 2	4.00 - 5.00%	2022	1,655,000
Dining hall:			
Dining hall, series 2002-R 1	4.00 - 5.00%	2016	2,039,410
Dining hall, series 2004-B 2	4.00 - 5.00%	2019	1,527,285
Total bonds payable			$22,683,767

A summary of future principal requirements of long-term debt as of June 30, 2011 follows:

Year ending June 30	Principal	Interest
2012	$ 1,820,102	$ 1,082,963
2013	1,520,763	992,171
2014	1,598,139	916,133
2015	1,682,168	836,226
2016	1,764,274	752,118
2017 - 2021	6,643,321	2,681,966
2022 - 2026	6,515,000	1,169,350
2027 - 2030	1,140,000	72,500
Total	$ 22,683,767	$ 8,503,427
Less: Deferred Loss	(348,714)	
Add: Unamortized Premium	1,066,832	
Total	$ 23,401,885	

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2010:

Variable Rate Educational Facilities Revenue Bonds Series 2007, thirty (30) year term. Interest is subject to a fixed-to-floating interest rate swap agreement which requires fixed rate payments of 4.065% on an initial notional amount of $40,745,000. The swap arrangement expires September 1, 2036, covering the life of the bonds	$ 40,745,000
Deed of trust note payable, due in monthly payments of principal of $10,330 plus monthly interest payments of 2.25% plus LIBOR (2.48% at December 31, 2009), maturing 7/5/2014	2,303,497
Deed of trust note payable, 7.09%, due in monthly payments of principal and interest of $1,687, maturing 6/5/2014	62,618
Deed of trust note payable, 7.0 percent, due in monthly payments of principal and interest of $1,742, maturing 2/14/2013	38,807
Deed of trust note payable, 7.09 percent, due in monthly payments of principal and interest of $5,074, maturing 2/7/2032	675,059
	43,824,981
Less - current portion	(684,688)
	$ 43,140,293

During 2007, the Longwood University Real Estate Foundation received financing through the issuance of Educational Facilities Variable Rate Revenue Bonds (Longwood Student Housing Projects) Series 7 through the Industrial Development Authority of the town of Farmville. The 2007 bonds were issued in the amount of $41,855,000 to refund $7,840,000 in Educational Facilities Variable Rate Demand Revenue Bonds, Series 2006A and $23,580,000 in Educational Facilities Variable Rate Demand Revenue Bonds, Series 2006B and to finance the acquisition, construction, and equipping of student housing and a pedestrian bridge between student housing and the University campus. The loan agreement is collateralized by a deed of trust which grants the credit institution a first priority lien on and a security interest in each of the property and equipment collateralized.

The bond agreements also require the establishment and maintenance of several reserve accounts for the collecting, holding and disbursement of funds related to the issuance of the bonds, payments of project costs, collection of project revenue, and repayment of principal and interest. Under the bond agreement the University will rent units in the projects only to students, faculty, and other persons under the same rental program it uses for its own student housing facilities.

The bond series is subject to a management agreement between the University and the Foundation. The agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents (referred to as Project Revenue) and providing all personnel resident advisory and education staffing. The University will be responsible for all maintenance. The Foundation will be required to furnish housekeeping, janitorial, utilities, and insurance.

The University will be charged with maintaining a Project Revenue account. Such funds are to be held by the University solely on behalf of the Foundation and are not to be commingled with general University funds. These funds are to be used to pay the expenses of the University related to the projects as well as any principal or interest payments on the bonds as directed by the Foundation.

The management agreements are effective for a five year period beginning at the settlement date of the bonds. Thereafter, they can be renewed for successive five year terms, unless terminated by either party.

Maturities under long-term debt are as follows:

2011	$ 684,688
2012	805,231
2013	847,612
2014	2,721,857
2015	876,142
Thereafter	37,889,451
Total	43,824,981
Less - current portion	(684,688)
	$ 43,140,293

Restricted Deposits and Funded Reserves

In accordance with the bond agreements, the Real Estate Foundation has the following restricted deposits and funded reserves which are held by a Trustee:

Debt service reserve account	$1,366,848
Repair and replacement account	562,279
Series 2007 Bond Fund	217,222
Interest account	130,874
Construction fund	
Reserve sub account	14,955
Tax and insurance account	9,667
	$2,301,845

VCBA Pooled Bonds Payable

The University received Virginia College Building Authority loans to cover construction expenses. These notes are due as shown below:

	Interest Rates	Maturity	Amount
Virginia College Building Authority/ Notes payable:			
Fitness center and parking garage 2002-A	3.00 - 5.25%	9/2022	$ 475,000
Fitness center 2003-A	2.00 - 5.00%	9/2023	2,415,000
Lacrosse/field hockey complex and phase II heating plant 2004A	3.00 - 5.00%	9/2024	4,310,000
Fitness center 2005-A	3.00 - 5.00%	9/2025	5,845,000
Soccer fields, Lancer gym, and Blackwell 2005-A	3.00 - 5.00%	9/2025	4,080,000
Fitness center, Blackwell, and heating plant III 2006-A	3.00 - 5.00%	9/2026	5,240,000
Baseball/softball 2006-A	3.00 - 5.00%	9/2027	1,040,000
Lacrosse/field hockey complex, baseball/ softball, heating plant phase II & III 2007-A	3.00 - 5.00%	9/2027	6,490,000
Fitness center and parking garage 2007-B	3.00 - 5.00%	9/2019	1,875,000
Athletic offices, heating plant phase III Student union 2009-A	3.00 - 5.00%	9/2028	4,105,000
Fitness Center and parking garage 2010-B			2,520,000
Total notes payable			$ 38,395,000

A summary of future principal requirements of notes and loans payable as of June 30, 2011 follows:

Year ending June 30	Principal	Interest
2012	$1,930,000	$1,774,320
2013	2,050,000	1,676,020
2014	2,130,000	1,573,785
2015	2,240,000	1,470,300
2016	2,340,000	1,362,444
2017 - 2021	12,820,000	5,029,463
2022 - 2026	12,800,000	1,819,575
2027 - 2030	2,085,000	93,631
	38,395,000	14,799,538
Less: Deferred Loss	(395,304)	
Add: Unamortized Premium	1,576,875	
Total:	$39,576,571	

Longwood University Real Estate Foundation Line of Credit

The Longwood University Real Estate Foundation has a $3,000,000 commercial revolving line of credit with a bank. The line is to be used to purchase and improve real estate and is securitized by a first deed of trust on the property and improvements acquired. The line requires monthly interest only payments on any outstanding balance, with principal reductions made at the Foundation's discretion or when specific collateral is released. Principal may be repaid monthly by a separate term note on improved properties up to 20 years and on unimproved properties up to ten years. Interest on the line is charged at a variable rate of the 30 day LIBOR plus 2.5 percent with a minimum rate of 5.5% (5.5% at December 31, 2010). The outstanding balance on this line was $2,515,206 at December 31, 2010. There is no expiration period in the agreement.

Subsequent to year-end, the Longwood University Real Estate Foundation entered into a promissory note agreement dated March 24, 2011 for an uncollateralized revolving line of credit with a bank in the amount of $4,000,000. This line was used to pay off the $3,000,000 line referenced above, and will be used to acquire, develop, improve, and operate real estate assets located in and around the Town of Farmville, including real estate which has been identified by the University as land or land improvements that fall within its Master Plan. Interest will be charged at the Wall Street Journal Prime Rate plus 0.50%, with a floor of 4.00%. Interest only payments are due monthly and principal is due upon expiration of the line. The initial expiration of this line is June 30, 2012.

The Longwood University Real Estate Foundation entered into a credit line promissory note agreement dated December 30, 2008, with a bank in the amount of $2,000,000. This line was used to finance the acquisition of the Woodland Ponds Condominium units and land, and is collateralized by the deed of trust on the property and improvements. The term of the loan is 36 months and matures on December 30, 2011. Interest is fixed at 4.74%. The outstanding balance on this line was 2,000,000.

The Longwood Real Estate Foundation has a $500,000 uncollateralized commercial revolving line of credit with a bank. Interest on the line is charged at a variable rate of the 30-day LIBOR plus 2.00% (2.26% at December 31, 2010). The outstanding balance on this line was $475,000 at December 31, 2010.

The Longwood University Real Estate Foundation entered into an uncollateralized credit line promissory note agreement dated March 29, 2010 with a bank in the amount of $2,000,000. Advances under the line shall be used for the purpose of financing various projects essential to the University, including, without limitation, the completion of a pedestrian bridge. The term of the loan is 12 months and has been renewed through March 29, 2012. Interest on the line is charged at a variable rate of the 30-day LIBOR plus 2.00% (2.26% at December

31, 2010) and is payable monthly. Interest only payments are due monthly and principal is due upon maturity. The outstanding balance on this line was $1,938,748 as of December 31, 2010.

9. COMMITMENTS

Construction Contracts

As of June 30, 2011, outstanding commitments for capital outlay projects totaled approximately $6,533,969.

Operating Leases

The University is committed under various operating lease agreements primarily for buildings and equipment. In general, the agreements are for a period of one year, and typically have renewal options. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2011, was $368,252. The University has, as of June 30, 2011, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2012	$ 396,968
2013	142,200
2014	79,618
Total	$ 618,786

Installment Purchase Agreements

The University has entered into an installment purchase contract to finance the acquisition of software. The remaining length of the purchase agreement is one year. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2012	$ 35,500
Total	$ 35,500

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $6,197,477 pursuant to a support agreement related to student housing (Lancer Park, Longwood Landings, and Longwood Village). The University was also contractually committed to payments totaling $1,505,507 relative to an energy performance contract and $118,000 for a CampusEAI software agreement. The University has, as of June 30, 2011, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2012	$ 6,767,746
2013	800,242
2014	41,844
2015	42,227
2016	13,121
2017	13,528
2018	13,948
2019	14,380
2020 - 2026	113,948
Total due:	$ 7,820,984

Longwood University Foundation

In November 1998, the Foundation entered into an operating lease agreement for certain real estate for a term of six years. The Foundation leased the real estate to Longwood University for the same lease term. At June 30, 2004, an option to purchase the property for $555,000 was exercised by the Foundation. The Foundation continues to lease the property to Longwood University on a month-to-month basis, with $20,000 of rental income recognized in each of the years ended June 30, 2011 and 2010.

The Foundation is leasing certain real estate under capital lease agreement for a term of five years. On October 1, 2009, the Foundation began subleasing the real estate to Longwood University under an operating sublease agreement, the terms of which provide for a current annual rental payment of $12, payable monthly through June 30, 2014. Rental income recognized under this sublease agreement totaled $12 and $9 for the years ended June 30, 2011 and 2010, respectively.

Longwood University Real Estate Foundation - Longwood Landings

The Longwood University Real Estate Foundation owns property known as Longwood Landings at Mid-Town Square. The property combines student housing and commercial space in a series of four buildings together with associated parking and improvements. The Real Estate Foundation owns the student housing on the property together with the associated parking and improvements. The first floor commercial space is owned by the developer of the property. The ownership of the property is in the form of a commercial condominium, whereby the Real Estate Foundation owns the top three floors of each building while the developer retains ownership of the first floor of each building. The Real Estate Foundation is a member in the Midtown Square Condominium Association, Inc. As a unit holder in the Association, the Real Estate Foundation pays association dues that are used to pay common costs of the property. Dues of $45,625 and $40,750 were paid to the Association during 2010 and 2009, respectively.

The Real Estate Foundation leases commercial space from the Association which is then subleased to the University for use as the University bookstore. The lease requires minimum guaranteed rental payments of $132,750 annually, payable in equal monthly installments. The minimum guaranteed rental shall be increased on the fourth anniversary of the commencement date and every year thereafter. The lease also requires additional rent defined as the tenant's proportionate share of operating costs, insurance, taxes, and other charges. The initial term of the lease is for ten years, with two ten year optional renewal periods. The commencement date of the lease is 30 days after the build out is complete and the premises are ready for occupancy. The University has been paying this lease commitment directly to the Association.

The Real Estate Foundation also leases commercial space from the Association for use as a student commons area. The lease requires minimum guaranteed rental payments of $82,840 annually, payable in equal monthly installments. The minimum guaranteed rental shall be increased on the first anniversary of the commencement date and every year thereafter. The lease also requires additional rent defined as the tenant's proportionate share of operating costs, insurance, taxes, and other charges. The initial term of the lease is for ten years with two ten year renewal option terms.

The Real Estate Foundation leases parking space from an unrelated entity for the Longwood Landings property. The lease requires monthly payments of $5,250 with a term that ended on May 21, 2010. This agreement is now month-to-month.

The future minimum rental payments required under these leases are as follows:

2011	$ 227,782
2012	232,337
2013	236,984
2014	241,724
2015	246,558
Thereafter	251,489
Total	$ 1,436,874

Subsequent to year-end, the Real Estate Foundation signed a contract to purchase a parcel of land for a boiler plant fuel receiving and processing station with a contract sales price of $79,600. This parcel of land is intended to be used in support of the University's boiler plant.

10. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expense are distributed as shown in the following table for the year ended June 30, 2011.

Revenues:	
Room contracts, net of scholarship allowance of $1,619,231	$ 15,136,217
Food service contracts, net of scholarship allowance of $813,349	7,555,636
Athletics, net of scholarship allowance of $751,653	7,511,265
Other student fees and sales & services, net of scholarship allowance of $830,861	10,694,741
Total auxiliary enterprise revenues	$ 40,897,859

Expenses:	
Residential facilities	$ 12,479,772
Dining operations	7,272,132
Athletics	4,630,208
Other auxiliary services	5,656,805
Total auxiliary enterprise expenses	$ 30,038,917

11. PRIOR YEAR DEFEASANCE OF DEBT

On October 27, 2010, the Commonwealth, on behalf of the University, issued $2,520,000 in General Obligation bonds, Series 2010-B with a true interest cost (TIC) of 3.170902% to advance refund $1,410,000 of an outstanding Series 2002-A and $1,170,000 of an outstanding Series 2003-A. The bonds were issued to provide funds to provide debt service savings for the Commonwealth. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The debt defeasance resulted in an accounting loss of $362,451 for the University. The defeasance will reduce the University's total debt service payments for these bonds by $127,788 over the next twelve years.

In addition to the 2003-A, certain 2009-A, 2008-B, 2006-A, and 2004-B Higher Education Bonds were defeased by the University. As with the 2009-D Higher Education Bonds noted above, the net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. As of June 30, 2011 $10,883,767 of the defeased bonds are outstanding.

12. STATE APPROPRIATIONS

During the year ended June 30, 2011, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 890.

Original appropriation:	
Educational and general programs	$ 23,855,610
Student financial assistance	3,523,147
Supplemental adjustments:	
FY 11 Budget Reduction	(3,303)
Central Fund appropriation transfers	475,612
VIVA	8,235
Military Survivors	12,255
Carryforward	2,010
SVRTC	58,905
2 - Year Transfer Grant	41,500
CSAP	164,654
HEETF Lease Payment	(54,746)
Capital Out-of-State Fee	(118,410)
FY 2011 Reversion	(2,011)
Adjusted appropriations	$ 27,963,458

13. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Assets and by natural classification which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and Wages	Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	$ 18,030,029	$ 5,026,097	$ 1,686,250	$ -	$ 4,619	$ 723,730	$ -	$ -	$ 25,470,725
Research	32,435	1,328	5,721	-		-	-	-	39,484
Public service	796,565	208,187	298,679	-	3,394	20,913	-	-	1,327,738
Academic support	3,290,413	1,168,107	1,285,118	-	306	799,758	-	-	6,543,702
Student services	2,212,308	766,097	503,940	-	4,671	65,138	-	-	3,552,154
Student aid	-	-	-	8,098,068	-	-	-	-	8,098,068
Institutional Support	5,013,922	2,768,587	1,297,273	-	97,374	421,296	-	-	9,598,452
Operation & Maintenance of Plant	1,741,845	820,089	2,486,699	-	1,863,795	78,583	-	-	6,991,011
Depreciation		-	-	-	-	-	-	8,259,121	8,259,121
Amortization	-	-	-	-	-	-	-	1,091,714	1,091,714
Auxiliary activities	8,836,865	1,951,840	11,046,442	-	1,658,227	6,545,543	-	-	30,038,917
Other Expenses	-	-	-	-	-	-	20,225	-	20,225
Total	$39,954,382	$ 12,710,332	$ 18,610,122	$8,098,068	$3,632,386	$8,654,961	$20,225	$9,350,835	$ 101,031,311

14. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations for individual state institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The CAFR discloses the unfunded pension benefit obligation at June 30th, as well as the ten-year historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled $2,274,288 for the year ended June 30, 2011. These contributions included the employee contribution assumed by the employer. For fiscal year 2011 the rate was 11.58 percent.

Contributions to the VRS were calculated using a base salary amount of approximately $19,639,792 for the fiscal year ended June 30, 2011. The University's total payroll was approximately $39,687,584 for the year ended June 30, 2011.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in two optional retirement plans, which include: Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Fidelity. These are defined contribution plans where retirement benefits received are based upon employer and employee contributions plus interest and dividends. Total contributions to employees who became members prior to July 1, 2010, were 10.4 percent (employer paid). Total contributions to employees who became members on or after July 1, 2010, were 13.5 percent (8.5 percent employer paid and 5 percent employee paid).

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these plans were approximately $1,394,035 for the year ended June 30, 2011. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $13,508,021.

Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $10 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $106,250 for the fiscal year ended June 30, 2011.

15. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS-administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

16. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2011, Longwood University estimates that no material liabilities will result from such audits.

17. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and workers' compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Longwood University Foundation

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The risks are managed through the purchase of commercial insurance and self retention of certain risks. The Foundation's affairs are conducted in part by the employees of Longwood University and exposure to loss resulting from this arrangement are managed by the University through a combination of methods, including participation in various risk pools administered by the State of Virginia, purchase of commercial insurance and self retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

18. BEGINNING NET ASSET RESTATEMENT

Beginning net assets have been restated from the prior year's ending net asset balance of $167,421,096 to $166,997,710. Adjustments netting $393,458 were made that decreased total capital assets. These adjustments were made due to additional analysis of the fixed asset system and are shown in Note 5: Capital Assets. A beginning net asset adjustment of $71,000 was made to recognize a prior year liability related to a capital asset. Other adjustments increasing net asset by $41,072 were made to beginning net asset to appropriately reflect accounting activities.

19. RELATED PARTY

Longwood University Foundation

The Foundation received contribution revenue from Board members in the amount of $502,026 for the year ending June 30, 2011. The amount of pledge receivable due from the Board members amounted to $799,078 at June 30, 2011.

In conjunction with its mission to support the activities and operations of Longwood University, the Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased to the University is $2,582,692 and $2,618,719 at June 30, 2011 and June 30, 2010 respectively, including land on the consolidated statement of financial position.

On March 1, 2004, the Foundation entered into a capital lease agreement with Longwood University to lease a parking lot. The Foundation was given the parking lot as a contribution, which at the time was recorded as its appraised value of $51,000. The lease expires February 28, 2013. The University has the option to purchase the parking lot for $1 at the end of the lease term. The lease provides for a current annual rental payment of $6,516 and interest of 2%. At June 30, 2011 and 2010, Longwood University owed the Foundation $12,415 and $18,208, respectively.

Longwood University Real Estate Foundation

The Foundation receives rent from the University for use of various buildings and parking facilities. The total amount earned for 2010 from these rental arrangements was $5,699,514. Outstanding receivables at December 31, 2010 were $158,911.

The Foundation pays the University fees under management agreements related to facilities covered by tax-exempt bond issuances. These fees are based on costs to manage the specific properties. Total fees paid for 2010 were $404,175. In addition, the Foundation reimburses the University for operational costs paid directly by the University related to the housing projects. At December 31, 2010, the Foundation had a payable to the University of $211,114, which is included in accounts payable and accrued expenses on the consolidated statement of financial position.

The Foundation has an agreement with the University to manage the Longwood University Bed & Breakfast. The University is billed for all expenses and the Foundation receives no fees for its services. During 2010, the Foundation completed a renovation of the Bed & Breakfast at a cost of $104,000. At year-end, the University had not yet agreed to reimburse these renovation costs. The reimbursement of these costs is contingent on a further financial analysis of the operations of the Bed & Breakfast, which is expected to be completed in 2011. The Foundation had an outstanding receivable at December 31, 2010 of $131,963 for expenses not yet reimbursed, including the $104,000 of renovation cost.

During 2009, the Foundation loaned $57,676 to the Longwood University Foundation to purchase a piece of property in Westmoreland County known as the Yeatman property. This amount is included in receivables at December 31, 2010.

During 2010, the Foundation sold one property to the University that had been held as property and equipment. The total proceeds from these sales were $58,000, and resulted in a loss of $51,917, which is classified as contributions to Longwood University on the statement of activities.

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Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 23, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Longwood University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Note 2. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the 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. 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 component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

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The Management's Discussion and Analysis on pages 1 through 13 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2012 on our consideration of Longwood University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

AUDITOR OF PUBLIC ACCOUNTS

AWP/alh

LONGWOOD UNIVERSITY

Farmville, Virginia

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