

The image is a composite of two photographs of Radford University's interior. The top photograph shows a modern hallway with a vibrant red wall on the right and a glass-enclosed staircase on the left. A person is walking on a mezzanine level. The bottom photograph shows a large, bright atrium with a high ceiling, a large glass entrance on the right, and a glass-enclosed staircase on the left. Several students are walking through the space. A red banner is overlaid on the top photograph, and a grey banner is overlaid on the bottom photograph, both containing text.

RADFORD UNIVERSITY

Financial Statements

For the Year Ended June 30, 2017 | Radford, Virginia

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Management's Discussion and Analysis

(Unaudited)

Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial position and results of activities of Radford University (University) in an objective, easily readable format.

This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2017. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements, footnotes and other required supplementary information. The University's management is responsible for all financial information presented, including this discussion and analysis.

The University's financial report includes the three required financial statements, *Statement of Net Position*; *Statement of Revenues, Expenses, and Changes in Net Position*; and *Statement of Cash Flows*, and accompanying note disclosures and required supplementary information. These statements are summarized and analyzed in the following paragraphs. The Radford University Foundation, Inc. is included in the accompanying financial statements in a separate column as a component unit. However, the following discussion and analysis does not include Radford University Foundation's financial condition and activities.

University Overview

Founded in 1910 as an all-women's college, Radford College became coeducational in 1972 and was granted university status by the Virginia General Assembly in 1979. The University's seventh president, Dr. Brian O. Hemphill, completed his first year of service to the University during 2017. President Hemphill is leading the Highlander family with a steadfast commitment to excellence, accountability, transparency and student-centeredness. In October 2016, the strategic planning process was launched with the appointment of the Strategic Planning Task Force. Following establishment of the Task Force, a total of nine subgroups were formed and included representation from the campus community and beyond through students, faculty, staff, alumni and community members. This collaborative plan, entitled *Embracing the Tradition and Envisioning the Future*, was implemented in January 2018. Today, the University is a flourishing coeducational, comprehensive public university that is student-centered and focused on providing outstanding academic programs to its 9,410 students (fall 2017 headcount).

The University offers excellent educational opportunities to students from all geographic regions of the Commonwealth. Radford University's student body comprises 93.0 percent Virginia residents; and among undergraduates, 39.0 percent are the first in their

family to attend college. Because of its middle size, the University provides its students a winning combination of broad opportunities associated with a large university and highly personalized relationships considered the hallmark of a small institution.

Well-known for its strong faculty/student collaboration, innovative use of technology in the learning environment and vibrant student life on a beautiful residential campus, the University offers many opportunities for success in and out of the classroom. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the Roanoke Higher Education Center, Southwest Virginia Higher Education Center, New College Institute and Carilion Roanoke Community Hospital. Through its seven colleges, the University offers 67 degree programs in 38 disciplines as well as five certificates at the undergraduate level; 22 master's programs in 17 disciplines and three doctoral programs at the graduate level; 11 post-baccalaureate certificates and one post-master's certificate. A Division I member of the NCAA and Big South Athletic Conference, the University participates in 16 men's and women's varsity sports.

The University employs many "High Impact Practices" that include such offerings as undergraduate research, Scholar-Citizen Quality Enhancement Plan experiences, leadership courses and programs, the Honors Academy and internship placements, to name a few. Radford University also entered into a Guaranteed Admissions Agreement for Nursing with the Virginia Community College System (VCCS). The agreement will provide an efficient pathway for VCCS's Applied Science in Nursing (A.A.S.) graduates to achieve a Bachelor of Science in nursing (B.S.N.) degree from Radford University. The campus community supports a culturally diverse student population and offers more than 270 clubs and organizations for student participation, growth, leadership development and community service. Students also have the opportunity to participate in faculty-led study-abroad programs in 16 different countries.

Individual colleges and programs have reached significant milestones and received accolades for their accomplishments, including:

- In April 2017, the University's College of Science and Technology received a historic donation of \$5 million to establish the Artis Endowed Scholarship fund. Once fully implemented, the fund will provide scholarships for 67 Artis Scholars each year in perpetuity. Recipients will be high-achieving freshman and transfer students studying in the newly named Artis College of Science and Technology.
- The University's Doctor of Nursing Practice (D.N.P.) program has earned re-accreditation by the Commission of Collegiate Nursing Education (CCNE). The program earned a 10-year accreditation, the maximum duration, and is one of nine CCNE-accredited D.N.P. programs in the Commonwealth.

- The University's chapter of the National Association for Music Education (NAfME) received a national Chapter of Excellence Recognition. NAfME comprises professional music educators and music education students. The chapter was one of only five collegiate institutions to receive this recognition.
- The University's Roanoke and Radford School of Nursing (SON) ranked fourth and seventh respectively in nursing programs in Virginia. For the fifth consecutive year, SON graduates surpassed the national average pass rate by first-time test takers of the National Council Licensure Examination.

The aforementioned examples are but a few of the many accomplishments that all of the colleges and programs have attained during the course of their instructional mission. The University has also received national recognition in numerous areas, including:

- The University was recognized by The Princeton Review as one of the 140 institutions in the "Best in the Southeast" section of the "2018 Best Colleges: Region by Region" list. This is the 11th consecutive year that the University has been featured as one of the "Best in the Southeast."
- The University was ranked 43rd in the "South" region in the U.S. News & World Report's "2018 Best Regional Universities" report, which includes both public and private higher education institutions. Within this list, the University is ranked 15th among public universities. This is the sixth consecutive year that the University has been named a best regional public university by U.S. News & World Report.
- The University was ranked 50th in the "2017 Best Value Schools" for Regional Universities South by U.S. News & World Report.
- Confirming that the University provides one of the best values in the nation, the University was recognized by Washington Monthly magazine as one of the "Best Bang for the Buck" institutions for the fifth consecutive year. The University was ranked number 5 among Virginia public and private colleges and universities in this report.
- For the second consecutive year, the University was recognized by the College of Distinction organization for 2017-18 for its commitment to four distinctions: student engagement, great teaching, vibrant communities and successful outcomes.
- Radford University is designated as a National Center of Academic Excellence in Cyber Defense Education (CAE-CDE) by both the National Security Agency and the U.S. Department of Homeland Security. Through 2021, Radford will be at the forefront of preparing graduates in cybersecurity and meeting the evolving demands of cybersecurity education. Radford is one of only six four-year institutions in Virginia designated as

a CAE-CDE institution. Radford is one of only 127 four-year institutions in the country to earn the prestigious national designation.

The University is dedicated to building and maintaining a sustainable, environmentally friendly campus by obtaining LEED (Leadership in Energy and Environmental Design) Gold certifications for campus buildings; developing a Climate Action Plan with a target climate neutrality date of 2040; and partnering with the City of Radford to provide the Radford Transit system.

Radford Transit, developed as a partnership with the City of Radford and operated by New River Valley Community Services, continues to experience considerable growth. By the end of fiscal year 2017, Radford Transit had transported 338,719 passengers and since inception, Radford Transit has transported a staggering 1.92 million passengers. Radford Transit will continue to serve the needs of students, employees and community residents by giving full campus access and transportation to areas adjacent to the University, including the City of Radford, Fairlawn, Christiansburg, Blacksburg, and connections with the Smart Way Bus and Megabus. These connections provide students and members of the community with multi-state bus routes and transportation to the Roanoke-Blacksburg Regional Airport. The success of Radford Transit reinforces the University's commitment to its students, employees, community residents and sustainable initiatives.

Statement of Net Position

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements. The data presented in the *Statement of Net Position* aids readers in determining the assets available to continue the operations of the University as well as determining how much the University owes to vendors and creditors. Furthermore, the *Statement of Net Position* provides a picture of the net position, or available resources of the University, which serves as one indicator of the current financial condition of the University.

Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable and unrestricted. Change in net position is an assessment of whether the overall financial condition has improved or worsened during the year, while sustained increases or decreases in net position over time are one indicator of the financial stability or instability of an organization.

Total University assets increased by \$14.3 million or 3.1 percent during fiscal year 2017, resulting in total assets of \$476.2 million at year end. The increase in total assets is attributable to a \$1.9 million increase in current assets in addition to a \$12.5 million increase in capital assets, net of accumulated depreciation.

Statement of Net Position - Summary Schedule
(\$ shown in thousands)
Increase/(Decrease)

The University's Statement of Net Position at June 30, 2017 and 2016 is summarized as follows:

	2017	2016	Change	
			Amount	Percent
Assets:				
Current assets	\$ 121,826	\$ 119,952	\$ 1,874	1.6
Capital assets, net	\$ 352,875	340,345	12,530	3.7
Other noncurrent assets	1,524	1,652	(128)	(7.7)
Total assets	\$ 476,225	\$ 461,949	\$ 14,276	3.1
Deferred outflows of resources	\$ 15,508	\$ 10,284	\$ 5,224	50.8
Liabilities:				
Current liabilities	\$ 28,693	\$ 31,457	\$ (2,764)	(8.8)
Noncurrent liabilities	131,674	118,278	13,396	11.3
Total liabilities	\$ 160,367	\$ 149,735	\$ 10,632	7.1
Deferred inflows of resources	\$ 1,991	\$ 4,773	\$ (2,782)	(58.3)
Net position:				
Net investment in capital assets	\$ 300,575	\$ 293,034	\$ 7,541	2.6
Restricted - expendable	5,792	4,543	1,249	27.5
Unrestricted	23,008	20,148	2,860	14.2
Total net position	\$ 329,375	\$ 317,725	\$ 11,650	3.7

The largest increase in current assets was in cash and cash equivalents of \$7.1 million primarily due to less capital asset-related expenditures as compared to the previous year. This increase was offset by a \$5.7 million decline in appropriations available as a result of the progress made on the Whitt Hall renovation. The \$12.5 million increase in capital assets reflects the ongoing expansion and renovation of facilities at the University as discussed in detail in the following section, *Capital Asset and Debt Administration* and in Note 4 of the *Notes to Financial Statements*.

Total liabilities increased by \$10.6 million or 7.1 percent during fiscal year 2017. Current liabilities decreased \$2.8 million from the previous year as a result of a \$2.3 million decline in accounts payable and accrued expenses due to fewer capital project and general service and supply invoices outstanding at year end. Noncurrent liabilities increased \$13.4 million primarily related to the \$7.6 million increase in pension obligation and \$5.8 million increase in long-term debt. Further information regarding long-term debt can be found in Note 6 of the *Notes to Financial Statements*.

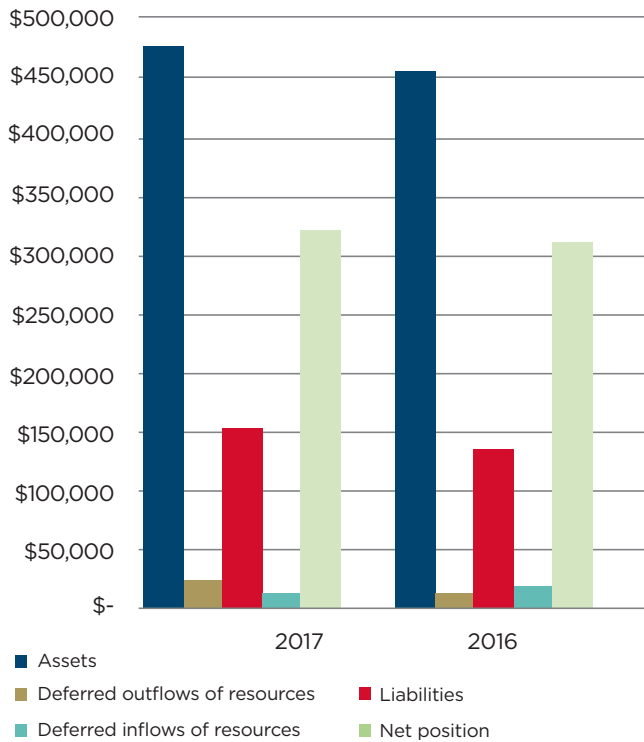
As a result of the accounting for and financial reporting of the University's defined benefit pension plans, the University recognized \$15.2 million of deferred outflows of resources and \$2.0 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represents, in part, the fiscal year 2017 employer contributions made by the University to the pension plans after the measurement

date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred outflows of resources increased from the previous fiscal year \$5.2 million due to an increase in the net difference between projected and actual earnings on pension plan investments. The deferred inflows of resources declined \$2.8 million from June 30, 2016 as a result of the change in the net difference between projected and actual earnings on pension plan investments offset by differences between expected and actual experience. Note 13 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's pension obligations and related deferred outflows and inflows of resources.

Net investment in capital assets increased \$7.5 million, which is a reflection of the University's continued investment in facilities and equipment to support the University's mission. Overall, the increase in total assets and deferred outflows of resources was greater than the corresponding increase in total liabilities and deferred inflows of resources, thus the University's net position increased by \$11.7 million or 3.7 percent.

Statement of Net Position — Comparative Chart (\$ shown in thousands)

The chart below is a snapshot of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the fiscal years ended June 30, 2017 and 2016:



Capital Asset and Debt Administration

The development and renewal of the University's capital assets is critical to ensure the necessary infrastructure required for achieving the University's ongoing mission. Accordingly, the University has continued to implement its long-range plans to modernize older facilities and to pursue new construction as needed. These investments in renovation and new construction support and enhance the University's high-quality instructional programs, residential lifestyles and student quality of life.

Note 4 of the *Notes to Financial Statements* describes the University's ongoing investment in capital assets. The value of the University's net capital assets increased to \$352.9 million at the end of fiscal year 2017, an increase of \$12.5 million or 3.7 percent over fiscal year 2016. Net additions and reductions to capital assets during fiscal year 2017

totaled \$29.5 million (excluding depreciation). The completion of the College of Humanities and Behavioral Sciences building and renovation of two residence halls, as well as construction progress on Whitt Hall and Reed and Curie Hall renovations, account for the majority of the current year capital activity. Current year depreciation expense totaled \$19.4 million.

Capital projects in progress carried commitments to construction contractors, architects and engineers totaling \$2.1 million at June 30, 2017. These obligations represent the unperformed portion of construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements. Additional information regarding the University's commitments is included in Note 12 of the *Notes to Financial Statements*.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Long-term debt increased \$5.8 million as the result of a bond issuance of \$8.0 million for residence hall renovations offset by principal payments made during the year ending June 30, 2017. Note 6 of the *Notes to Financial Statements* contains additional information about the long-term debt of the University.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating and nonoperating activities, which changes the University's total net position. The purpose of the statement is to present the University's operating revenues earned, operating expenses incurred, and all other revenues, expenses, gains and losses.

Generally, operating revenues are received from providing goods and services to students and various customers and constituencies of the University. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Compensation and fringe benefits for faculty and staff are the largest category of operating expense.

Statement of Revenues, Expenses, and Changes in Net Position — Summary Schedule (\$ shown in thousands)

	2017	2016	Change	
			Amount	Percent
Operating revenues	\$ 123,584	\$ 127,858	\$ (4,274)	(3.3)
Less: Operating expenses	202,159	197,730	4,429	2.2
Operating loss	(78,575)	(69,872)	(8,703)	12.5
Nonoperating revenues (expenses)	73,710	67,120	6,590	9.8
Loss before other revenues, expenses, gains, or losses	(4,865)	(2,752)	(2,113)	76.8
Other revenues, expenses, gains, or losses	16,515	44,019	(27,504)	(62.5)
Increase in net position	11,650	41,267	(29,617)	(71.8)
Net position - beginning of year	317,725	276,458	41,267	14.9
Net position - end of year	\$ 329,375	\$ 317,725	\$ 11,650	3.7

Revenues by Source Comparison (\$ shown in thousands)

The following chart compares each major revenue source (both operating and nonoperating) for the previous two fiscal years:

	2017	2016	Change	
			Amount	Percent
Student tuition and fees	\$ 61,205	\$ 63,816	\$ \$(2,611)	(4.1)
Federal, state, and nongovernmental grants and contracts	5,526	5,685	(159)	(2.8)
Auxiliary revenue	54,977	56,420	(1,443)	(2.6)
Other operating	1,876	1,937	(61)	(3.1)
State appropriations	60,760	56,493	4,267	7.6
Other nonoperating *	12,950	10,627	2,323	21.9
Capital appropriations and gifts	16,515	44,019	(27,504)	(62.5)
	\$ 213,809	\$ 238,997	\$ \$(25,188)	(10.5)

*Includes federal student financial aid (Pell), investment income, interest on capital asset-related debt, loss on capital assets, other nonoperating revenues (expenses), and nonoperating transfers to the Commonwealth.

Nonoperating revenues are revenues received for which goods and services are not directly provided. For example, state appropriations are nonoperating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, does not cover all operating expenses with operating revenues and expects to report an operating loss.

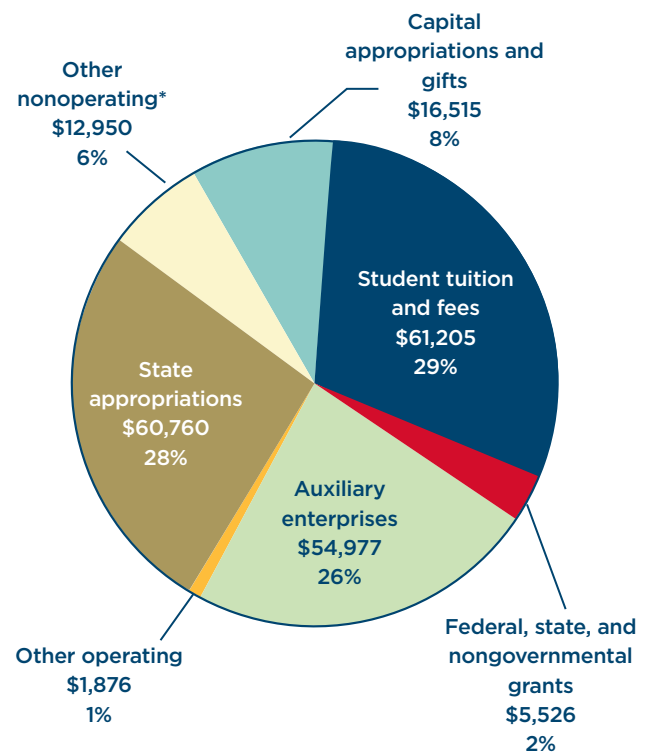
Operating revenues of the University consist primarily of student tuition and fees and revenues generated by various auxiliary enterprises. Operating revenues in total for fiscal year 2017 decreased by \$4.3 million as compared to fiscal year 2016. This decrease was largely due to a \$2.6 million decrease in tuition and fees, net of scholarship allowances, and a \$1.4 million decrease in auxiliary enterprises, net of scholarship allowances. The decline in revenues from tuition and fees is attributed to a decline in enrollment, which was only partially offset by the Board of Visitors-approved tuition and fee rate increase. To address continuing programmatic and instructional needs and to cover other mandatory cost increases including fringe benefit and health insurance rate adjustments, tuition rate increases ranged from 0.0 to 3.1 percent.

Nonoperating revenues and expenses increased \$6.6 million or 9.8 percent from fiscal year 2016 due to a \$4.3 million increase in state appropriations, \$1.4 million increase in other nonoperating revenues, net of expenses and \$0.7 million decrease in loss on disposal of capital assets.

Capital appropriations and gifts declined by \$27.5 million as a result of a decline in capital construction

Revenues by Source (\$ shown in thousands)

The following chart illustrates the percentage of the University's total revenue comprised by each major revenue source (both operating and nonoperating) for the year ended June 30, 2017:



	2017	2016	Change	
			Amount	Percent
Operating expenses:				
Instruction	\$ 70,208	\$ 69,184	\$ 1,024	1.5
Research	491	694	(203)	(29.3)
Public service	3,322	3,086	236	7.6
Academic support	10,904	10,683	221	2.1
Student services	6,678	6,473	205	3.2
Institutional support	22,429	21,246	1,183	5.6
Operation and maintenance of plant	12,828	13,942	(1,114)	(8.0)
Depreciation	19,412	17,058	2,354	13.8
Student aid	6,888	6,432	456	7.1
Auxiliary activities	48,999	48,932	67	0.1
Total operating expenses	\$ 202,159	\$ 197,730	\$ 4,429	2.2

Expenses by Function Comparison
(\$ shown in thousands)
The following chart compares expenses by function for the fiscal years ended June 30, 2017 and 2016:

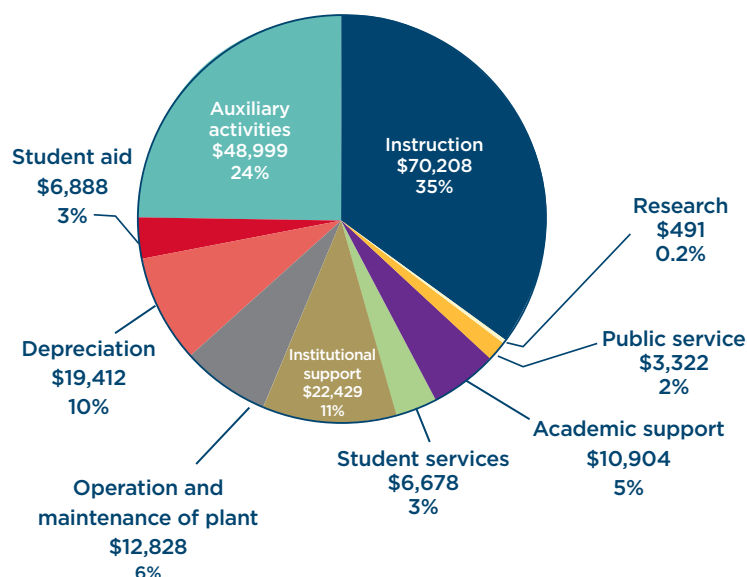
funding, predominantly related to the completion of Center for the Sciences and College of Humanities and Behavioral Sciences buildings in fiscal year 2016 and early fiscal year 2017, respectively. Additionally, capital appropriations were received in the prior fiscal year for the renovation of Whitt Hall with no corresponding capital appropriations for this project in fiscal year 2017.

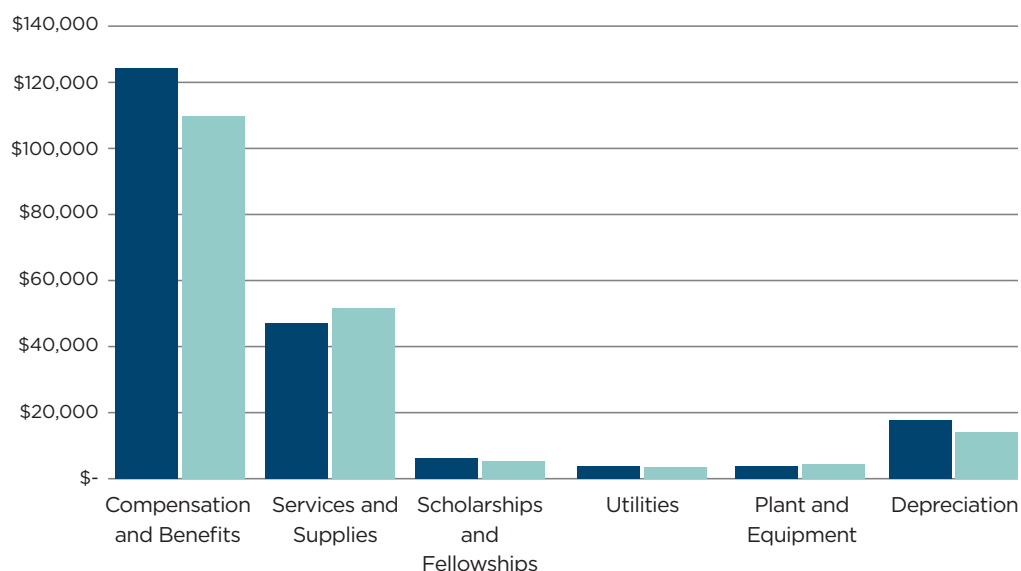
Operating expenses for fiscal year 2017 increased \$4.4 million or 2.2 percent over fiscal year 2016. From a natural expense standpoint, compensation and benefits comprise 59.5 percent of the University's operating expenses and services and supplies accounts for 22.2 percent. Compensation and benefits and depreciation contributed to the majority of the increase in operating expenses offset by a decline in services and supplies. Compensation and benefits increased \$5.6 million or 4.9 percent. Generally, changes to expenses in this category are from three sources: increases or reductions in the number of personnel, annual salary increases and the general trends in the costs of fringe benefits. The increase in compensation and benefits during fiscal year 2017 is largely due to increases in fringe benefits and health insurance rates; a state-mandated 2.0 percent salary increase for all employees effective November 2015 resulting in a partial year of increased compensation for fiscal year 2016 compared to a full year in fiscal year 2017; and an increase in pension-related expenses. Services and supplies decreased \$3.4 million or 7.0 percent primarily due to fewer purchases of maintenance materials and supplies, the completion of the University's rebranding initiative and fulfillment of contractual obligations related to student, administrative and operational support. Depreciation expense increased \$2.4 million or 13.8 percent as a result of a full year of depreciation expense on large capital projects placed in service in fiscal year 2017. Operating expenses are presented on the *Statement of Revenues, Expenses, and Changes in Net Position*

by their functional category. Expenses attributable to instruction and auxiliary activities comprise 34.7 and 24.2 percent, respectively, of total operating expenses. The increase in operating expenses combined with the decrease in operating revenues resulted in an increase in the operating loss of \$8.7 million. With the inclusion of state appropriations for the University in the nonoperating category, the University will routinely display an operating loss for the year. This operating loss is primarily covered by state appropriations included in the nonoperating category as well as federal student financial aid (Pell), investment income and capital appropriations.

Expenses by Function (\$ shown in thousands)

The graphic illustration presents total expenses by function for fiscal year 2017





Expenses by Natural Classification Comparison (\$ shown in thousands)

The chart compares expenses by natural classification for the years ended June 30, 2017 and 2016.

■ 2017 ■ 2016

Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position*. This difference occurs because the *Statement of Revenues, Expenses, and Changes in Net Position* is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate cash flows necessary to meet obligations and evaluate its potential for additional financing.

The *Statement of Cash Flows* is divided into five sections: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; cash flows from investing activities; and reconciliation of net operating loss to net cash used by operating activities.

Overall, the University had a net increase in cash of \$7.1 million from fiscal year 2016. The primary sources of cash for the University were state appropriations of \$60.8 million, student tuition and fees of \$61.1 million, auxiliary enterprise revenues at \$55.0 million, capital appropriations and gifts of \$22.4 million and receipts for student loans of \$56.9 million. The major uses of cash were employee compensation and benefits at \$119.8 million, services and supplies of \$47.6 million,

			Change	
	2017	2016	Amount	Percent
Net cash used by operating activities	\$ (61,185)	\$ (48,591)	\$ (12,594)	25.9
Net cash provided by noncapital financing activities	73,975	68,337	5,638	8.3
Net cash used by capital and related financing activities	(6,046)	(18,846)	12,800	(67.9)
Net cash provided (used) by investing activities	360	(1,768)	2,128	(120.4)
Net increase (decrease) in cash	7,104	(868)	7,972	(918.4)
Cash and cash equivalents — beginning of year	100,654	101,522	(868)	(0.9)
Cash and cash equivalents — end of year	\$ 107,758	\$ 100,654	\$ 7,104	7.1

Statement of Cash Flows — Summary Schedule (\$ shown in thousands)

student loan disbursements at \$57.0 million and the purchase of capital assets at \$32.7 million. Net cash used by operating activities increased \$12.6 million from fiscal year 2016 as a result of a \$6.6 million and \$2.2 million increase in cash outflows for salaries, wages, and fringe benefits and services and supplies, respectively, as well as a \$2.1 million and \$1.1 million decline in cash inflows for student tuition and fees and auxiliary enterprises, respectively. Net cash used by capital and related financing activities reflects a decrease of \$12.8 million from the prior year as a result of a decrease in the purchase of capital assets of \$25.0 million and an increase in proceeds from the issuance of capital asset-related debt of \$8.0 million offset by a decline in capital appropriations and gifts of \$20.1 million.

Economic Outlook

The University's administration closely monitors the fiscal environment in which the University operates and reviews key assumptions in the annual update of the University's fiscal plan. The University's 2017-18 operating budget was developed in consideration of projected enrollment levels, actions taken by the governor and General Assembly during the 2017 session, board-approved tuition and fee rates, the strategic goals of the University and a regionally forecasted economic outlook.

The University's annual fiscal plan builds upon the existing multi-year strategic budget plans developed by each division. This collaborative process provides the framework for all University divisions to review operating priorities for the preceding six-year term. This information is used in the development of the University's Six-Year Plan submission to the state and positions the institution for long-term fiscal success.

The fiscal plan addresses critical academic and student support programmatic needs, considers unavoidable cost increases and introduces funding for the implementation of the preliminary goals outlined in Radford University's Strategic Plan, *Embracing the Tradition and Envisioning the Future*. It also considers the goals outlined in the Statewide Strategic Plan (SSP).

Today, the Commonwealth continues to face uncertainty even as it turns the corner on a period of anticipated growth. The unemployment rate is below the national average and new business initiatives are underway across Virginia, yet there remains caution in the face of state revenue expectations. The health of the regional economy must continue to be monitored closely. Although it is very encouraging that the perennial approach to conservative and prudent planning exhibited by the University, yet again, has the institution on track for continued success in fiscal year 2018.

Enrollment for in-state undergraduate students has become increasingly more competitive as high school graduation rates have flattened in recent years; however, the University continues to successfully recruit in the current market. Several student populations, including

underserved and first generation students, continue to grow. Resources have been directed to this key operational area and demonstrate the University's commitment to attracting, retaining, and educating its diverse student population. As a result of the ongoing investment, total enrollment is anticipated to improve over the next four years.

Radford University remains committed to providing a quality and affordable educational experience. Among Virginia's four-year public institutions, the University is the third lowest total cost (tuition, fees, room and board) provider for in-state undergraduate students. As a public institution of higher education in Virginia, providing affordable educational opportunities for in-state undergraduate students is a priority, thus Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities.

The 2017 legislative session was largely focused on filling the revenue shortfall in the 2016-18 biennium. Given the magnitude of the total shortfall, higher education was required to shoulder a portion of the fiscal burden. As such, Chapter 836 of the 2017 Virginia Acts of Assembly included planned reductions in state support for base operations, the recovery of VRS prepayments and the elimination of nongeneral fund interest earnings and credit card rebates. While the fiscal impact of these reductions will have a lasting impact, there is growing optimism in the future economic outlook. A number of key economic indicators demonstrated improvement in 2016-17. While the University will continue to utilize a fiscally conservative outlook to plan for its future, external funding is inevitably tied to the economic performance of the Commonwealth and will be monitored closely.

For fiscal year 2018, state general fund support for E&G programming will account for \$51.7 million of the total projected program revenues. This represents a 2.5 percent increase from the fiscal year 2017 adjusted budget. This increase in state general fund support is primarily reflective of the state's contribution to shared cost initiatives such as state mandated salary and fringe benefit rate increases.

As previously mentioned, the 2017 General Assembly Session was largely focused on filling the revenue shortfall in the 2016-18 biennium. Higher education could not be completely shielded from reductions to address the shortfall. The General Assembly sought to redistribute the reduction among institutions in order to equalize the impact on in-state students and minimize the overall E&G impact to 1.5 percent or less for all institutions. Radford University's 2017-18 share of the general fund reductions is \$1,334,488, or 1.1 percent of total E&G operations.

Other reductions required to close the budget gap that will impact the University include the loss of interest earnings and credit card rebates (\$180,000) in 2017-18. The Commonwealth will also recover the cost of

prepayments made to the Virginia Retirement System (VRS). This repayment translates into a reduction in nongeneral fund support of (\$304,492) in 2017-18.

Following the 2015-16 budget shortfall, the Commonwealth was required to eliminate the salary increases approved in the current 2016-17 budget. While this was an unfortunate, albeit necessary action, both the governor and General Assembly recognized the importance of restoring at least a portion of the salary increases for state employees for the 2017-18 fiscal year. Therefore, the budget instituted a 3 percent salary increase for all classified employees and a 2 percent increase for college faculty effective July 2017. Additionally, the seven institutions of higher education who did not independently increase employee salaries in 2016-17 were also eligible to receive funding for the state's portion of an additional 1 percent increase for faculty. This brought the University's total salary increase for faculty to 3 percent.

The University is also slated to receive an additional \$680,135 to address Access, Affordability, and Completion and \$77,007 in graduate financial aid. This funding was previously authorized in the initial 2016-18 biennial budget and was maintained during the 2017 General Assembly session.

Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first-generation students. Reflective of Radford University's growth and diversity, the Class of 2021 is composed of 1,848 new freshmen from 320 Virginia high schools and 153 out-of-state and international high schools, and represents 20 foreign nations. Over one-quarter (28 percent) of Virginia residents in the class are from northern Virginia, and more than 40 percent of the new freshmen are first-generation college students. Over 34 percent of the new freshman class identify themselves as ethnic minorities, with 18.6 percent as African American and 7.6 percent as Hispanic/Latino.

The University remains committed to improving student success and retention while continuing to place an emphasis on enrollment planning and management. In the fall of 2016, the President charged the Vice President of Student Affairs with developing a student success and retention action plan. The plan was created and approved by the board at the February 2017 meeting. The action plan sets ambitious student success goals including increasing the retention rate of each incoming class by 1 percentage point per year and increasing the six-year graduation rate of the corresponding class by 0.5 percentage point each year through 2022-23. The University has always been an institution that fosters an environment in which all students can find success both inside and outside of the classroom. Furthermore, retention and graduation rates have historically been above the national average of comparable peer institutions. Enhancing these longstanding achievements is an integral focus for the institution over the next several bienniums.

During fiscal year 2017, substantial progress was made on various capital projects; including, but not limited to, the opening of the new academic building for the College of Humanities and Behavioral Sciences, which is now the largest academic building on campus. Substantial capital renovations were also completed to Muse and Whitt Halls. In an effort to continue this momentum into fiscal year 2018, the University is expected to move forward on other major capital projects including the renovations of Reed and Curie Halls.

In the coming years, Radford University will continue to demonstrate sound judgment in use of its financial resources and explore innovative strategies for continuous improvement. Future planning efforts have positioned the University to respond immediately to changing economic conditions and will allow the institution to emerge even stronger. Admission applications and student interest in the University continues to be robust in producing a reliable source of enrollment while maintaining a continued focus on student quality. The impact of these planning efforts demonstrates the University's focus on the future and its ability to respond to unforeseen challenges by continuing to evaluate programmatic costs, identify efficiencies in operations and prioritize the most critical of needs in establishing and monitoring its operational finances.



Financial Statements

RADFORD UNIVERSITY

Statement of Net Position

As of June 30, 2017

	Radford University	Component Unit Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 104,090,721	\$ 1,198,939
Restricted cash and cash equivalents (Note 2)	3,667,025	-
Appropriations available	1,893,645	-
Short-term investments (Note 19C)	-	53,086,030
Accounts receivable (net of allowance for doubtful accounts of \$446,775) (Note 3)	1,970,322	-
Contributions receivable (net of allowance for uncollectible contributions and discount of \$49,677) (Note 19A)	-	1,336,735
Due from the Commonwealth (Note 11)	3,622,022	-
Due from Federal Government	306,671	-
Inventory	460,182	-
Notes receivable (net of allowance for doubtful accounts of \$358,809 and \$ -) (Notes 3, 19B)	1,206,160	16,047
Prepaid expenses	4,608,782	23,906
Other receivables	-	169,147
Total current assets	121,825,530	55,830,804
Noncurrent assets		
Other long-term investments (Note 19C)	-	5,795,805
Contributions receivable (net of allowance for uncollectible contributions and discount of \$238,513) (Note 19A)	-	1,400,186
Other assets	-	144,448
Funds held in trust by others	-	735,573
Notes receivable (net of allowance for doubtful accounts and discount of \$419,905 and \$84,000) (Notes 3, 19B)	1,524,318	506,157
Depreciable capital assets, net (Notes 4, 19D)	323,405,144	7,985,279
Nondepreciable capital assets (Notes 4, 19D)	29,470,192	4,202,525
Total noncurrent assets	354,399,654	20,769,973
Total assets	\$ 476,225,184	\$ 76,600,777
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from net pension obligation	\$ 15,233,347	\$ -
Deferred loss on long-term debt defeasance (Note 6)	274,376	-
Total deferred outflows of resources (Note 13)	\$ 15,507,723	\$ -

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

RADFORD UNIVERSITY

Statement of Net Position

As of June 30, 2017

	Radford University	Component Unit Radford University Foundation, Inc.
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 5)	\$ 20,434,211	\$ 127,414
Unearned revenue	3,715,280	295,230
Deposits held in custody for others	722,129	-
Line of credit (Note 19E)	-	800,000
Current portion of long-term debt (Notes 6, 19F)	2,092,308	285,049
Current portion of other noncurrent liabilities (Note 7)	1,729,096	-
Trust and annuity obligations	-	59,155
Total current liabilities	28,693,024	1,566,848
Noncurrent liabilities		
Long-term debt (Notes 6, 19F)	52,719,829	476,447
Pension obligations (Note 13)	74,629,000	-
Trust and annuity obligations	-	390,166
Other noncurrent liabilities (Note 7)	4,324,953	-
Total noncurrent liabilities	131,673,782	866,613
Total liabilities	\$ 160,366,806	\$ 2,433,461
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from net pension obligation	\$ 1,991,000	\$ -
Total deferred inflows of resources (Note 13)	\$ 1,991,000	\$ -
NET POSITION		
Net investment in capital assets	\$ 300,574,729	\$ 11,930,388
Restricted for:		
Expendable:		
Scholarships and fellowships	329,584	13,534,075
Instruction and research	1,542,605	2,781,127
Loans	19,759	-
Debt service	3,899,920	-
Other	-	12,415,484
Nonexpendable:		
Scholarships and fellowships	-	23,195,324
Instruction and research	-	2,332,041
Other	-	3,971,151
Unrestricted	23,008,504	4,007,726
Total net position	\$ 329,375,101	\$ 74,167,316

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

RADFORD UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2017

	Radford University	Component Unit Radford University Foundation, Inc.
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowance of \$13,567,892)	\$ 61,204,746	\$ -
Gifts and contributions	-	3,248,142
Federal grants and contracts	4,039,336	-
State grants and contracts	1,224,960	-
Nongovernmental grants and contracts	262,050	-
Auxiliary enterprises (net of scholarship allowance of \$10,448,528) (Note 8)	54,976,847	-
Other operating revenues	1,876,583	1,121,914
Total operating revenues	123,584,522	4,370,056
OPERATING EXPENSES		
Instruction	70,208,414	81,714
Research	491,300	-
Public service	3,321,680	-
Academic support	10,904,160	2,387,628
Student services	6,677,616	-
Institutional support	22,429,201	1,876,557
Operation and maintenance of plant	12,827,596	-
Depreciation (Note 4)	19,412,372	210,965
Student aid	6,887,522	1,697,657
Auxiliary activities (Note 8)	48,999,404	-
Total operating expenses (Note 9)	202,159,265	6,254,521
Operating loss	(78,574,743)	(1,884,465)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	60,760,089	-
Federal student financial aid (Pell)	12,243,027	-
Investment income	855,984	6,034,158
Interest on capital asset-related debt	(1,099,109)	(21,330)
Loss on capital assets	(5,246)	(187,941)
Nonoperating transfers to the Commonwealth	(416,791)	-
Other nonoperating revenues (expenses), net	1,372,441	-
Net nonoperating revenues (expenses)	73,710,395	5,824,887
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
	(4,864,348)	3,940,422
Capital appropriations and gifts (Note 11)	16,515,005	53,157
Additions to permanent endowments	-	2,439,006
Additions to term endowments	-	311,939
Total other revenues	16,515,005	2,804,102
Increase (decrease) in net position	11,650,657	6,744,524
Net position — beginning of year	317,724,444	67,422,792
Net position — end of year	\$ 329,375,101	\$ 74,167,316

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

RADFORD UNIVERSITY

Statement of Cash Flows

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Student tuition and fees	\$ 61,144,290
Grants and contracts	5,601,178
Auxiliary enterprises	55,047,426
Other receipts	1,849,397
Payments for salaries, wages, and fringe benefits	(119,776,562)
Payments for services and supplies	(47,635,431)
Payments for utilities	(4,611,244)
Payments for scholarships and fellowships	(9,164,554)
Payments for noncapitalized plant improvements and equipment	(3,738,343)
Loans issued to students and employees	(878,950)
Collections of loans from students and employees	978,188
Net cash used by operating activities	\$ (61,184,605)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	\$ 60,760,089
Nongeneral fund appropriations	(416,791)
Federal student financial aid (Pell)	12,256,519
Federal Direct Lending Program - receipts	56,899,430
Federal Direct Lending Program - disbursements	(57,045,814)
Other nonoperating receipts	1,889,537
Other nonoperating disbursements	(517,096)
Federal loan program contributions received	43,352
Agency and other receipts	554,472
Agency and other payments	(449,050)
Net cash provided by noncapital financing activities	\$ 73,974,648

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital appropriations and gifts	\$ 22,386,523
Purchase of capital assets	(32,717,880)
Proceeds from the sale of capital assets	53,046
Proceeds from capital debt	8,033,998
Principal paid on capital debt and installments	(1,907,055)
Interest paid on capital debt and installments	(1,895,109)
Net cash used by capital and related financing activities	\$ (6,046,477)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale and maturities of investments	\$ (495,597)
Interest on investments	855,984
Net cash provided by investing activities	\$ 360,387

Net increase in cash	\$ 7,103,953
Cash and cash equivalents — beginning of the year	100,653,793
Cash and cash equivalents — end of the year	\$ 107,757,746

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

RADFORD UNIVERSITY

Statement of Cash Flows

For the Year Ended June 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES:

Operating loss	\$ (78,574,743)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	19,412,372
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Accounts receivable, net	427,011
Inventory	55,240
Prepaid expenses	(1,144,791)
Notes receivable, net	131,917
Deferred outflows of resources from net pension obligation	(4,949,679)
Accounts payable and accrued expenses	(876,345)
Unearned revenue	(401,921)
Accrued compensated absences	(42,666)
Net pension obligation	7,561,000
Deferred inflows of resources from net pension obligation	(2,782,000)
Net cash used by operating activities	<u>\$ (61,184,605)</u>

NONCASH CAPITAL AND FINANCING ACTIVITIES

Gift of capital assets	149,672
Amortization of bond premium/(discount) and gain/(loss) on debt refunding	(585,604)
Loss on disposal of capital assets	(58,293)
Change in pension liability recognized as a component of other nonoperating revenues	(1,832,000)
Capitalization of interest expense	508,176

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



Notes to Financial Statements

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Notes to Financial Statements

For the Year Ended June 30, 2017

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Radford University (the University) is a comprehensive university that is part of the statewide system of public higher education in the Commonwealth of Virginia (the Commonwealth). The University's Board of Visitors, appointed by the governor, is responsible for overseeing governance of the University. The Commonwealth prepares a separate financial report that incorporates all agencies, higher education institutions, 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 and is included in the Commonwealth's general purpose financial statements.

Under Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*, the Radford University Foundation, Inc. (the Foundation) meets the criteria to qualify as a component unit of the University. The Foundation is a legally separate tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The 17-member board of the Foundation is self-perpetuating and consists of alumni, supporters and senior staff of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2017, the Foundation made distributions of \$2,951,000 to or on behalf of the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by contacting the Radford University Foundation Administrative Office at P.O. Box 6893, Radford, Virginia 24142.

Basis of Presentation

The University prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by GASB.

GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued November 1999,

establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general purpose external financial reports: the citizenry; legislative and oversight bodies; and investors and creditors. The University is required under this guidance to include *Management's Discussion and Analysis, Financial Statements, Notes to Financial Statements and Required Supplementary Information* in its financial statement presentation.

During the year ended June 30, 2017, the following GASB statements became effective: Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement 77, *Tax Abatement Disclosures*; Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement 80, *Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14*. Portions of the following GASB statements were effective for fiscal year 2016 with the remaining portions effective in fiscal year 2017: Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*; and Statement 79, *Certain External Investment Pools and Pool Participants*.

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, modifies the financial reporting for state and local governmental other postemployment benefit plans (excluding pensions).

Statement 77, *Tax Abatement Disclosures*, requires the disclosure of tax abatements entered into by the organization separately from tax abatements entered into by other governments that reduce the organization's tax revenues. The implementation of Statement 77 had no impact on the financial statements for the year ended June 30, 2017.

Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The implementation of Statement 78 had no impact on the financial statements for the year ended June 30, 2017.

Statement 80, *Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of state and local governments. The additional criterion of Statement 80 requires the blending of a component

unit incorporated as a not-for-profit corporation in which the reporting entity is the sole corporate member. The implementation of Statement 80 had no impact on the financial statements for the year ended June 30, 2017.

The portions of Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, that were effective for fiscal year 2017, address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68.

Certain provisions of Statement 79, *Certain External Investment Pools and Pool Participants*, were effective for fiscal year 2017. Statement 79 establishes criteria for an external investment pool to qualify for measurement of its investments at amortized cost. The University was not a participant of an external investment pool during the fiscal year ending June 30, 2017.

The Foundation is a nonprofit organization that prepares its financial statements in conformity with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB), including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Reclassifications have been made to convert the Foundation's financial information to GASB presentation format.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared 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 incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For purposes of the *Statement of Net Position and Statement of Cash Flows*, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Restricted cash and cash equivalents are externally restricted for the acquisition or construction of capital assets. Restricted cash and cash equivalents to be used in accordance with restrictions within the next fiscal year are classified as current assets and the remainder is classified as noncurrent assets on the *Statement of Net Position*.

Appropriations Available

The appropriations available amount consists of capital appropriations associated with renovations to Whitt Hall. Renovations were performed during fiscal year 2017 and will continue into fiscal year 2018.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, modified by GASB Statement 59, *Financial Instruments Omnibus*, and GASB Statement 72, *Fair Value Measurement and Application*, 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), are reported as nonoperating revenue or expense in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Short-term investments are classified as current assets on the *Statement of Net Position* and include investments with an original maturity over 90 days but less than or equal to one year at the time of purchase.

Accounts Receivable

Accounts receivable consist of charges for tuition and fees and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 3 for a detailed list of accounts receivable by major category.

Inventories

Inventories are valued at average cost, generally determined by the average cost method. They consist primarily of expendable supplies and fuel held for consumption.

Notes Receivable

Notes receivable consist of amounts due from the Federal Perkins Loan Program, Nursing Student Loan Program and other student loan programs administered by the University. Notes receivable are recorded net of allowance for doubtful accounts. See Note 3 for a detailed list of notes receivable by major category.

Prepaid Expenses

As of June 30, 2017, the University's prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for fiscal year 2018 that were paid in advance.

Capital Assets

Capital assets include land, buildings, infrastructure, building and other improvements, equipment, intangibles and library materials. Capital assets are recorded at actual costs or estimated historical costs, if purchased or constructed. Donated capital assets are recognized at acquisition value at the date of donation.

Equipment with an expected useful life of greater than one year and with a value or cost of \$5,000 or more at the date of acquisition is capitalized. Intangibles, principally software, are capitalized when acquisition costs are \$10,000 or more and the estimated useful life is three years or greater. Library materials are valued using actual costs for library acquisitions. Construction and renovation costs are recorded as construction in progress until the project is substantially complete, at which point the costs are removed from construction in progress and capitalized in the appropriate capital asset account (e.g. buildings, improvements, etc.) Such construction projects are capitalized when expenses total more than \$100,000. Routine repairs and maintenance that do not add to the value of an asset or extend the useful life of an asset are not capitalized and are charged to operating expenses.

Interest expense incurred during the construction of capital assets is capitalized net of interest income earned on resources set aside for this purpose. The University incurred and capitalized net interest expense related to the construction of capital assets of \$508,000 for the fiscal year ended June 30, 2017.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	40 years
Building improvements	20 years
Other improvements and infrastructure	20 years
Equipment	3-15 years
Intangibles (software)	3-15 years
Library materials	10 years

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the *Statement of Net Position*. The amount reflects as of June 30, 2017, all unused annual, sick, compensatory and recognition leave, as well as the amount payable upon termination under the Commonwealth of Virginia’s sick leave payout policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. See Note 7 for current and noncurrent amounts.

Unearned Revenue

Unearned revenue primarily includes amounts received prior to the end of the fiscal year for tuition and fees and certain auxiliary activities related to the period subsequent to June 30, 2017.

Noncurrent Liabilities

Noncurrent liabilities include the following:

- Principal amounts of notes and bonds payable and installment purchase obligations with maturities greater than one year.

- Estimated amounts for accrued compensated absences
- Refundable contributions from the federal government to fund the operations of the Perkins Loan Program and the Nursing Student Loan Program
- Estimated pension obligation for the University’s defined benefit pension plans.

See Notes 6, 7 and 13 for detailed information and amounts.

Pension Obligation

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers’ System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability; deferred outflows of resources and deferred inflows of resources related to pensions and pension expense; information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers’ System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan’s and the VaLORS Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 13 for general information about the pension plans and calculation of the net pension liability.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. Deferred outflows of resources have a positive impact on net position similar to assets in comparison to deferred inflows of resources which have a negative effect on net position similar to liabilities.

Net Position

GASB Statement 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*, as amended by GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, requires that the *Statement of Net Position* report the difference between assets, deferred outflows, liabilities and deferred inflows as net position. Net position is classified into four major components: net investment in capital assets, restricted expendable, restricted nonexpendable and unrestricted.

Net investment in capital assets — Net investment in capital assets represents the University’s total capital

assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Debt incurred, but not yet expended for capital assets, net of accounts and retainage payable to be paid with unspent debt proceeds, is not included as a component of net investment in capital assets.

Restricted expendable — The expendable restricted component of net position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

Restricted nonexpendable — Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained in perpetuity and invested for the purpose of producing present or future income to be expended or added to the principal. As of June 30, 2017, the University does not have nonexpendable restricted net position.

Unrestricted — The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the University. These resources may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research and outreach. These resources are derived from student tuition and fees; state appropriations; recoveries of facilities and administrative (indirect) costs; and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources before unrestricted resources.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct Lending and Perkins Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, Audit of States, Local Governments and Non-Profit Organizations and the Compliance Supplement.

Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition of instructional and research equipment and facilities.

During fiscal year 2017, funding has been provided to

the University from two programs: 21st Century and Equipment Trust Fund (ETF). The Commonwealth issues bonds and uses the proceeds to reimburse the University, and other institutions of higher education, for expenses incurred in the acquisition of equipment and facilities. The bond liability is assumed by the Commonwealth and is not reflected as a liability of the University. The *Statement of Net Position* line item Due from the Commonwealth includes pending reimbursements from these programs. The *Statement of Revenues, Expenses, and Changes in Net Position* line item Capital Appropriations and Gifts include the reimbursements from these programs.

Income Taxes

The University, as an agency of the Commonwealth, is excluded from federal income taxes under Section 115 of the *Internal Revenue Code*. The Foundation is a 501(c)(3) organization and is exempt from federal income tax under the *Internal Revenue Code*. Certain activities of the University and Foundation may be subject to taxation as unrelated business income.

Revenue Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, net of scholarship allowances, and (3) federal, state and nongovernmental grants and contracts.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, state appropriations, investment income and other revenue sources that are defined as nonoperating 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, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*.

Operating expenses include expenses necessary for the operation of the University, including compensation and benefits; services and supplies; and operation and maintenance of plant, as well as any expense not classified as nonoperating.

Nonoperating expenses are expenses incurred for interest on debt related to the purchase or construction of capital assets and losses on disposal of capital assets.

Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary enterprise revenues from students are reported net of scholarship discounts and allowances in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties on the students' behalf. Scholarship

discounts and allowances are reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO), which calculates scholarship discounts and allowances on a universitywide basis rather than on an individual basis.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or nonoperating 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.

NOTE 2: Cash and Cash Equivalents and Investments

The following information is provided with respect to the University's cash, cash equivalents and investments and related risk disclosures as of June 30, 2017, in accordance with GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (category 3 deposits and investments) — The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The University had no category 3 deposits or investments as of June 30, 2017.

Credit Risk — The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University is required to disclose the credit quality ratings of all investments subject to credit risk.

Concentration of Credit Risk — The risk of loss attributed to the magnitude of an investment in a single issuer. Disclosure of investments with any one issuer that represents 5 percent or more of total investments is required. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the requirement. The University does not have investments subject to risks due to concentration of credit.

Interest Rate Risk — The risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2017.

Foreign Currency Risk — The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or deposits during fiscal year 2017.

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. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*.

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, cash and cash equivalents represents cash with the treasurer, cash on hand, temporary investments with original maturities of three months or less and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP is in compliance with all of the standards of GASB Statement 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP should also report their investments in SNAP at amortized cost. SNAP is rated 'AAAm' by Standard & Poor's rating service. The financial institution that holds the University's local cash provides an interest bearing checking account that allows the University to earn a competitive rate of interest on 100 percent of its collected balances.

Investments

Management of the University's investments is governed by the University's investment policy as approved by the Board of Visitors. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., *Code of Virginia*. Investments are categorized as short-term or long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Capital Appropriations

Capital appropriations consist of funding provided by the Commonwealth to the University from the 21st Century program and the Equipment Trust Fund, both managed by the Virginia College Building Authority (VCBA). Construction of a new academic building was the source of \$10.8m of fiscal year 2017 balance. See Note 11 for capital appropriation summary.

Cash and cash equivalents	June 30, 2017
Cash on hand and deposited with financial institutions	\$7,287,944
Cash with the treasurer of Virginia	96,802,777
Cash equivalents (State Non-Arbitrage Program)	3,667,025
	<u>\$107,757,746</u>

Restricted cash and cash equivalents	June 30, 2017
Current:	
Cash and cash equivalents (State Non-Arbitrage Program)	\$3,667,025
Noncurrent:	
Cash and cash equivalents (State Non-Arbitrage Program)	-
	<u>\$3,667,025</u>

NOTE 3: Accounts and Notes Receivable

Accounts receivable	June 30, 2017
Student tuition and fees	\$1,045,044
Auxiliary enterprises	702,187
Federal, state and nongovernmental grants and contracts	469,651
Other activities	200,215
	<u>2,417,097</u>
Less allowance for doubtful accounts	(446,775)
Net accounts receivable	<u>\$1,970,322</u>

Notes receivable	June 30, 2017
Current:	
Federal student loans	\$1,408,467
Institutional student loans	156,502
	<u>1,564,969</u>
Less allowance for doubtful accounts	(358,809)
Net current notes receivable	<u>\$1,206,160</u>
Noncurrent:	
Federal student loans	\$1,834,378
Institutional student loans	109,845
	<u>1,944,223</u>
Less allowance for doubtful accounts	(419,905)
Net noncurrent notes receivable	<u>\$1,524,318</u>

NOTE 4: Capital Assets

A summary of changes in the various capital asset categories for the year ending June 30, 2017, is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable capital assets:				
Land	11,967,656	-	-	11,967,656
Construction in progress	53,768,170	26,686,582	62,952,216	17,502,536
Total nondepreciable capital assets	65,735,826	26,686,582	62,952,216	29,470,192
Depreciable capital assets:				
Buildings	369,480,126	62,940,574	-	432,420,700
Infrastructure	22,426,283	369,847	-	22,796,130
Intangibles	8,163,282	-	40,532	8,122,750
Equipment	37,747,753	2,404,631	1,421,511	38,730,873
Other improvements	13,264,360	861,242	-	14,125,602
Library materials	25,054,829	1,690,461	1,043,985	25,701,305
Total depreciable capital assets	476,136,633	68,266,755	2,506,028	541,897,360
Less accumulated depreciation:				
Buildings	129,001,673	13,392,800	-	142,394,473
Infrastructure	20,904,414	203,333	-	21,107,747
Intangibles	4,659,482	508,215	21,251	5,146,446
Equipment	24,535,325	3,124,299	1,382,499	26,277,125
Other improvements	6,984,790	462,127	-	7,446,917
Library materials	15,441,895	1,721,598	1,043,985	16,119,508
Total accumulated depreciation	201,527,579	19,412,372	2,447,735	218,492,216
Depreciable capital assets, net	274,609,054	48,854,383	58,293	323,405,144
Total capital assets, net	340,344,880	75,540,965	63,010,509	352,875,336

NOTE 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at June 30, 2017:

Employee salaries, wages and fringe benefits payable	\$12,948,019
Vendors and suppliers accounts payable	3,927,239
Capital projects accounts and retainage payable	3,189,849
Accrued interest payable	369,104
Total accounts payable and accrued expenses	\$20,434,211

Notes Payable — Pooled Bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2017, is summarized as follows:

Notes Payable - Pooled Bonds:	Interest Rates at Issuance	Maturity at Issuance
Student Fitness Center		
Series 2009B, \$3.720 million par amount	2.00% - 5.00%	September 1, 2029
Series 2016A, \$2.285 million par amount-partial refunding of Series 2009B	3.00% - 5.00%	September 1, 2029
Series 2011A, \$4.235 million par amount	3.00% - 5.00%	September 1, 2031
Series 2012B, \$11.155 million par amount	3.00% - 5.00%	September 1, 2032
Series 2013A, \$4.865 million par amount	2.00% - 5.00%	September 1, 2033

Bonds Payable — 9c

The University has issued bonds pursuant to section 9(c) of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2017, is summarized as follows:

Bonds Payable - 9c:	Interest Rates at Issuance	Maturity at Issuance
Renovation of Washington Hall (residence hall)		
Series 2013A, \$5.040 million par amount	2.00% - 5.00%	June 1, 2033
Renovation of Pocahontas, Bolling, Draper (residence halls)		
Series 2014A, \$11.080 million par amount	2.00% - 5.00%	June 1, 2034
Series 2015A, \$8.820 million par amount	2.00% - 5.00%	June 1, 2035
Series 2016A, \$7.160 million par amount	3.00% - 5.00%	June 1, 2036

Installment Purchase Obligations

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is \$114,460, and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2017, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Long-term debt:						
Notes payable — pooled bonds	\$22,992,685	\$2,755,852	\$3,506,575	\$22,241,962	\$935,000	\$21,306,962
Bonds payable — 9c	25,669,880	8,025,374	1,149,954	32,545,300	1,145,000	31,400,300
Installment purchase obligations	36,930	-	12,055	24,875	12,308	12,567
Total long-term debt	\$48,699,495	\$10,781,226	\$4,668,584	\$54,812,137	\$2,092,308	\$52,719,829

Future principal payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable - 9c	Installment Purchase
June 30, 2018	\$ 935,000	\$ 1,145,000	\$ 12,308
June 30, 2019	980,000	1,200,000	12,567
June 30, 2020	1,030,000	1,260,000	-
June 30, 2021	1,085,000	1,320,000	-
June 30, 2022	1,135,000	1,395,000	-
2023-2027	6,465,000	8,005,000	-
2028-2032	7,200,000	9,695,000	-
2033-2036	1,445,000	5,615,000	-
Unamortized Premium	1,966,962	2,910,300	-
Total	\$22,241,962	\$32,545,300	\$24,875

Future interest payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable - 9c	Installment Purchase
June 30, 2018	\$ 789,231	\$ 1,176,750	\$ 455
June 30, 2019	743,306	1,119,500	197
June 30, 2020	698,006	1,059,500	-
June 30, 2021	650,181	996,500	-
June 30, 2022	596,731	930,500	-
2023-2027	2,185,622	3,603,150	-
2028-2032	882,200	1,913,163	-
2033-2036	38,625	359,850	-
Total	\$6,583,902	\$11,158,913	\$652

Long-Term Debt Defeasance

During fiscal year 2017, the Commonwealth of Virginia, on behalf of the University, issued pooled bonds Series 2016A for \$2,285,000 with interest rates of 3.0 to 5.0 percent to advance refund \$2,305,000 of Series 2009B pooled bonds. The bonds, issued at a premium of \$470,852, are used to provide funds for debt service savings, for the Commonwealth. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds.

The advanced refunding resulted in a deferred accounting loss of \$296,927 for the University, which is being amortized to interest expense over the life of the new debt. At June 30, 2017, \$274,376 of the unamortized deferred loss is reported on the *Statement of Net Position* as a deferred outflow of resources. The defeasance will reduce the University's total debt service obligation by \$184,341 over the next 13 years. The debt service savings discounted at a rate of 1.849 percent, results in an economic gain of \$167,810.

For financial reporting purposes, these notes payables are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the *Statement of Net Position*. The assets in escrow have similarly been excluded.

NOTE 7: Other Noncurrent Liabilities

The University's other noncurrent liabilities consist of accruals for compensated absences and federal loan program contributions refundable to the federal government. A summary of changes in other noncurrent liabilities for the year ending June 30, 2017, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other liabilities:						
Accrued compensated absences	\$2,615,209	\$4,268,683	\$4,311,349	\$2,572,543	\$1,729,096	\$843,447
Federal loan program contributions refundable	3,438,154	43,352	-	3,481,506	-	3,481,506
Total other liabilities	\$6,053,363	\$4,312,035	\$4,311,349	\$6,054,049	\$1,729,096	\$4,324,953

NOTE 8: Auxiliary Activities

Auxiliary operating revenues and expenses consisted of the following at June 30, 2017:

Revenues	
Room contracts (net of scholarship allowances of \$2,625,828)	\$11,555,060
Dining service contracts (net of scholarship allowances of \$2,501,203)	11,027,088
Comprehensive fee (net of scholarship allowances of \$5,321,497)	22,866,520
Other student fees and sales and services	9,528,179
Auxiliary enterprises revenue	\$54,976,847
Expenses	
Residential facilities	\$9,609,690
Dining operations	15,323,738
Athletics	9,921,249
Other auxiliary activities	14,144,727
Auxiliary activities expense	\$48,999,404

NOTE 9: Expenses by Natural Classification

	Compensation and Benefits	Depreciation	Plant and Equipment	Scholarships and Fellowships	Services and Supplies	Utilities	Total
Instruction	63,527,904	-	2,007,542	634,541	4,038,427	-	70,208,414
Research	320,315	-	17,497	6,781	146,707	-	491,300
Public service	1,859,652	-	39,865	26,004	1,396,159	-	3,321,680
Academic support	9,578,394	-	209,746	5,960	1,110,060	-	10,904,160
Student services	5,307,505	-	37,831	-	1,332,280	-	6,677,616
Institutional support	18,002,066	-	284,507	-	4,142,628	-	22,429,201
Operation and maintenance of plant	6,180,387	-	266,200	-	3,513,284	2,867,725	12,827,596
Depreciation	-	19,412,372	-	-	-	-	19,412,372
Student aid	-	-	-	6,887,522	-	-	6,887,522
Auxiliary activities	15,549,510	-	875,155	1,603,746	29,227,474	1,743,519	48,999,404
Total	120,325,733	19,412,372	3,738,343	9,164,554	44,907,019	4,611,244	202,159,265

NOTE 10: State Appropriations

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended General Fund appropriations that remain on the last day of the current year, ending June 30, 2017, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2017, except as may be specifically provided otherwise by the General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations. The following is a summary of state appropriations received by the University during the year ended June 30, 2017, including all supplemental appropriations and reversions:

Original legislative appropriation:

Educational and general (E&G) programs	\$49,820,087
Student financial assistance	10,043,444

Supplemental adjustments:

Virtual Library of Virginia (VIVA) allocation	16,047
Prior year SFA carryforward	5,900
Virginia Military Survivors and Dependents Education Program	77,400
Two Year College Transfer Grant Program	145,420
Financial assistance for E&G programs	29,122

Central appropriation transfers:

Health insurance contribution	685,117
Other post-employment benefits	86,116
Line of duty premiums	351
Cardinal adjustment	(2,120)
VITA bills	(3,408)
Retirement	(142,446)

Reversion to the General Fund of the Commonwealth

(941)

Adjusted appropriation

\$60,760,089

NOTE 11: Capital Appropriations

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2017, funding was provided to the University from General Fund capital project appropriations and two programs, 21st Century program and the Equipment Trust Fund, managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The following is a summary of capital appropriations and gifts recognized by the University for the year ended June 30, 2017.

VCBA 21st Century program	14,364,004
VCBA Equipment Trust Fund program	2,001,329
Capital donations	149,672
Capital appropriations and gifts	<u>\$16,515,005</u>

A portion of the funding for these programs is reported as a receivable, due from the Commonwealth, at June 30, 2017, which consisted of the following:

VCBA 21st Century program	\$1,878,531
VCBA Equipment Trust Fund program	1,743,491
Due from the Commonwealth	<u>\$3,622,022</u>

NOTE 12: Commitments

At June 30, 2017, the University was a party to construction contracts totaling approximately \$60.4 million of which \$58.3 million has been incurred. Remaining commitments totaling \$2.1 million represent the unperformed portion of the construction contracts and, as such, have not been accrued as expenses or liabilities on the University's financial statements.

The University is committed under various operating leases for land and buildings. In most cases, the University has renewal options on the leased assets for another similar term, and expects, in the normal course of business, that these leases will be replaced by similar leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. A portion of the University's operating leases are lease agreements with the Radford University Foundation, Inc. (the Foundation), a component unit of the University. Rental expense was approximately \$1,421,000 for the year ended June 30, 2017, of which \$406,000 was paid to the Foundation.

The University has, as of June 30, 2017, the following future minimum rental payments due under operating leases:

Fiscal Year Ending	Future Minimum Lease Payments
June 30, 2018	\$1,764,059
June 30, 2019	294,870
June 30, 2020	187,277
June 30, 2021	14,760
June 30, 2022	-
Total	\$2,260,966

NOTE 13: Defined Benefit Plans and Related Pension Obligation

Plan Description

Employees of the University are employees of the Commonwealth. Upon employment all full-time, salaried permanent employees of the University have the option to participate in the VRS State Employee Retirement Plan or, if a campus police officer, the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan. These plans are single-employer pension plans treated as cost-sharing plans for financial reporting purposes. They are administered by the Virginia Retirement System (VRS, or the System) along with plans for other employer groups in the Commonwealth. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan — Plan 1, Plan 2 and Hybrid and two different benefit structures for covered employees in the VaLORS Retirement Plan — Plan 1 and Plan 2. Each of these benefit structures have different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table:

Retirement Plan Provisions by Plan Structure		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of Jan. 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of Jan. 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after Jan. 1, 2014, are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.

Retirement Plan Provisions by Plan Structure		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of Jan. 1, 2013. Hybrid Opt-In Election VRS nonhazardous-duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held Jan. 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of Jan. 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held Jan. 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after Jan. 1, 2014. This includes: State employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held Jan. 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Retirement Plan Provisions by Plan Structure		
Retirement Contributions	Retirement Contributions	Retirement Contributions
State employees, excluding state elected officials, and optional retirement plan participants, contribute 5 percent of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	State employees contribute 5 percent of their compensation each month to their member contribution account through a pre-tax salary reduction.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specific percentages.
Creditable Service	Creditable Service	Creditable Service
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Same as Plan 1.	Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contribution Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Retirement Plan Provisions by Plan Structure		
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100 percent vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contribution Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100 percent vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50 percent vested and may withdraw 50 percent of employer contributions. After three years, a member is 75 percent vested and may withdraw 75 percent of employer contributions. After four or more years, a member is 100 percent vested and may withdraw 100 percent of employer contributions. Distribution is not required by law until age 70½.

Retirement Plan Provisions by Plan Structure		
Calculating the Benefit	Calculating the Benefit	Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Same as Plan 1.	Defined Benefit Component: Same as Plan 1. Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	Service Retirement Multiplier	Service Retirement Multiplier
VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70 percent. VaLORS: The retirement multiplier for VaLORS employees is 1.70 percent or 2.00 percent.	VRS: Same as Plan 1 for service earned, purchased or granted prior to Jan. 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65 percent for creditable service earned, purchased or granted on or after Jan. 1, 2013. VaLORS: The retirement multiplier for VaLORS employees is 2.00 percent.	Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00 percent. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. VaLORS: Not applicable. Defined Contribution Component: Not applicable.

Retirement Plan Provisions by Plan Structure		
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. VaLORS: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. VaLORS: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when age and service equal 90. VaLORS: Same as Plan 1.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when age and service equal 90. VaLORS: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. VaLORS: Age 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. VaLORS: Same as Plan 1.	Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service. VaLORS: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Retirement Plan Provisions by Plan Structure

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3 percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4 percent) up to a maximum COLA of 5 percent.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA

Effective Dates:

The COLA is effective July 1 following one full calendar year (Jan. 1 to Dec. 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of Jan. 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (Jan. 1 to Dec. 31) from the date the monthly benefit begins.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2 percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent.

Eligibility:

Same as Plan 1.

Exceptions to COLA

Effective Dates:

Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility:

Same as Plan 1.

Exceptions to COLA

Effective Dates:

Same as Plan 1.

Retirement Plan Provisions by Plan Structure		
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7 percent on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65 percent on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS-refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. The cost for purchasing refunded service is the higher of 4 percent of creditable compensation or average final compensation. Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies, including the University, by the Virginia General Assembly. Employees are required to contribute 5.0 percent of their compensation toward their retirement. Prior to July 1, 2012, the 5.0 percent member contribution was paid by the University. Beginning July 1, 2012, state employees were required to pay the 5.0 percent member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The University's contractually required contribution rate for the year ended June 30, 2017, was 13.49 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05 percent of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of \$16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$6,118,618 and \$6,037,976 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions from the University to the VaLORS Retirement Plan were \$220,729 and \$189,692 for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the University reported a liability of \$72,383,000 for its proportionate share of the VRS State Employee Retirement Plan net pension liability and a liability of \$2,246,000 for its proportionate share of the VaLORS Retirement Plan net pension liability. The University's total pension obligation as reported on the *Statement of Net Position* is \$74,629,000 at June 30, 2017. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the University's proportion of the VRS State Employee Retirement Plan was 1.098 percent as compared to 1.061 percent at June 30, 2015. At June 30, 2016, the University's proportion of the VaLORS Retirement Plan was 0.290 percent as compared to 0.293 percent at June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of \$7,818,000 for the VRS State Employee Retirement Plan and \$291,000 for the VaLORS Retirement Plan, which had a combined total of \$8,109,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2017, the University reported deferred outflows of resources related to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan from the following sources:

Deferred Outflows of Resources	VRS State Employee Retirement Plan	VaLORS Retirement Plan	Total
Differences between expected and actual experience	\$310,000	\$10,000	\$320,000
Net difference between projected and actual earnings on pension plan investments	4,614,000	92,000	4,706,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,765,000	103,000	3,868,000
Employer contributions subsequent to the measurement date	6,118,618	220,729	6,339,347
Total	\$14,807,618	\$425,729	\$15,233,347

At June 30, 2017, the University reported deferred inflows of resources related to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan from the following sources:

Deferred Inflows of Resources	VRS State Employee Retirement Plan	VaLORS Retirement Plan	Total
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$14,000	\$14,000
Differences between expected and actual experience	1,971,000	6,000	1,977,000
Total	\$1,971,000	\$20,000	\$1,991,000

A total of \$6,339,347 of reported deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	VRS State Employee Retirement Plan	VaLORS Retirement Plan	Total
June 30, 2018	\$1,423,000	\$68,000	\$1,491,000
June 30, 2019	724,000	29,000	753,000
June 30, 2020	2,682,000	52,000	2,734,000
June 30, 2021	1,889,000	36,000	1,925,000
June 30, 2022	-	-	-
Total	\$6,718,000	\$185,000	\$6,903,000

Actuarial Assumptions

VRS State Employment Plan

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0% net of pension plan investment expense, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.*

Mortality rates:

- Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020, with males set forward 2 years and females set back 3 years.
- Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020, with females set back 1 year.
- Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020, with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduced rates of salary increase by 0.25% per year

VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5 .35%
Investment rate of return	7.0% net of pension plan investment expense, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.*

Mortality rates:

- Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020, with males set forward 5 years and females set back 3 years.
- Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020, with females set back 1 year.
- Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020, with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease in service-related disability rate from 60 percent to 50 percent

Net Pension Liability

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, net pension liability amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	VRS State Employee Retirement Plan	VaLORS Retirement Plan
Total pension liability	\$22,958,593	\$1,985,618
Plan fiduciary net position	16,367,842	1,211,446
Employers' net pension liability	\$6,590,751	\$774,172
Plan fiduciary net position as a percentage of total pension liability	71.29%	61.01%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. equity	19.50%	6.46%	1.26%
Developed non U.S. equity	16.50%	6.28%	1.04%
Emerging market equity	6.00%	10.00%	0.60%
Fixed income	15.00%	0.09%	0.01%
Emerging debt	3.00%	3.51%	0.11%
Rate sensitive credit	4.50%	3.51%	0.16%
Non rate sensitive credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public real estate	2.25%	6.12%	0.14%
Private real estate	12.75%	7.10%	0.91%
Private equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50 %
		* Expected arithmetic nominal return	8.33%

**Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one-year results produces an expected real return of 8.33 percent but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44 percent, including expected inflation of 2.50 percent.*

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Through the fiscal year ending June 30, 2018, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$101,866,000	\$72,383,000	\$47,630,000

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$3,006,000	\$2,246,000	\$1,620,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, the University had accrued retirement contributions payable to the pension plan of \$267,412 including \$253,856 payable to the VRS State Employee Retirement Plan and \$13,556 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2017, but not yet paid to the plan.

NOTE 14: Defined Contribution Plans

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association — College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments Tax-Exempt Services Company. These plans are fixed contribution programs where the retirement benefits received are based upon employer and employee contributions, plus net investment gains or losses. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent. Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions.

Total employer pension costs under optional retirement plans were approximately \$2.8 million for the year ended June 30, 2017, of which \$350,599 is reflected as a current liability on the *Statement of Net Position* at June 30, 2017. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$28.4 million for fiscal year 2017.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. 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 \$20 per pay period. The dollar amount of the match may 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 \$301,000 for fiscal year 2017.

NOTE 15: Postemployment Benefits

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program and Line of Duty Act Program.

The Group Life Insurance Program provides members basic group life insurance upon employment. In addition to benefits provided to active members during employment, the Virginia Sickness and Disability Program provides inactive members with long-term disability and long-term care benefits. The Retiree

Health Insurance Credit Program provides members health insurance credits to offset the monthly health insurance premiums for retirees who have at least 15 years of service. The Line of Duty Act Program provides death and health insurance reimbursement benefits to eligible state employees, such as campus police, who die or become disabled as a result of the performance of their duties as a public safety officer. The University is required to contribute to the costs of participating in these programs.

The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. The plan provides the option for retirees who are not yet eligible to participate in Medicare to participate in the Commonwealth's healthcare plan for its active employees. The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of premiums for active employees.

Additional information related to all of these plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

NOTE 16: Grants and Contracts Contingencies

The University received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University. In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2017, the University estimates that no material liabilities will result from such audits or questions.

NOTE 17: Federal Direct Lending Program

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding tuition and fee charges or refunded directly to the student. These loan proceeds 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 government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2017, cash provided by the program totaled \$56.9 million and cash used by the program totaled \$57.0 million.

NOTE 18: Risk Management and Employee Health Care Plans

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. The state employee health care and worker's 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. Further information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

NOTE 19: Component Unit Financial Information

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2017:

Current:

Receivables due in less than one year	\$1,386,412
Less allowance for uncollectible contributions	(49,677)
Net current contributions receivable	<u>\$1,336,735</u>

Noncurrent:

Receivables due in one to five years	\$1,451,994
Receivables due in more than five year	186,705
Less discount to net present value	(205,768)
Less allowance for uncollectible contributions	(32,745)
Net noncurrent contributions receivable	<u>\$1,400,186</u>
Total contributions receivable	<u>\$2,736,921</u>

The discount rate used in 2017 was 5.66 percent. As of June 30, 2017, there were no conditional promises to give.

(B) Notes Receivable

The following is a summary of notes receivable at June 30, 2017:

Note receivable due in monthly payments of \$542 through May 2022 with interest receivable at 5.50 percent and secured by land and building.	\$28,184
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Note receivable that is a non-interest bearing with deferred payments for the first five years and \$25,000 annual payment for years six through seventeen. The Foundation has elected to record this receivable at fair value. Accordingly, the unearned discount on this receivable was \$84,000 on June 30, 2017. For June 30, 2016 and 2017, \$10,000 and \$11,750 of the note was forgiven in exchange for guaranteed daycare slots for employees of Radford University. The applicable discount rate at June 30, 2016 and 2017 is 4 percent.	194,250
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Note receivable with interest bearing at a rate equal to LIBOR index plus 2 percent with a floor of 3.5 percent (3.5 percent at June 30, 2017) with amortization of twenty years and a balloon payment due five years after the date of the note, interest is subject to adjustment on December 1, 2017 and on that day every 12th month thereafter through maturity.	299,770
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Total notes receivable	<u>\$522,204</u>
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Notes receivable, current	\$16,047
Notes receivable, noncurrent	506,157
Total notes receivable	<u>\$522,204</u>

(C) Investments

Investments comprise the following as of June 30, 2017:

Short-term:

Cash and cash equivalents	\$251,551
Equities	1,504,086
Investment company	51,330,393
Total short-term	<u>\$53,086,030</u>

Long-term:

Cash and cash equivalents	\$25,037
Mutual and money market funds	604,895
Investment company	5,165,873
Total long-term	<u>\$5,795,805</u>
Total investments	<u>\$58,881,835</u>

(D) Capital Assets

A summary of land, buildings and equipment at cost, less accumulated depreciation, for the year ending June 30, 2017, is presented as follows:

Depreciable capital assets:

Buildings	\$9,096,116
Furniture and equipment	325,392
Land improvements	558,294
Total depreciable capital assets, at cost	<u>\$9,979,802</u>
Less accumulated depreciation	<u>(1,994,523)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>\$7,985,279</u>

Nondepreciable capital assets:

Land	\$2,059,843
Construction in progress	37,900
Collections of art	2,104,782
Total nondepreciable capital assets	<u>\$4,202,525</u>
Total capital assets, net of accumulated depreciation	<u>\$12,187,804</u>

(E) Line of Credit

The following is a summary of the outstanding line of credit at June 30, 2017:

Line of credit agreement originated on June 23, 2016 for \$1,500,000, interest payable monthly at LIBOR plus 1.60 percent (2.65 percent and 2.07 percent at June 30, 2017 and 2016, respectively). Outstanding principal is due March 31, 2018. Unsecured.	<u>\$800,000</u>
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(F) Long-Term Debt

The following is a summary of the outstanding notes payable at June 30, 2017:

Note payable in monthly installments on a ten year amortization with a balloon payment of remaining amount in May 2020 with interest payable at LIBOR plus 1.48 percent (2.53 percent at June 30, 2017), outstanding principal due upon maturity, unsecured	\$431,851
Note payable in monthly installments of \$17,532 through July 2018 with interest payable at 2.01 percent, unsecured	226,054
Note payable in monthly installments of \$2,601 through November 2020 with interest payable at 1.54 percent. Secured by deposit accounts maintained by and investment property held with the institution.	103,591
Total	<u>\$761,496</u>

Future principal payments on notes payable for years ending June 30 are as follows:

2018	\$285,049
2019	97,411
2020	366,261
2021	12,775
Total long-term debt	<u>\$761,496</u>

(G) Subsequent Events

The line of credit with Union Bank was paid down to \$500,000 on July 11, 2017. The remaining balance was paid on August 31, 2017.

NOTE 20: Subsequent Events

In January 2018, the University announced Jefferson College of Health Sciences intends to merge with Radford University. Jefferson College of Health Sciences is currently owned and operated by Carilion Clinic, a tax-exempt health care organization. The merger planning process is expected to take 18 to 24 months.

In March 2018, the University entered into a 25 year capital lease with the Radford University Foundation, LLC to meet student housing demand.

Required Supplementary Information



RADFORD UNIVERSITY**Schedule of Employer's Share of Net Pension Liability****VRS State Employee Retirement Plan***For the Years Ended June 30, 2017, 2016 and 2015**

	2017	2016	2015
Employer's proportion of the net pension liability	1.098%	1.061%	1.005%
Employer's proportionate share of the net pension liability	\$72,383,000	\$64,986,000	\$56,267,000
Employer's covered payroll	\$43,206,118	\$40,612,813	\$38,332,872
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	167.53%	160.01%	146.79%
Plan fiduciary net position as a percentage of the total pension liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data is available. However, additional years will be included as they become available.

**The amounts presented have a measurement date of the previous fiscal year end.*

RADFORD UNIVERSITY**Schedule of Employer's Share of Net Pension Liability****VaLORS Retirement Plan***For the Years Ended June 30, 2017, 2016 and 2015**

	2017	2016	2015
Employer's proportion of the net pension liability	0.290%	0.293%	0.261%
Employer's proportionate share of the net pension liability	\$2,246,000	\$2,082,000	\$1,761,000
Employer's covered payroll	\$1,002,575	\$982,575	\$918,334
Employer's proportionate share of the net pension liability as a percentage of employer's covered payroll	224.02%	211.89%	191.76%
Plan fiduciary net position as a percentage of the total pension liability	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data is available. However, additional years will be included as they become available.

**The amounts presented have a measurement date of the previous fiscal year end.*

RADFORD UNIVERSITY

Schedule of Employer Contributions

VRS State Employee Retirement Plan

For the Years Ended June 30, 2008 through 2017

Date	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2017	\$6,106,153	\$6,106,153	\$-	\$45,264,292	13.49%
2016	\$6,078,232	\$6,078,232	\$-	\$43,206,118	14.07%
2015	\$5,043,111	\$5,043,111	\$-	\$40,901,142	12.33%
2014	\$3,399,941	\$3,399,941	\$-	\$38,812,116	8.76%
2013	\$3,169,199	\$3,169,199	\$-	\$36,178,066	8.76%
2012	\$1,107,142	\$1,107,142	\$-	\$34,014,776	3.25%
2011	\$697,904	\$697,904	\$-	\$32,765,436	2.13%
2010	\$1,635,446	\$1,635,446	\$-	\$32,895,794	4.97%
2009	\$2,128,466	\$2,128,466	\$-	\$34,164,779	6.23%
2008	\$2,040,308	\$2,040,308	\$-	\$33,175,737	6.15%

RADFORD UNIVERSITY

Schedule of Employer Contributions

VaLORS Retirement Plan

For the Years Ended June 30, 2008 through 2017

Date	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2017	\$220,551	\$220,551	\$-	\$1,047,748	21.05%
2016	\$188,891	\$188,891	\$-	\$1,002,575	18.84%
2015	\$175,205	\$175,205	\$-	\$991,540	17.67%
2014	\$136,302	\$136,302	\$-	\$920,958	14.80%
2013	\$129,797	\$129,797	\$-	\$877,007	14.80%
2012	\$58,214	\$58,214	\$-	\$812,193	7.17%
2011	\$41,347	\$41,347	\$-	\$807,556	5.12%
2010	\$85,638	\$85,638	\$-	\$769,302	11.13%
2009	\$100,057	\$100,057	\$-	\$703,139	14.23%
2008	\$102,672	\$102,672	\$-	\$647,363	15.86%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after Jan. 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions

The following changes in actuarial assumptions were made for the VRS State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Updated mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduced rates of salary increase by 0.25 percent per year

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Updated mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease in service-related disability rate from 60 percent to 50 percent



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 24, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of **Radford University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit of the University, which are discussed in Notes 1 and 19. Those financial statements were audited by another auditor

whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based on the report of the other auditor.

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

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

Opinion

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to Required Supplementary Information on pages 50 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2018, on our consideration of the 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 in considering the University's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

JMR/clj

As of June 30, 2017

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RADFORD UNIVERSITY