Old Dominion University
Financial Statements

June 30, 2013

TABLE OF CONTENTS

Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Old Dominion University is a comprehensive, multicultural, and student-centered research doctoral university whose central purpose is to provide our students with the best education possible. The University is comprised of six colleges: Arts and Letters, Business and Public Administration, Education, Engineering and Technology, Health Sciences and Sciences that offer 70 baccalaureate programs, 54 master's programs, two education specialist programs and 42 doctoral programs. More than 24,600 undergraduate and graduate students comprise the Old Dominion University student body, including more than 750 international students from 104 countries.

The University's local, regional and national impact continues to grow. With an economic impact on the Hampton Roads area of over $1 billion annually, Old Dominion University is one of the largest generators of new jobs in the region. The University is committed to providing research-driven solutions. Our world-class researchers are partnering with business, industry, government and investment leaders to create answers for society's most pressing challenges. Old Dominion University has made great strides in significant areas of research, including modeling and simulation, bioelectrics, maritime, ports and logistics, nanotechnologies, sea rise, and alternative energies with over 400 projects in progress at our 26 research centers.

The University is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Comprehensive Annual Financial Report.* The 17 members of Old Dominion University's Board of Visitors, who are appointed by the Governor of Virginia, govern University operations.

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Old Dominion University financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2013. Note that although the University's foundations identified as component units under GASB Statement 61 are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2012. Since this presentation incudes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to the Financial Statements, and other supplemental information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses and Changes in Net Position (operating statement), and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

Statement of Net Position

The Statement of Net Position presents the University's assets, liabilities, and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at year-end. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. The next category is restricted which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on them. The final category is unrestricted net position which is available to the institution for any lawful purpose of the institution.

Condensed Summary of Net Position
(amounts in thousands)

	As of June 30, 2013	As of June 30, 2012	Increase / (Decrease)	Percent Change
Assets:				
Current	$ 103,619	$ 89,190	$ 14,429	16.2%
Capital, net of accumulated depreciation	561,768	555,935	5,833	1.0%
Other noncurrent	42,884	42,695	189	0.4%
Total assets	708,271	687,820	20,451	3.0%
Liabilities:				
Current	74,672	62,017	12,655	20.4 %
Noncurrent	245,267	259,575	(14,308)	(5.5)%
Total liabilities	319,939	321,592	(1,653)	(0.5)%
Net Position:				
Net investment in capital assets	308,040	289,148	18,892	6.5 %
Restricted	28,644	28,394	250	0.9 %
Unrestricted	51,648	48,686	2,962	6.1 %
Total net position	$ 388,332	$ 366,228	$ 22,104	6.0 %

The University's financial position remained strong at the end of fiscal year 2013 with an increase in total assets of $20.5 million or 3.0%. The growth in current assets of $14.4 million or 16.2% was a result of an increase in auxiliary cash, monies due from the Commonwealth for reimbursement bond programs and cash relating to the Securities Lending Program. Current liabilities increased 20.4% or $12.7 million due to the timing of payments to vendors for goods and services and construction projects, along with an increased liability for cash and investments relating to the Securities Lending Program. Noncurrent liabilities decreased $14.3 million or 5.5% due to the normal payment of debt, while total University liabilities decreased $1.7 million or 0.5%. The overall financial position of the University improved over the prior fiscal year as evidenced by the growth in net position of $22.1 million or 6.0%.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.

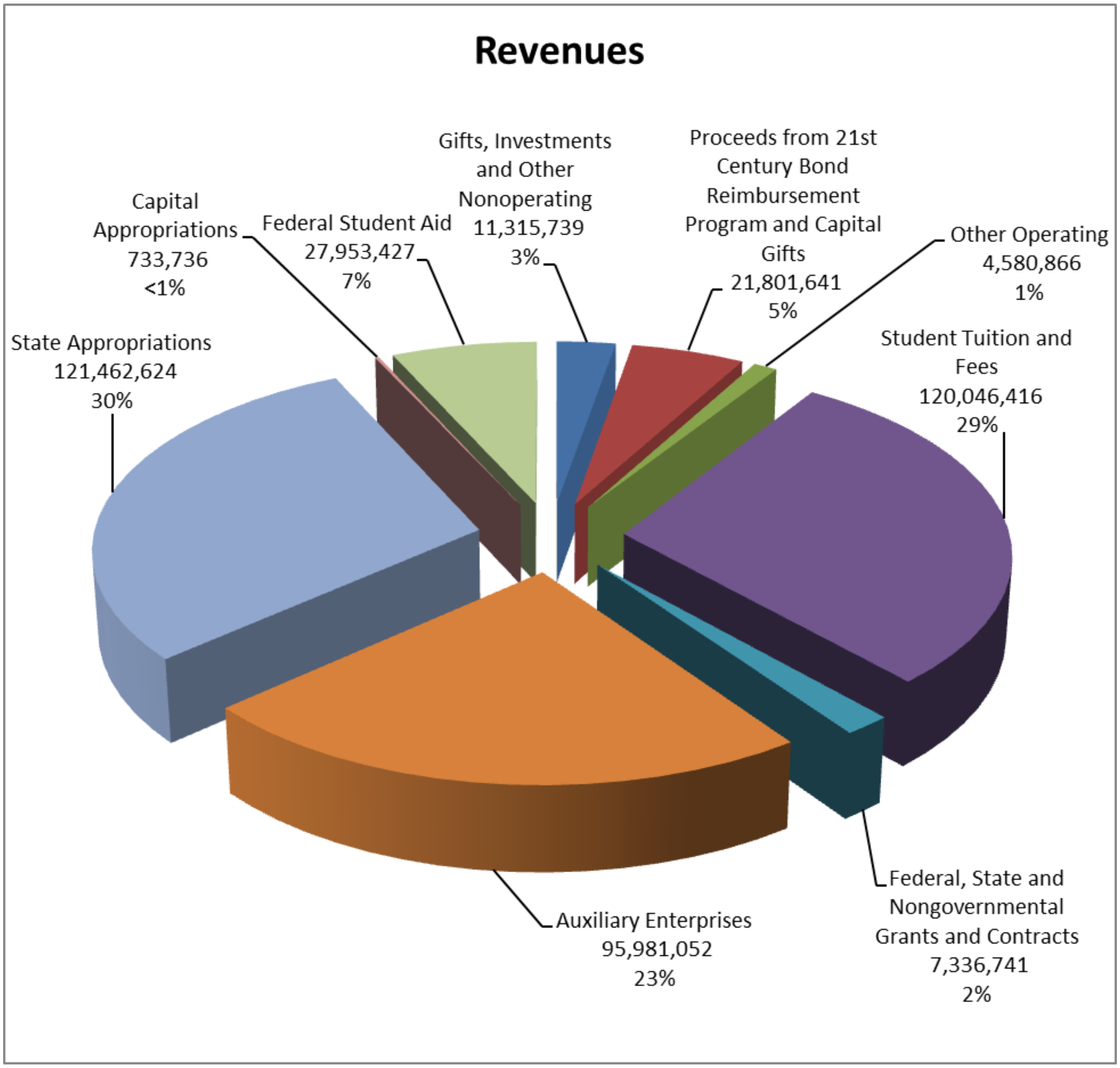
Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

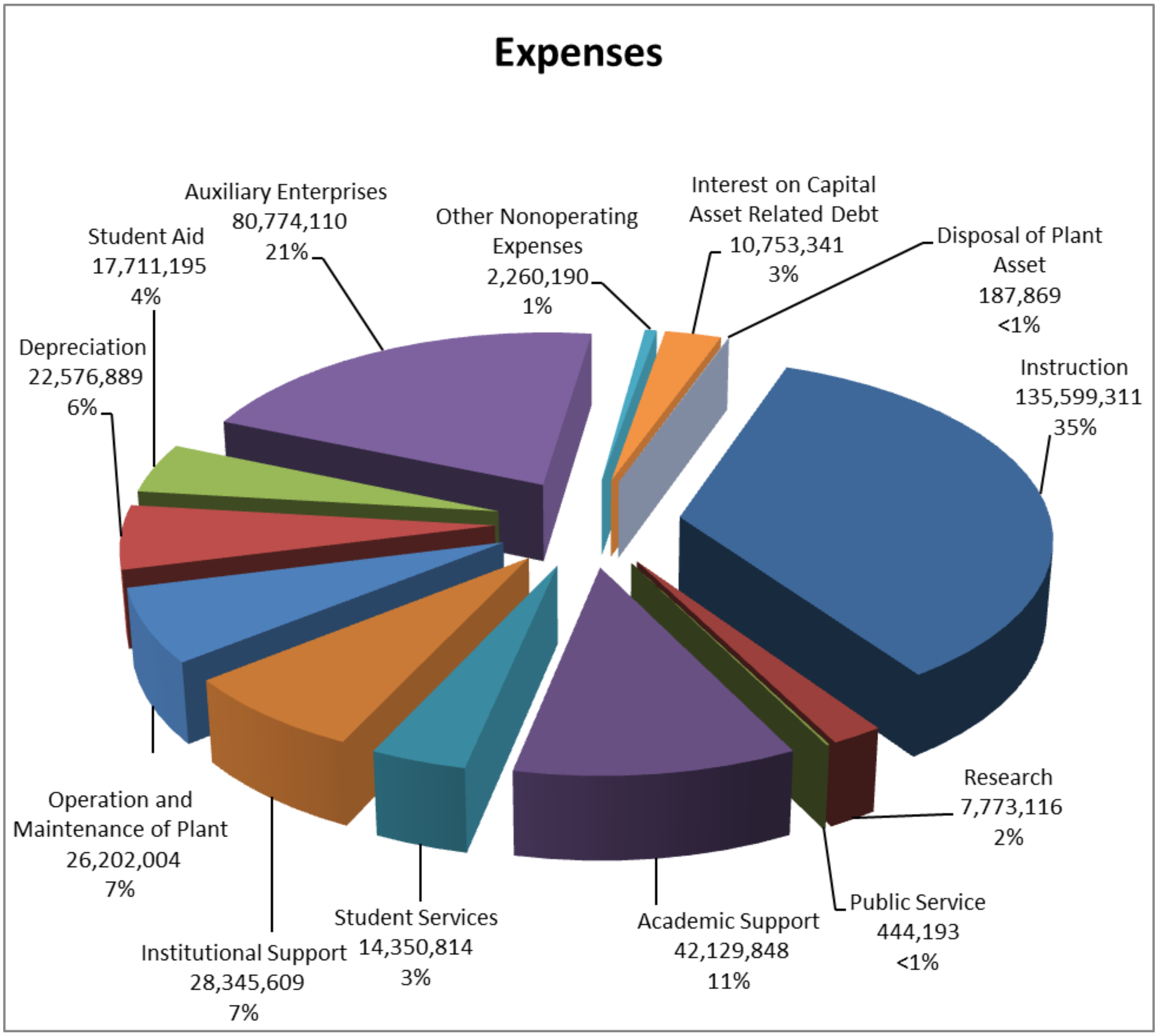
Condensed Summary of Net Revenues, Expenses and Changes in Net Position

(amounts in thousands)

	Year Ended June 30, 2013	Year Ended June 30, 2012	Increase / (Decrease)	Percent Change
Operating revenues:				
Student tuition and fees	$ 120,047	$ 113,653	$ 6,394	5.6 %
Federal grants and contracts	4,808	5,176	(368)	(7.1)%
State, local & nongovernmental grants	2,528	2,504	24	1.0 %
Auxiliary enterprises	95,981	95,742	239	0.2 %
Other operating revenues	4,581	6,893	(2,312)	(33.5)%
Total operating revenues	227,945	223,968	3,977	1.8 %
Operating expenses:				
Instruction	135,599	128,379	7,220	5.6 %
Research	7,773	7,303	470	6.4 %
Public service	444	458	(14)	(3.1)%
Academic support	42,130	43,056	(926)	(2.2)%
Student services	14,351	13,353	998	7.5 %
Institutional support	28,346	28,097	249	0.9 %
Operation and maintenance	26,202	24,830	1,372	5.5 %
Depreciation	22,577	26,645	(4,068)	(15.3)%
Scholarships and fellowships	17,711	16,955	756	4.5 %
Auxiliary activities	80,774	73,562	7,212	9.8 %
Total operating expenses	375,907	362,638	13,269	3.7 %
Operating loss	(147,962)	(138,670)	(9,292)	6.7 %
Net nonoperating revenues and expenses	147,708	139,281	8,427	6.1 %
Income before other revenues/ (expenses)/gains/(losses)	(254)	611	(865)	(141.6)%
Net other revenues and expenses	22,358	9,665	12,693	131.3 %
Increase in net position	22,104	10,276	11,828	115.1 %
Net position - beginning of year	366,228	355,952	10,276	2.9 %
Net position - end of year	$ 388,332	$ 366,228	$ 22,104	6.0 %



The largest components of total operating revenue are primarily student tuition and fees which increased $6.4 million or 5.6% and auxiliary enterprise revenue which increased by $0.2 million or 0.2% from the prior fiscal year. The growth in revenue was due to the rise in both in-state and out-of-state tuition rates. The overall increase in nonoperating revenue of $8.4 million or 6.1% was caused by an increase in funding from the Commonwealth through appropriations for base operating support, an increase in Pell grant revenue and investment income which was offset by a reduction in federal stimulus funding in 2013. Finally other revenues increased $12.7 million or 131.3% as a result of additional funding from the 21st Century Bond Program for ongoing campus construction.



Operating expenses increased $13.3 million or 3.7% in response to various factors including establishment of additional faculty, administrative and staff positions, faculty promotions, and a 3% bonus for faculty and staff. Student financial assistance expenses increased as a result of additional financial aid and scholarship funding for undergraduate students.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees ($139.1 million) and auxiliary enterprises ($109.5 million). The primary uses are payments to employees including salaries, wages, and fringe benefits ($217.2 million) and payments to vendors ($85.3 million).

The second section reflects the cash flow from non-capital financing activities and reflects nonoperating sources and uses of cash primarily to support operations. The primary sources are state appropriations ($120.8 million) and gifts and grants ($37.1 million).

The third section represents cash flows from capital financing activities and details the activities related with the acquisition and construction of capital assets including related debt payments. The primary source of funds is proceeds from reimbursements from the Commonwealth ($14.3 million). The primary uses are principal and interest paid on capital debt ($24.6 million) and purchases of capital assets ($26.6 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was interest on investments and cash management ($1.0 million). The last section which is not included below reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Summary Statement of Cash Flows
(amounts in thousands)

	Year ended June 30, 2013	Year ended June 30, 2012	Increase / Decrease	Percent Change
Cash flows from operating activities	$ (121,914)	$ (109,273)	$ (12,641)	(11.6)%
Cash flows from non-capital financing activities	157,847	151,106	6,741	4.5 %
Cash flows from capital financing activities	(34,991)	(29,489)	(5,502)	(18.7)%
Cash flows from investing activities	959	785	174	22.2 %
Net change in cash	$ 1,901	$ 13,129	$ (11,228)	(85.5)%

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the key factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 5. In addition to buildings, capital asset additions for June 30, 2013 include increases of $8.9 million in equipment, and $2.1 million in library books.

Several ongoing capital projects were added and completed during the fiscal year which resulted in a net increase in construction in progress of $16.0 million. New additions to construction in progress include Phase II of Diehn Fine Arts building, the System Research and Academic building, and the Education building. Projects were financed through issuance of General Obligation and Revenue Bonds.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased $13.8 million as reflected in Notes 7 and 8. The decrease is the result of normal payment of existing debt.

Uncompleted construction and other related contractual commitments increased from $6.5 million at June 30, 2012 to $8.8 million at June 30, 2013, as reflected in Note 12. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. This large increase is primarily the result of new projects for Phase II of Diehn Fine Arts building and System Research and Academic building.

Economic Outlook

The passage of the Virginia Higher Education Opportunity Act by the 2011 Session of the General Assembly speaks to the importance of policy goals of increasing accessibility and enrollments in high demand disciplines such as Science, Technology, Engineering, and Mathematics. In addition, the Act speaks to a number of restructuring initiatives to enhance progress in promoting higher education opportunities. Financial policy and the Commonwealth's funding participation will be revisited by the Higher Education Advisory Committee in concert with State agencies. Nonetheless, all Virginia universities are faced with the challenge of containing costs through business process improvements and efficiencies.

The University's 2013-2014 Budget and Plan is consistent with the criteria set forth in the University Strategic Plan and the Code of Virginia higher education institutional performance standards as evidenced by the focus upon enrollment and recruitment of undergraduate and transfer students, student success and retention, affordability and access for students from under-represented populations, and emphasis on the Science, Technology, Engineering, Math and Health Sciences (STEM/H) disciplines.

Last year, at the request of the President and under the direction of the Chief Operating Officer, the budget planning process was restructured to involve the Vice Presidents in a more collaborate approach in determining the strategic direction for resource allocations. The Vice Presidents reviewed the budget requests and prioritized the initiatives in accordance with specific strategic principles:

- Mandated unavoidable cost increases, such as 3% salary increases for full-time faculty, 17% increases in health insurance costs, faculty tenure and promotion increases, and costs for operation and maintenance of new facilities would be supported from available state and tuition funding.
- The conversion of 25 critical adjunct faculties was in response to the Affordable Care Act. These faculty positions taught course loads that exceeded the Act's guidelines, and reducing the course load would have a negative impact on a student's time to graduation.
- Investments were made in 25 additional faculty positions, with only a few critical administrative and staff support positions established.
- With the challenge of retaining well qualified faculty and staff, additional compensation adjustments were budgeted for full-time and hourly wage employees.

The outcome is an operating budget and plan that invests in the future of Old Dominion University and reflects the collective input of the University's leadership team. The new investments were grouped into the following major success critical categories:

1. Academic Enterprise (Instruction, Research, Public Service and Academic Support): Allocating resources to hire well qualified faculty to increase college degree attainment in the Commonwealth, especially in high-demand disciplines and high-income fields such as science, technology, engineering, mathematics and health care as well as to improve the full-time faculty/student ratio.

   In addition, the University will continue to invest in research and instruction in science, technology, engineering, mathematics, health science and related fields, such as Modeling and Simulation, which require qualified faculty, appropriate research facilities and equipment, and public-private and inter-governmental collaboration.

2. Student Recruitment and Enrollment Management: The University endeavors to provide access to qualified undergraduate and graduate students at an affordable cost. These budgeted initiatives include program funds for the enrollment management functions in admissions and student financial aid as well as in targeted student success programs. Significant investments have also been made in on-campus student employment opportunities.

3. Campus Infrastructure: The University will promote innovative instructional models toward degree attainment through optimal use of physical facilities and instructional resources, technology-enhanced instruction, and increased online learning opportunities for both traditional and nontraditional students. These ongoing costs include base and one-time costs related to instructional technology, and operation and maintenance of plant.

4. Campus Life and Student Retention: The University is committed to student success and retention. Investments were made toward the Student Success Programs, Student Recreation and Wellness, international student, admissions and intercultural programs. With a culturally diverse student population, it is expected that these various student engagement initiatives will provide an improved support structure to assist and retain students throughout their academic careers at Old Dominion University.

The University is responsive to the rapidly changing higher education environment. Old Dominion University will continue to maintain its solid financial foundation and is well positioned to continue its pursuit of excellence in teaching, research and public service.

Page Left Intentionally Blank

OLD DOMINION UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2013

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 80,161,801	$ 26,052,546
Accounts receivable (Net of allowance for doubtful accounts $873,694) (Note 4)	11,153,622	19,650,901
Contributions receivable (Net of allowance for doubtful collections $226,394) (Note 11)	-	5,223,184
Due from the Commonwealth (Note 4)	8,603,676	-
Appropriations available	1,037,964	-
Travel advances	-	54,789
Prepaid expenses	750,218	479,716
Inventory	694,646	-
Notes receivable (Net of allowance for doubtful accounts $21,231)	1,216,793	-
Other assets	-	180,179
Total current assets	103,618,720	51,641,315
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	16,686,649	-
Endowment investments (Note 3)	8,413,073	-
Investments (Notes 2 and 11)	14,873,238	183,637,403
Accounts receivable	-	53,088,016
Contributions receivable (Net of allowance for doubtful collections $46,465) (Note 11)	-	8,386,490
Notes receivable (Net of allowance for doubtful accounts $57,025)	2,062,787	3,405,000
Unamortized bond issuance expense	848,295	-
Nondepreciable capital assets (Notes 5 and 11)	61,648,801	22,990,843
Capital assets (Notes 5 and 11)	500,119,205	7,151,622
Total noncurrent assets	604,652,048	278,659,374
Total assets	708,270,768	330,300,689
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	37,932,058	11,167,811
Due to affiliates	-	362,983
Unearned revenue	10,358,293	5,552,326
Obligations under securities lending (Note 2)	4,603,803	-
Deposits held in custody for others	2,563,954	35,279
Other liabilities	-	11,120,493
Line of credit	-	5,255,732
Long-term liabilities - current portion (Notes 7 and 11)	19,213,557	2,219,915
Total current liabilities	74,671,665	35,714,539
Noncurrent liabilities (Notes 7 and 11)	245,267,328	90,409,073
Total liabilities	319,938,993	126,123,612
NET POSITION		
Net invested in capital assets	308,040,175	21,317,333
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,876,482	-
Permanently restricted	-	117,360,107
Expendable:		
Scholarships and fellowships	7,056,459	-
Research	2,455,605	-
Loans	3,486,654	-
Capital projects	251,695	-
Temporarily restricted	-	72,925,121
Departmental uses	10,516,481	-
Unrestricted	51,648,224	(7,425,484)
Total net position	$ 388,331,775	$ 204,177,077

The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $24,298,854)	$ 120,046,416	$ -
Gifts and contributions	-	14,261,242
Federal grants and contracts	4,808,390	-
State grants and contracts	300,267	-
Indirect cost	-	8,833,409
Sponsored research	-	36,818,820
Nongovernmental grants and contracts	2,228,084	-
Auxiliary enterprises (Net of scholarship allowances of $15,566,204)	95,981,052	-
Other operating revenues	4,580,866	11,951,269
Total operating revenues	227,945,075	71,864,740
Operating expenses:		
Instruction	135,599,311	2,281,898
Research	7,773,116	44,587,144
Public service	444,193	-
Academic support	42,129,848	5,616,036
Student services	14,350,814	-
Institutional support	28,345,609	13,244,945
Operation and maintenance	26,202,004	8,835
Depreciation	22,576,889	215,746
Student aid	17,711,195	2,024,445
Auxiliary activities	80,774,110	-
Total operating expenses	375,907,089	67,979,049
Operating income (loss)	(147,962,014)	3,885,691
Nonoperating revenues (expenses):		
State appropriations (Note 10)	123,257,164	-
Pell grant revenue	27,953,427	-
Gifts	9,286,061	-
Investment income (Net of investment expenses of $214,526)	2,019,032	15,627,302
Other	(58,331)	-
Interest of capital asset-related debt	(10,753,341)	-
Payments to Commonwealth from state appropriations	(1,794,540)	-
Payments to Treasury Board	(374,473)	-
Payments to grantee	(1,826,000)	-
Payments to grantors	(1,386)	-
Net nonoperating revenues (expenses)	147,707,613	15,627,302
Income before other revenues, (expenses), gains, and (losses)	(254,401)	19,512,993
Proceeds from 21st Century bond reimbursement program	17,568,757	-
Capital gifts and grants	4,232,884	-
Capital appropriations	733,736	-
Gain/loss on disposal of plant assets	(187,869)	-
Build America bond interest	10,646	-
Contributions to permanent endowments	-	1,167,719
Total other revenues, (expenses), gains, and (losses)	22,358,154	1,167,719
Increase in net position	22,103,753	20,680,712
Net position - beginning of year	366,228,022	183,496,365
Net position - end of year	$ 388,331,775	$ 204,177,077

The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash flows from operating activities:	
Student tuition and fees	$ 139,113,196
Grants and contracts	6,897,204
Auxiliary enterprises	109,535,169
Other receipts	4,469,722
Payments to employees	(171,860,962)
Payments for fringe benefits	(45,316,952)
Payments for services and supplies	(78,978,610)
Payments for travel	(6,353,265)
Payments for scholarships and fellowships	(64,542,274)
Payments for noncapitalized improvements and equipment	(14,978,784)
Loans issued to students	(349,951)
Collections of loans from students	451,600
Net cash used by operating activities	(121,913,907)
Cash flows from non-capital financing activities:	
State appropriations	120,828,104
Pell grant revenue	27,919,812
Gifts and grants for other than capital purposes	9,197,295
William D. Ford direct lending receipts	108,278,143
William D. Ford direct lending disbursements	(108,278,143)
PLUS loans receipts	10,679,321
PLUS loans disbursements	(10,679,321)
Refund to the grantor	(1,386)
Agency receipts	3,291,660
Agency payments	(3,388,109)
Net cash provided by noncapital financing activities	157,847,376
Cash flows from capital financing activities:	
Proceeds from capital debt and investments	30,938
Proceeds from 21st Century bond reimbursement program	14,314,366
Capital gifts	3,708,235
Purchase of capital assets	(26,623,324)
Payment to grantee	(1,826,000)
Principal paid on capital debt, leases and installments	(13,262,747)
Interest paid on capital debt, leases and installments	(11,332,643)
Net cash used by capital financing activities	(34,991,175)
Cash flows from investing activities:	
Interest on investments and cash management	958,991
Net cash provided by investing activities	958,991
Net change in cash	1,901,285
Cash and cash equivalents - beginning of the year	91,993,729
Less: Securities lending - Treasurer of Virginia	(1,414,840)
Cash and cash equivalents - beginning of the year	90,578,889
Cash and cash equivalents - end of the year	$ 92,480,174

RECONCILIATION OF STATEMENT OF CASH FLOWS,
STATEMENT OF NET POSITION:

Statement of Net Position		
Cash and cash equivalents	$	96,848,450
Less: Securities lending - Treasurer of Virginia		(4,368,276)
Net cash and cash equivalent	$	92,480,174

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

Operating (loss)	$	(147,962,014)
Adjustments to reconcile net income/(loss) to net cash used by operating activities		
Depreciation expense		22,576,889
Changes in assets and liabilities:		
Receivables, net		(3,723,572)
Prepaid expenses		(414,242)
Inventory		(19,935)
Accounts payable and accrued expenses		6,236,467
Deposits		130,581
Unearned revenue		1,261,919
Net cash used by operating activities	$	(121,913,907)

Non-cash investing, capital and financing activities		
Security lending	$	4,368,276
Capitalization of interest expense	$	32,750
Amortization of bond premium	$	946,875
Change in receivables related to nonoperating income	$	138,585

The accompanying Notes to Financial Statements are an integral part of this statement.

Page Left Intentionally Blank

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Old Dominion University (the University) is a comprehensive university that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth which includes 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 of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 61 standards, the Old Dominion University Educational and Real Estate Foundations, the Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation (the Foundations) are included as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

The Educational and Real Estate Foundations receive, administer, and distribute gifts for the furtherance of educational activities and objectives of the University. The Athletic Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these foundations, contact Foundation Offices at 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational and Real Estate and Athletic Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2012. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information contact the Research Foundation at 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public College and Universities* and GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The financial statement presentation required by GASB Statements 34 and 35 provides a comprehensive entity-wide look at the University's financial activities.

GASB Statements 34, 35 and 63 standards are designed to provide information that responds to the needs of three groups of primary users of the general purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management's discussions and analysis (MD&A), basic financial statements, and notes to the financial statements.

The Foundations are private, nonprofit organizations, and as such the financial statement presentation follows the recommendation of accounting literature related to nonprofits. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundations' financial information in the University's financial reporting entity for these differences.

Basis of Accounting

For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, its statements have been presented using the economic resource measurement focus and the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All intra-agency transactions have been eliminated.

Cash and Cash Equivalents

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

Investments

The University accounts for its investments that are purchased at fair value. Investments received by gift are carried at fair value at date of acquisition in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* as modified by GASB Statement 59. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses and Changes in Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

Prepaid Expenses

The University's prepaid expenses include memberships and travel deposits for fiscal year 2014 that were paid in advance as of June 30, 2013.

Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market, and consist primarily of expendable supplies held for consumption.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, reserve funds, or purchase or construct capital and other noncurrent assets, are classified as noncurrent assets in the Statement of Net Position.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets generally are defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year, including assets acquired under the Higher Education Equipment Trust Fund. Other assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using published average prices for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of donation, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of $32,750 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2013. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

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	5-50 years
Other improvements and infrastructure	4-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	5-25 years

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2013. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Unearned Revenue

Unearned revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2013.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related discounts and premiums, which are expensed over the life of the bond. Similarly, bond issuance costs are reported as a noncurrent asset that is amortized over the life of the bond on a straight-line basis.

Net Position

GASB Statement 34 and 63 requires that the Statement of Net Position report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is the difference between all other elements in a statement of net position and should be displayed in three components. Accordingly, the University's net position is classified as follows:

Net Investment in Capital Assets consists of total investments in capital assets, net accumulated depreciation and outstanding debt obligations.

Restricted Net Position:

Nonexpendable includes endowment and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Expendable represents funds that have been received for specific purposes and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues and Expenses

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 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, such as state appropriations, investment, and interest income.

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

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 and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the differences between the actual charge for goods and services provided by the University and the amounts that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Student financial assistance grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, Perkins Loans, Stafford Loans, Parent Loans for Undergraduate Students (PLUS), and Teacher Education Assistance for College and Higher Education grants (TEACH). Federal programs are audited in accordance with generally accepted governmental auditing standards.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2013. The following risk disclosures are required by 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 the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2013.

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a credit rate risk policy. The University's portfolio can be characterized as having minimal exposure to credit risk as indicated by the majority of credit ratings being A- or better.

Concentration of credit risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. The University does not have a concentration of credit risk policy.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. None of the University's investments are considered highly sensitive to changes in interest rates. The University does not have an interest rate risk policy. Interest rate information was organized by investment type and amount using segmented time distribution method and weighted average maturity.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2013. The foreign investments are traded in U.S. dollars and the risk is considered to be low. The University does not have a foreign currency risk policy.

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. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Deposits

At June 30, 2013, the carrying value of the University's deposit with banks was $44,315,943 and bank balance was $43,894,034. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2013, the University's deposits were not exposed to custodial credit risk.

Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Administration and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4516, et seq., Code of Virginia. Authorized investments include: U.S. Treasury and agency securities, municipal securities, corporate debt securities of domestic corporations, agency mortgage-backed securities, negotiable certificates of deposit, repurchase agreements, common and preferred equities, equity in land, and mutual and money market funds.

Investments fall into two groups: short- and 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.

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of $4,603,803 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

Credit & Concentration of Credit Risks

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
CASH EQUIVALENTS:			
Mutual/Money Market Funds			
BB&T/Wachovia Securities	0.14%	$ 37,345	
SNAP	0.05%	14,427	AAAm
Securities Lending	15.77%	4,368,276	
Total Cash Equivalents		4,420,048	
INVESTMENTS:			
Mutual/Money Market			
Intermediate Term Fund	22.74%	6,299,707	AA-
U. S. Treasury & Agency Securities*			
U. S. Treasury Bond DTD	0.56%	154,433	NR
U. S. Treasury Note DTD	0.67%	184,204	NR
Corporate Bonds			
AFLAC Inc DTD	0.09%	25,562	A-
AT&T INC DTD	0.07%	20,609	A-
ACE INA HLDG Inc DTD	0.08%	22,574	A
Bear Stearns Company	0.09%	23,815	A
Berkshire Hathaway Inc	0.08%	20,803	AA
Blackrock Inc DTD	0.08%	20,807	A+
Caterpillar Financial SE DTD	0.07%	18,711	A
Conocophillips DTD	0.08%	23,429	A
Duke Energy Carolinas DTD	0.06%	17,065	A
General Electric Capital Corporation DTD	0.08%	21,939	AA
Goldman Sachs Group Incorporated DTD	0.08%	21,696	A-
IBM Corporation DTD	0.09%	25,449	AA-
Metlife Incorporated DTD	0.08%	22,891	A-
Occidental Petroleum Corp DTD	0.07%	19,984	A
Oracle Corp DTD	0.08%	22,869	A+
PNC Funding Corp DTD	0.08%	20,815	A-
Pepsico INC DTD	0.07%	19,675	A-
Phillip Morris International Incorporated DTD	0.08%	23,057	A
Target Corp DTD	0.08%	22,670	A+
US Bancorp DTD	0.09%	24,923	A+
Virginia Elec& Power CO DTD	0.07%	19,735	A-
Wachovia Corporation DTD	0.08%	22,479	A
Municipal Securities			
Baltimore Maryland Ser B Go DTD	0.15%	40,619	AA-
California State Taxable Var Purp 3 Go DTD	0.07%	20,700	A
Dallas County Tex Hosp Dist Build America Bonds Ser B Go DTD	0.14%	39,881	AAA
Eastern Iowa Community College District	0.09%	26,053	NR
New York NY Build America Bonds	0.18%	49,374	AA
New York Dorm Auth St Pers Income Tax Rev Taxable Gen Purp Ser B DTD	0.11%	31,370	AAA
North Tex St Muni Wtr Dist Wtr Sys Rev Build America Bonds Direct Payment	0.16%	45,033	AAA
Stratford CT Ref Taxable Pension	0.17%	47,558	AA-

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
Agency Mortgage Backed			
Federal Home Loan Mortgage Corporation DTD			
Federal National Mortgage Association DTD	0.57%	159,149	AA+
	0.31%	86,804	AA+
Foreign Bonds/Notes			
BHP Finance USA Ltd DTD	0.09%	23,944	A+
BP Capital Markets PLC DTD	0.08%	21,015	A
Bank of Nova Scotia DTD	0.08%	20,872	A+
Manulife Finl Corp DTD	0.08%	21,560	A
Rio Tinto Fin USA LTD DTD	0.07%	19,486	A-
Royal Bank of Scotland PLC DTD	0.08%	21,693	A
Mutual Funds - Gov Bonds**			
Federated Total Rtn Gov't Bd Fund	0.05%	14,202	
Mutual Funds Equity**			
Goldman Sacs Growth Opportunity Fund	0.44%	121,524	
Mutual Funds - Intl Equity**			
Forward International Small Companies FD Inst	0.29%	79,905	
Laxard Emerging Mkts	0.41%	113,627	
Cohen & Steers Realty	0.41%	114,485	
Common & Preferred Stock**	5.01%	1,388,078	
Other**			
Equity Interest in Land	7.58%	2,100,000	
Mutual Funds Held by Foundation	40.87%	11,323,951	NR
Securities Lending	0.85%	235,527	
Total Investments		23,286,311	
Total Cash Equivalents & Investments	100.00%	$ 27,706,359	

* Credit quality ratings are not required for U.S. Government and agency securities that are explicitly guaranteed by the U.S. Government.

** Credit quality ratings are not required for these investments, which with the exception of "Other" do not have specified maturities.

Interest Rate Risk: Maturities

Type of Investment	0-3 Months	4-12 Months	1-5 Years	6-10 Years
Cash Equivalents:				
Mutual/Money Market Funds				
BB&T/Wachovia Securities	$ 37,345	$ -	$ -	$ -
SNAP	14,427			
Securities Lending held with Treasurer	4,368,276			
Total Cash Equivalents	4,420,048			
Investments:				
Mutual/Money Market				
Intermediate Term Fund			6,299,707	
U. S. Treasury & Agency Securities				
U. S. Treasury Bond DTD			154,433	
U. S. Treasury Note DTD		15,117		169,087
Corporate Bonds				
AFLAC Inc DTD				25,562
AT&T INC DTD			20,609	
ACE INA HLDG Inc DTD			22,574	
Bear Stearns Company			23,815	
Berkshire Hathaway Inc			20,803	
Blackrock Inc DTD			20,807	
Caterpillar Financial SE DTD				18,711
Conocophillips DTD				23,429
Duke Energy Carolinas DTD			17,065	
General Electric Capital Corporation DTD				21,939
Goldman Sachs Group Incorporated DTD			21,696	
IBM Corporation DTD				25,449
Metlife Incorporated DTD			22,891	
Occidental Petroleum Corp DTD			19,984	
Oracle Corp DTD				22,869
PNC Funding Corp DTD			20,815	
Pepsico INC DTD				19,675
Phillip Morris International Incorporated DTD			23,057	
Target Corp DTD			22,670	
US Bancorp DTD			24,923	
Virginia Elec& Power CO DTD				19,735
Wachovia Corporation DTD			22,479	

Type of Investment	0-3 Months	4-12 Months	1-5 Years	6-10 Years
Municipal Securities				
Baltimore Maryland Ser B Go DTD		40,619		
California State Taxable Var Purp 3 Go DTD		20,700		
Dallas County Tex Hosp Dist Build America Bonds Ser B Go DTD				39,881
Eastern Iowa Community College District		26,053		
New York NY Build America Bonds				49,374
New York Dorm Auth St Pers Income Tax Rev Taxable Gen Purp Ser B DTD				31,370
North Tex St Muni Wtr Dist Wtr Sys Rev Build America Bonds Direct Payment				45,033
Stratford CT Ref Taxable Pension			47,558	
Agency Mortgage Backed				
Federal Home Loan Mortgage Corporation DTD		76,736	82,413	
Federal National Mortgage Association DTD			86,804	
Foreign Bonds/Notes				
BHP Finance USA Ltd DTD				23,944
BP Capital Markets PLC DTD			21,015	
Bank of Nova Scotia DTD			20,872	
Manulife Finl Corp DTD				21,560
Rio Tinto Fin USA LTD DTD				19,486
Royal Bank of Scotland PLC DTD				21,693
Mutual Funds - Gov Bonds				
Federated Total Rtn Gov't Bd Fund		14,202		
Total	$4,420,048	$ 193,427	$7,016,990	$ 598,797

NOTE 3: DONOR RESTRICTED ENDOWMENT

Investments of the University's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations.

The Uniform Prudent Management of Institutional Funds Act, Code of Virginia Section 55-268.1 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2013, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2013, net appreciation of $449,553 is available to be spent, which is reported in the Statement of Net Position as Restricted for Expendable Scholarship and Fellowships.

NOTE 4: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2013:

Student tuition and fees	$	6,712,588
Auxiliary enterprises		1,885,091
Federal, state, and nongovernmental grants and contracts		2,881,581
Other activities		548,056
Gross receivables		12,027,316
Less allowance for doubtful accounts		(873,694)
Net accounts receivable	$	11,153,622

B. Due from the Commonwealth consisted of the following at June 30, 2013:

Interest/rebate allocation	$	563,873
Equipment trust fund reimbursement		3,430,022
Virginia College Building Authority 21st Century Bonds		4,609,781
Total due from Commonwealth of Virginia	$	8,603,676

NOTE 5: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2013 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 31,064,762	$ -	$ -	$ 31,064,762
Construction in progress	14,571,703	17,043,803	1,031,467	30,584,039
Total nondepreciable capital assets	45,636,465	17,043,803	1,031,467	61,648,801
Depreciable capital assets:				
Buildings	675,601,803	756,139	-	676,357,942
Infrastructure	2,015,561	25,686	-	2,041,247
Equipment **	69,801,231	8,876,394	2,699,075	75,978,550
Improvements other than building	11,896,708	412,884	-	12,309,592
Library books	69,474,449	2,094,104	43,673	71,524,880
Intangible assets	2,445,453	420,165	132,274	2,733,344
Total depreciable capital assets	831,235,205	12,585,372	2,875,022	840,945,555
Less accumulated depreciation for:				
Buildings	202,192,464	13,070,179	-	215,262,643
Infrastructure	1,362,188	27,382	-	1,389,570
Equipment **	45,394,299	5,422,755	2,542,520	48,274,534
Improvements other than building	6,644,904	726,464	-	7,371,368
Library books	63,482,942	3,159,687	43,672	66,598,957
Intangible assets	1,859,817	170,422	100,961	1,929,278
Total accumulated depreciation	320,936,614	22,576,889	2,687,153	340,826,350
Depreciable capital assets, net	510,298,591	(9,991,517)	187,869	500,119,205
Total capital assets, net	$ 555,935,056	$ 7,052,286	$ 1,219,336	$ 561,768,006

** - Beginning balances were realigned with no impact to total capital assets net beginning balance.

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2013:

Employee salaries, wages, and fringe benefits payable	$ 17,374,712
Retainage payable	625,569
Interest payable	2,142,604
Vendors and suppliers accounts payable	17,789,173
Current liabilities - accounts payable and accrued expenses	$ 37,932,058

NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2013 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligations bonds	$ 64,038,349	$ 11,616,443	$ 14,810,398	$ 60,844,394	$ 2,873,338
Revenue bonds	134,807,784	-	8,159,891	126,647,893	8,075,000
Installment purchases	2,233,867	-	315,986	1,917,881	308,772
Capital leases	69,137,724	-	2,102,069	67,035,655	2,394,385
Total long-term debt	270,217,724	11,616,443	25,388,344	256,445,823	13,651,495
Accrued compensated absences	7,487,662	6,608,991	6,551,318	7,545,335	5,501,562
Federal loan program contributions	39,293	87,434	-	126,727	-
Other liabilities	423,500	-	60,500	363,000	60,500
Total long-term liabilities	$ 278,168,179	$ 18,312,868	$ 32,000,162	$ 264,480,885	$ 19,213,557

NOTE 8: LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 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 which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds directly through underwriters and also participates 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) also 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, not otherwise obligated, also secures these notes.

Description	Interest Rates	Maturity	2013
General obligation bonds:			
Dormitory, Series 2005	3.50% - 5.00%	2025	$ 420,000
Dormitory, Series 2006B	4.00% - 5.00%	2026	1,155,000
Dormitory, Series 2007B	4.00% - 5.00%	2027	5,890,000
Dormitory, Series 2008B	3.00% - 5.00%	2028	33,235,000
Dormitory, Series 2009C	3.00% - 5.00%	2022	1,319,293
Dormitory, Series 2009D	2.50% - 4.50%	2022	1,625,000
Dormitory, Series 2009D	2.50% - 5.00%	2022	2,465,000
Dormitory, Series 2010A	2.00% - 5.00%	2030	1,770,000
Dormitory, Series 2012A	3.00% - 5.00%	2024	654,765
Dormitory, Series 2013B	4.00% - 5.00%	2025	570,047
Dormitory, Series 2013B	4.00% - 5.00%	2026	2,760,934
Dormitory, Series 2013B	4.00% - 5.00%	2025	6,344,322
Total general obligation bonds			58,209,361

Description	Interest Rates	Maturity	2013
Revenue bonds:			
Classrooms, Series 2004B	3.00% - 5.00%	2017	2,725,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	425,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	797,136
Recreation, Series 2004B	3.00% - 5.00%	2017	3,505,000
Recreation, Series 2004B	3.00% - 5.00%	2020	480,000
Recreation, Series 2007B	4.00% - 4.25%	2018	413,781
Recreation, Series 2007B	4.00% - 4.50%	2020	6,718,256
Recreation, Series 2010B	2.00% - 5.00%	2020	630,000
Recreation, Series 2010B	2.00% - 5.00%	2021	8,465,000
Parking, Series 2003A	2.00% - 5.00%	2024	90,000
Parking, Series 2004A	3.00% - 5.00%	2025	350,000
Parking, Series 2004B	3.00% - 5.00%	2017	1,695,000
Parking, Series 2004B	3.00% - 5.00%	2020	690,000
Parking, Series 2007A	4.50% - 5.00%	2028	7,095,000
Parking, Series 2007B	4.00% - 4.25%	2018	149,083
Parking, Series 2007B	4.00% - 4.50%	2020	2,551,744
Parking, Series 2009A	2.10% - 5.00%	2029	4,750,000
Parking, Series 2010B	2.00% - 5.00%	2020	360,000
Parking, Series 2010B	2.00% - 5.00%	2021	2,595,000
Parking, Series 2010B	2.00% - 5.00%	2020	450,000
Parking, Series 2012A	5.00%	2023	650,000
Parking, Series 2012A	3.00% - 5.00%	2024	2,260,000
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	205,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	905,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	780,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	400,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2024	1,330,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2024	1,645,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	175,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	910,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	13,110,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2024	1,110,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2024	1,645,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	130,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	695,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	185,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	210,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2024	820,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2024	1,280,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	5,875,000
Dormitory, Series 2012A	3.00% - 5.00%	2024	10,820,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	5,405,000
Powhatan Sports Ctr, Series 2009A	2.10% - 5.00%	2029	24,105,000
Powhatan Sports Ctr, Series 2010A	2.00% - 5.50%	2030	860,000
Webb Center Expansion, Series 2009B	2.00% - 5.00%	2029	650,000
Total revenue bonds			121,095,000

Description	Interest Rates	Maturity	2013
Installment purchases	4.23%	2023	1,917,881
Capital leases	Various	2011-41	67,035,655
Total bond, notes, installment purchases, and leases			248,257,897
Amortize bond premium, general obligation bonds			3,844,461
Amortize bond premium, revenue bonds			8,610,099
Deferred loss on early retirement of debt			(4,266,634)
Total bond, notes, installment purchases, leases, bond premium, and deferred loss			$ 256,445,823

Long-term debt matures as follows:

	Principal	Interest
2014	$ 13,651,495	$ 11,113,564
2015	14,202,705	10,440,300
2016	14,698,887	9,761,519
2017	15,350,605	9,061,273
2018	16,160,319	8,301,152
2019-2023	78,765,806	30,751,404
2024-2028	70,591,685	13,498,408
2029-2033	23,658,546	2,645,784
2034-2038	866,553	201,548
2039-2043	311,296	20,881
Total	$ 248,257,897	$ 95,795,833

A. Equipment Trust Fund Program

The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The Virginia College Building Authority (VCBA) manages the program. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for equipment purchased. Financing agreements for ETF state that the University owns the equipment from the date of purchase.

The Statement of Net Position line “Due from the Commonwealth” includes $3,430,022 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In March 2013, the Commonwealth of Virginia issued $217,760,000 in General Obligation Refunding Bonds, Series 2013B. The sale of these bonds enabled the University to advance refund $580,000 of Series 2005A, $2,855,000 of Series 2006B and $6,575,000 of Series 2007B in General Obligation bonds. The net proceeds of $11,570,171 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. This defeasance reduced total debt service payments over the next ten years by $745,291 resulting in an economic gain of $657,103 discounted at the rate of 1.859 percent for General Obligation bonds.

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2013, $37,650,000 of the defeased bonds was outstanding.

C. <u>Assets Purchased Under Capital Leases</u>

At June 30, 2013, assets purchased under capital leases were included in depreciable capital assets in the amount of $68,466,119. The assets are net of accumulated depreciation.

NOTE 9: EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, Wages, and Fringe Benefits	Non-Personal Services/ Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	$ 123,169,500	$ 9,827,743	$ -	$ 2,602,068	$ -	$ 135,599,311
Research	4,750,219	2,534,613	-	488,284	-	7,773,116
Public service	246,961	190,574	-	6,658	-	444,193
Academic support	26,101,316	13,148,538	-	2,879,994	-	42,129,848
Student services	11,187,723	3,113,743	-	49,348	-	14,350,814
Institutional support	23,283,893	3,814,052		1,247,664	-	28,345,609
Operation and maintenance of plant	10,998,694	13,620,152	-	1,583,158	-	26,202,004
Depreciation expense	-	-	-	-	22,576,889	22,576,889
Scholarship and related expenses	-	-	17,711,195	-	-	17,711,195
Auxiliary activities	25,083,861	44,123,195	7,400,771	4,166,283	-	80,774,110
Total	$ 224,822,167	$ 90,372,610	$ 25,111,966	$ 13,023,457	$ 22,576,889	$ 375,907,089

NOTE 10: STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 806:	
Educational and general programs	$ 97,649,766
Student financial assistance/grants	18,320,392
Supplemental adjustments:	
Central fund appropriation transfers	3,264,914
Line of Duty	871
Grants	3,998,616
VIVA	22,605
Adjusted appropriations	$ 123,257,164

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

The University's component units are presented in the aggregate on the face of the financial statements. Below is a condensed summary of each foundation and the corresponding footnotes. The University has three component units - Old Dominion Athletic Foundation, Old Dominion University Educational and Real Estate Foundations, and the Old Dominion University Research Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements.

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Statement of Net Position				
ASSETS				
Current assets:				
Cash and cash equivalents	$ 10,774,118	$ 4,012,074	$ 11,266,354	$ 26,052,546
Accounts receivable	169,155	3,200,634	16,281,112	19,650,901
Contributions receivable, net	1,281,363	3,941,821	-	5,223,184
Travel advances	-	-	54,789	54,789
Prepaid expenses	38,568	36,781	404,367	479,716
Other assets	47,108	133,071	-	180,179
Total current assets	12,310,312	11,324,381	28,006,622	51,641,315
Noncurrent assets:				
Investments	18,673,232	161,087,447	3,876,724	183,637,403
Accounts receivable	-	53,088,016	-	53,088,016
Contributions receivable, net	4,139,325	4,247,165	-	8,386,490
Notes receivable	-	3,405,000	-	3,405,000
Nondepreciable capital assets	-	22,936,041	54,802	22,990,843
Capital assets	98,087	3,133,834	3,919,701	7,151,622
Total noncurrent assets	22,910,644	247,897,503	7,851,227	278,659,374
Total assets	35,220,956	259,221,884	35,857,849	330,300,689
LIABILITES				
Current liabilities:				
Accounts payable	1,344,638	1,112,488	8,710,685	11,167,811
Due to affiliates	-	-	362,983	362,983
Unearned revenue	-	5,958	5,546,368	5,552,326
Deposits held in custody for others	-	35,279	-	35,279
Agency related payables	-	11,120,493	-	11,120,493
Line of credit	-	5,255,732	-	5,255,732
Long-term liabilities – current portion	-	2,219,915	-	2,219,915
Total current liabilities	1,344,638	19,749,865	14,620,036	35,714,539
Noncurrent liabilities	-	90,409,073	-	90,409,073
Total liabilities	1,344,638	110,158,938	14,620,036	126,123,612
NET POSITION				
Net investment in capital assets	98,087	17,244,743	3,974,503	21,317,333
Permanently restricted	15,175,503	102,184,604	-	117,360,107
Temporarily restricted	10,684,753	44,579,906	17,660,462	72,925,121
Unrestricted	7,917,975	(14,946,307)	(397,152)	(7,425,484)
Total net position	$ 33,876,318	$ 149,062,946	$ 21,237,813	$ 204,177,077

Statement of Revenues, Expenses and Changes in Net Position	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Operating revenues:				
Gifts and contributions	$ 6,653,747	$ 7,607,495	$ -	$ 14,261,242
Indirect cost	-	-	8,833,409	8,833,409
Sponsored research	-	-	36,818,820	36,818,820
Other operating revenues	422,450	7,351,129	4,177,690	11,951,269
Total operating revenues	7,076,197	14,958,624	49,829,919	71,864,740
Operating expenses:				
Instruction	-	2,281,898	-	2,281,898
Research	-	-	44,587,144	44,587,144
Academic support	1,589,367	4,026,669	-	5,616,036
Institutional support	1,008,496	6,306,880	5,929,569	13,244,945
Operation and maintenance of plant	-	8,835	-	8,835
Depreciation	10,900	204,846	-	215,746
Student aid	817,054	1,207,391	-	2,024,445
Total operating expenses	3,425,817	14,036,519	50,516,713	67,979,049
Operating gain/(loss)	3,650,380	922,105	(686,794)	3,885,691
Investment income	1,721,960	13,747,630	157,712	15,627,302
Contributions to permanent endowments	235,338	932,381	-	1,167,719
Increase in net position	5,607,678	15,602,116	(529,082)	20,680,712
Beginning net position	28,268,640	133,460,830	21,766,895	183,496,365
Ending net position	$ 33,876,318	$ 149,062,946	$ 21,237,813	$ 204,177,077

Contributions Receivable

Current Receivable	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	TOTAL
Receivable due in less than one year	$ 1,347,878	$ 4,101,700	$ 5,449,578
Less allowance for doubtful accounts	66,515	159,879	226,394
Net current accounts receivable	1,281,363	3,941,821	5,223,184
Receivable due in greater than 1 year, net of discount ($1,465,480)	4,153,092	4,279,863	8,432,955
Less allowance for doubtful accounts	13,767	32,698	46,465
Net noncurrent contributions receivable	4,139,325	4,247,165	8,386,490
Total contributions receivable	$ 5,420,688	$ 8,188,986	$ 13,609,674

Investments

The Foundations record investments at market except for real estate held for investment, which is recorded at the lower of cost or fair market value.

Summary Schedule of Investments

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	$ 527,336	$ 4,064,808	$ 3,347,994	$ 7,940,138
Common & preferred stocks	703,772	5,828,877	2,783	6,535,432
Mutual and money market funds	9,996,794	82,434,985	525,947	92,957,726
Real estate	-	259,000	-	259,000
Alternative investments	7,445,330	57,379,284	-	64,824,614
Managed investments	-	11,120,493	-	11,120,493
Total	$ 18,673,232	$ 161,087,447	$ 3,876,724	$ 183,637,403

Capital Assets

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:				
Land	$ -	$ 4,610,986	$ 54,802	$ 4,665,788
Construction in progress	-	18,325,055	-	18,325,055
Total capital assets not being depreciated	-	22,936,041	54,802	22,990,843
Depreciable capital assets:				
Buildings	-	5,075,568	1,037,290	6,112,858
Equipment	402,360	59,734	18,617,796	19,079,890
Total capital assets being depreciated	402,360	5,135,302	19,655,086	25,192,748
Less accumulated depreciation for:				
Buildings	-	1,979,679	864,549	2,844,228
Equipment	304,273	21,789	14,870,836	15,196,898
Total accumulated depreciation	304,273	2,001,468	15,735,385	18,041,126
Total depreciable capital assets, net	98,087	3,133,834	3,919,701	7,151,622
Total capital assets, net	$ 98,087	$ 26,069,875	$ 3,974,503	$ 30,142,465

Long-Term Liabilities

Old Dominion University Educational and Real Estate Foundations

Description	Interest Rates	Maturity	2012
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	3.58%	2033	$ 49,600,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	4.475%	2031	11,850,000
Total bonds payable			61,450,000
Notes payable			
Tri-Cities II	3.65%	2014	4,395,600
Bookstore	5.585%	2023	4,984,654
President's House	5.980%	2040	2,126,186
Total notes payable			11,506,440
Other long-term liabilities			19,672,548
Total long-term debt			$ 92,628,988

Long-term debt maturities are as follows for bonds payable and notes payable:

2013	$ 2,078,390
2014	6,564,166
2015	2,268,639
2016	2,369,055
2017	2,482,520
Thereafter	57,193,670
Total	$ 72,956,440

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2013, the University will repay $66,880,505. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the projects to the University. As such, the University has recorded capital leases relating to these lease agreements.

Direct payments to the University from the Old Dominion University Educational and Real Estate Foundations, Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2013 totaled $7,749,603, $2,568,523, and $8,314,248 respectively. This includes gift transfers, payments for facilities, and services.

Component Unit Contingencies

The Real Estate Foundation was working with the Norfolk Redevelopment and Housing Authority, (NRHA) to condemn properties for the furtherance of University activities in accordance with the University Master Plan approved by the City of Norfolk. In 1998, NRHA determined that these properties were in a blighted area and a redevelopment district was created by the Authority. The condemnation cases were filed in two phases (2008 and 2010). NRHA's redevelopment plan was challenged by two property owners in a 2009 court case. The Circuit Court reaffirmed the plan. An appeal was filed with the Supreme Court of Virginia. The Supreme

Court reaffirmed the Circuit Court's ruling. Two property owners appealed the validity of the redevelopment plan with Supreme Court of Virginia. Another property owner missed the deadline to appeal but indicated a desire to do so. In September 2013, the court ruled in favor of one of the property owners. Based on this decision, negotiations with all three property owners began for the return of the property and/or for reimbursement to them for related costs. One settlement finalized in February 2014, one settled in May 2014, and the last one is pending. Amounts for these settlement costs were accrued as of December 31, 2013. Due to the on-going nature of the negotiations, those estimates are not disclosed. The capitalized acquisition costs for all three properties have been written off as of December 31, 2013.

Component Unit Subsequent Event

In February 2013, the Real Estate Foundation extended the line of credit in the amount of $6,000,000 for the purpose of purchasing additional properties for future projects. Principal on this Note matures and is payable on February 25, 2014. The interest rate is one-month LIBOR plus 1.75%. In March 2013, the line of credit agreement was modified to increase the amount available to $10,000,000, and a draw of $4,000,000 was taken. In April 2013, an additional draw of $744,268 was taken. The term and interest rate remained unchanged. The modification included an unused commitment fee of 0.25% per annum.

NOTE 12: COMMITMENTS

At June 30, 2013, the University was a party to construction and other contracts totaling approximately $21,344,540 of which $12,511,385 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately $7,500,595 for the year ended June 30, 2013.

The University has, as of June 30, 2013, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2014	$ 7,134,508
2015	7,047,321
2016	6,026,184
2017	5,991,561
2018	5,985,867
2019-2023	20,081,536
2024-2028	4,919,317
Total	$ 57,186,294

NOTE 13: RETIREMENT PLANS

A. Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to the plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2013. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled approximately $6,434,653 for the year ended June 30, 2013. The retirement contribution rate was 8.76% for state employees and 14.80% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2013. Contributions to VRS were calculated using the base salary amount of approximately $72,003,842 for the year ended June 30, 2013. The University's total payroll was approximately $181,743,405 for the fiscal year ended June 30, 2013.

B. Optional Retirement Plan

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than VRS. The two different providers are TIAA/CREF Insurance Companies and Fidelity Investment Tax-Exempt Services. These plans are fixed contribution programs where the retirement benefits received are based upon the employer's and employee's contributions, plus interest and dividends.

Individual contracts issued under the plans provide for full immediate vesting of both the University's and employee's contributions. Total pension costs under these plans were approximately $6,515,700 for the year ended June 30, 2013. Contributions to the optional retirement plans were calculated using the base salary amount of approximately $65,049,787 for fiscal year 2013.

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $593,762 for fiscal year 2013.

NOTE 14: POST-EMPLOYMENT BENEFITS

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

NOTE 15: CONTINGENCIES

Grants and Contracts

The University has 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 allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2013, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University is a party to various litigations. While the final outcome cannot be determined at this time, management is of the opinion that any ultimate liability to which the University may be exposed, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

Page Left Intentionally Blank

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 5, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Old Dominion University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2013, 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 consolidated 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 consolidated 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 aggregate discretely presented component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

www.apa.virginia.gov | (804) 225-3350 | reports@apa.virginia.gov

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 Old Dominion University Educational and Real Estate Foundations and the Old Dominion Athletic Foundation that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2013, 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 three through ten 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 June 5, 2014 on our consideration of the Old Dominion 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. We anticipate releasing that report on or after June 12, 2014. 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.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

EMS/clj

Page Left Intentionally Blank

OLD DOMINION UNIVERSITY
Norfolk, Virginia