



*Old Dominion University
Financial Statements*

June 30, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Introduction

The following 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's (the University) financial activities based on currently known facts, decisions, and conditions.

Institutional Profile

Old Dominion University is a comprehensive, multicultural, and student-centered university whose central purpose is to provide our students with the best education possible. The University is a residential university that enjoys advantages from its unique coastal location within a thriving metropolitan region adjacent to major maritime and military installations and within easy reach of the nation's capital. Metropolitan Hampton Roads' location provides a rich living laboratory for many of the University's academic and research pursuits, including environmental, marine, and natural sciences and engineering associated with the Chesapeake Bay and the Atlantic Ocean. The region is host to an extensive and comprehensive public education system and several community colleges and universities, with which the University has long-standing and strong collaborations. The University's co-location with an exceptional array of major local and federal government facilities and organizations presents opportunities for mutually beneficial partnerships, such as with the Jefferson National Laboratory, NASA Langley, Virginia Port Authority, and teaching hospitals such as Eastern Virginia Medical School and Sentara Norfolk General Hospital.

Old Dominion University's six colleges: Arts and Letters, Business and Public Administration, Education, Engineering and Technology, Health Sciences and Sciences offer 69 baccalaureate programs, 56 master's programs, two education specialist programs and 41 doctoral programs. Old Dominion University is committed to attracting top talent, nurturing investment and business start-ups, generating high-paying jobs and improving the quality of life for Hampton Roads and Virginia. We are seeding businesses and our own position of becoming the region's engine of economic development. Our local, regional and national impact will continue to grow. The University's business and research initiatives contribute nearly \$1 billion annually to the economy, making the University one of the largest generators of new jobs in the region.

Old Dominion University's economic outreach includes a wide variety of regional projects which enhance the on-campus engineering and science curricula. The Reidy Research Center for Bioelectrics has grown over the past couple of years to over 40 researchers with expertise in engineering, physics, immunology, molecular biology and biology working in newly constructed state-of-art-laboratories. Research at the Center ranges from fundamental studies of electric field and plasma effects on biological cells to applied research including medical and commercial applications. The University operates the Mid-Atlantic Regional Spaceport located at Wallops Island on Virginia's Eastern Shore; has a significant presence in the Applied Research Center at the Department of Energy's Jefferson Laboratories in Newport News and the Virginia Modeling, Analysis, and Simulation Center on the Portsmouth-Suffolk border; and owns and manages the Blackwater Ecological Preserve in Zuni.

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2011. Comparative numbers, where presented, are for the fiscal year ended June 30, 2010. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying Financial Statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

Statement of Net Assets

The Statement of Net Assets presents the University's assets, liabilities, and net assets 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 Assets are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

	2011	2010	Difference	Percentage Difference
<u>Assets:</u>				
Current	\$ 87,765,284	\$ 75,858,954	\$ 11,906,330	15.7 %
Capital, net of accumulated depreciation	566,164,618	556,237,754	9,926,864	1.8 %
Other noncurrent	36,731,465	43,094,733	(6,363,268)	(14.8)%
Total assets	<u>690,661,367</u>	<u>675,191,441</u>	<u>15,469,926</u>	<u>2.3 %</u>
<u>Liabilities:</u>				
Current	61,422,423	70,354,205	(8,931,782)	(12.7)%
Noncurrent	273,286,799	281,535,133	(8,248,334)	(2.9)%
Total liabilities	<u>334,709,222</u>	<u>351,889,338</u>	<u>(17,180,116)</u>	<u>(4.9)%</u>
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	287,439,347	268,008,543	19,430,804	7.3 %
Restricted	27,368,442	26,137,759	1,230,683	4.7 %
Unrestricted	41,144,356	29,155,801	11,988,555	41.1 %
Total net assets	<u>\$ 355,952,145</u>	<u>\$ 323,302,103</u>	<u>\$ 32,650,042</u>	<u>10.1 %</u>

Total University assets increased \$15,469,926 or 2.3% during fiscal year 2011. The growth in current assets was primarily the result of an increase in cash in Auxiliary Enterprises which ties to the University's Strategic Plan for future expansion and improvements for student facilities. This will include additional housing, upgrading student dining facilities and a new Student Union. The University is increasing resources instead of acquiring new debt. Further, there was an increase in monies due from the Commonwealth for reimbursements for bond funds. The rise in capital assets of \$9,926,864 was due to the purchase of equipment and capitalization of construction in progress for new and continued projects. The decrease in other noncurrent assets was a result of less cash and investments from the Security Lending Program. Total University liabilities decreased \$17,180,116. The decrease in liabilities was a result of the normal payment of debt and the decrease in liabilities associated with the Securities Lending Program. The financial position of

the University has improved over the prior fiscal year as evidenced by the growth in net assets of \$32,650,042 or 10.1%.

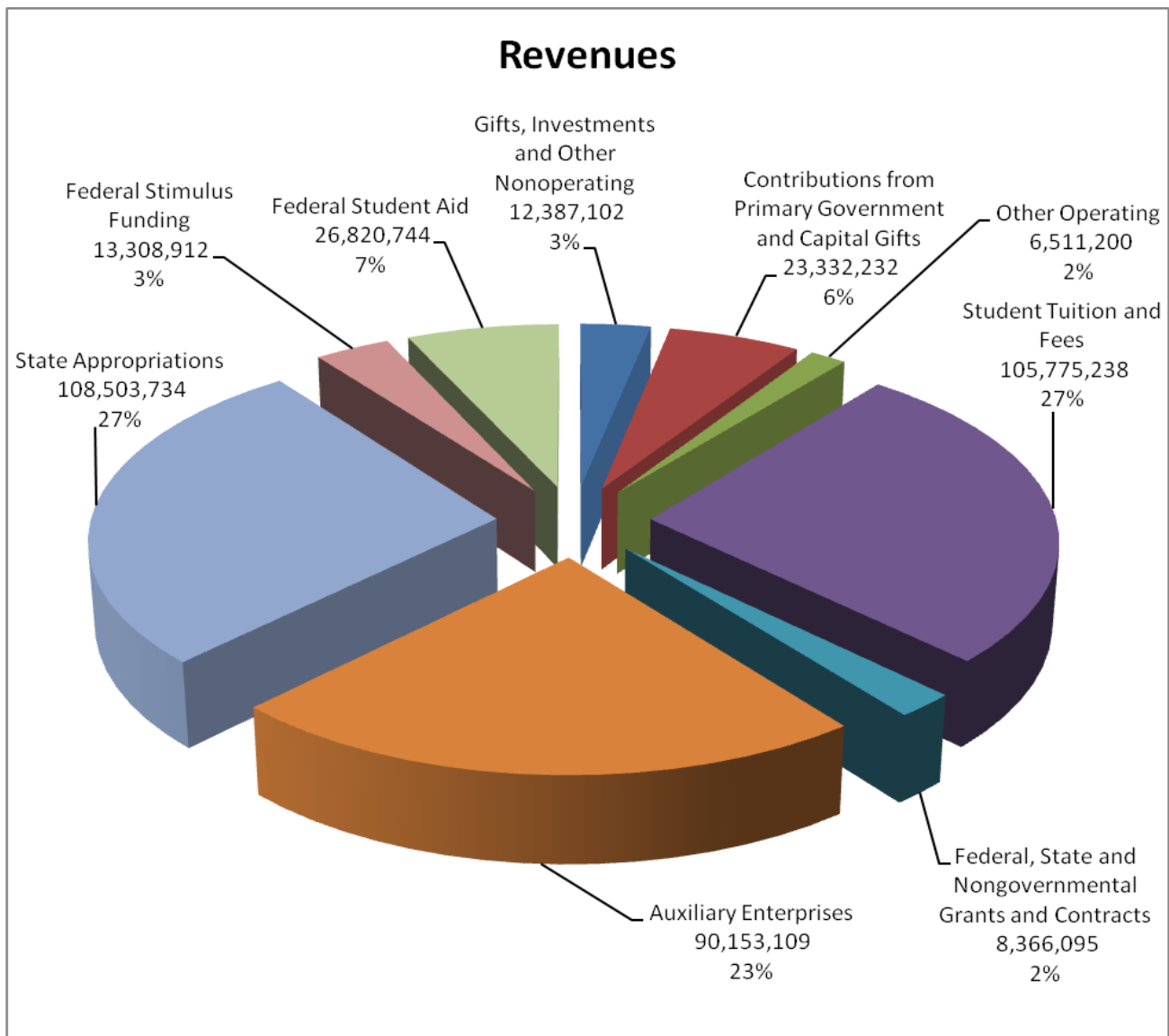
Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of revenue and expense activity which resulted in the change from beginning to ending net assets. The purpose of this statement is to present the University's operating and nonoperating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

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.

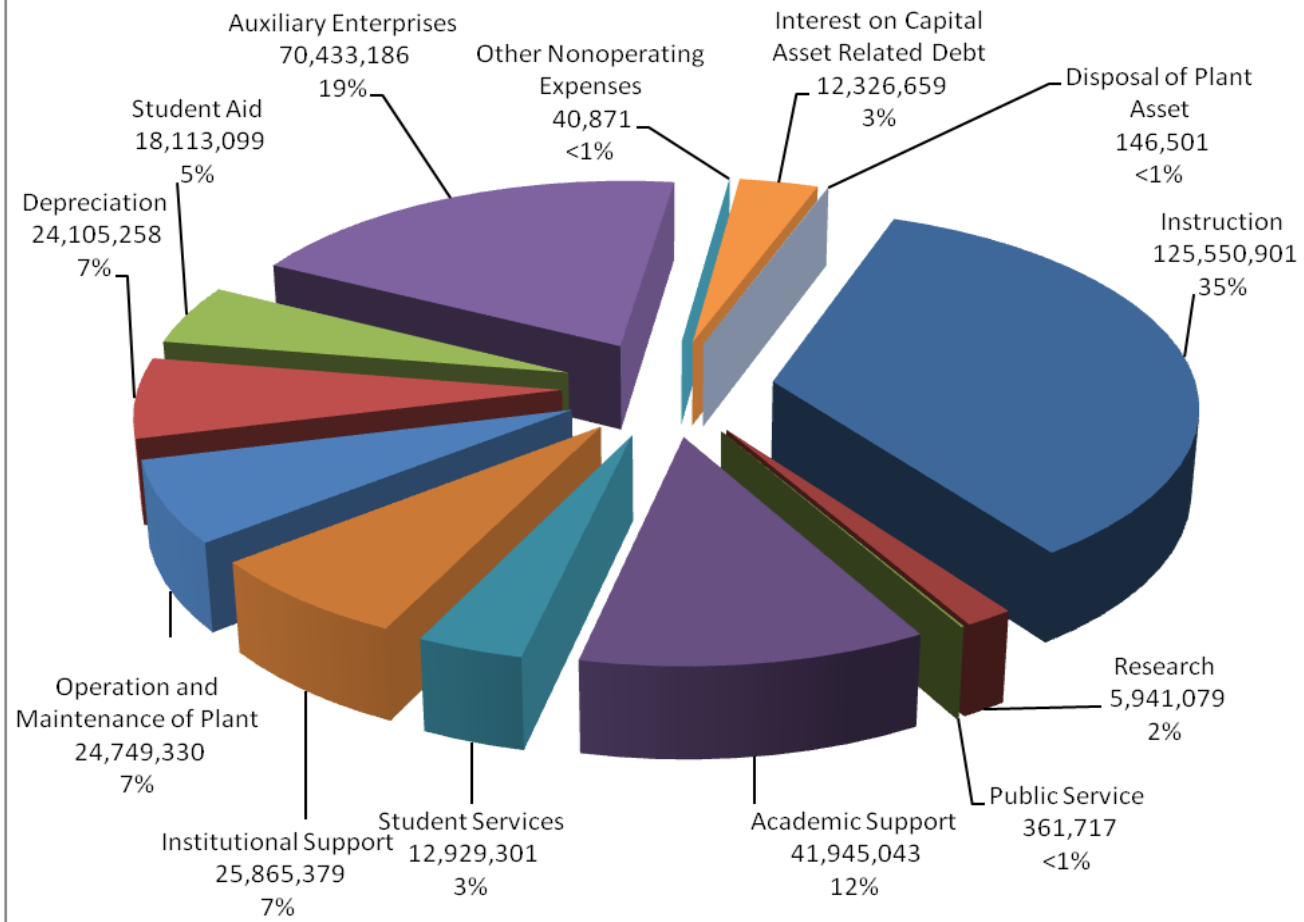
Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

	2011	2010	Difference	Percentage Difference
<u>Operating revenues:</u>				
Student tuition and fees, net of scholarship allowances of \$21,641,502 and \$19,903,857	\$ 105,775,238	\$ 95,746,971	\$ 10,028,267	10.5 %
Federal grants and contracts	5,596,121	5,459,708	136,413	2.5 %
State, local & nongovernmental grants	2,769,974	1,839,229	930,745	50.6 %
Auxiliary enterprises, net of scholarship allowances of \$13,722,740 and \$12,894,779	90,153,109	89,339,660	813,449	0.9 %
Other operating revenues	6,511,200	6,608,480	(97,280)	(1.5)%
Total operating revenues	<u>210,805,642</u>	<u>198,994,048</u>	<u>11,811,594</u>	<u>5.9 %</u>
<u>Operating expenses:</u>				
Instruction	125,550,901	117,541,221	8,009,680	6.8 %
Research	5,941,079	6,110,044	(168,965)	(2.8)%
Public service	361,717	394,160	(32,443)	(8.2)%
Academic support	41,945,043	35,739,905	6,205,138	17.4 %
Student services	12,929,301	12,125,772	803,529	6.6 %
Institutional support	25,865,379	24,219,512	1,645,867	6.8 %
Operation and maintenance	24,749,330	21,864,042	2,885,288	13.2 %
Depreciation	24,105,258	24,017,117	88,141	0.4 %
Scholarships and fellowships	18,113,099	17,055,761	1,057,338	6.2 %
Auxiliary activities	70,433,186	68,834,206	1,598,980	2.3 %
Total operating expenses	<u>349,994,293</u>	<u>327,901,740</u>	<u>22,092,553</u>	<u>6.7 %</u>
Operating loss	<u>(139,188,651)</u>	<u>(128,907,692)</u>	<u>(10,280,959)</u>	<u>(8.0)%</u>
Net nonoperating revenues and expenses	<u>148,635,988</u>	<u>133,231,000</u>	<u>15,404,988</u>	<u>11.6 %</u>
Income before other revenues/ (expenses)/gains/(losses)	<u>9,447,337</u>	<u>4,323,308</u>	<u>5,124,029</u>	<u>118.5 %</u>
Net other revenues and expenses	<u>23,202,705</u>	<u>13,205,678</u>	<u>9,997,027</u>	<u>75.7 %</u>
Increase in net assets	<u>32,650,042</u>	<u>17,528,986</u>	<u>15,121,056</u>	<u>86.3 %</u>
Net assets - beginning of year	<u>323,302,103</u>	<u>305,773,117</u>	<u>17,528,986</u>	<u>5.7 %</u>
Net assets - end of year	<u>\$ 355,952,145</u>	<u>\$ 323,302,103</u>	<u>\$ 32,650,042</u>	<u>10.1 %</u>



Total operating revenue increased by \$11,811,594 or 5.9% from the prior fiscal year. The growth in revenue was expected given the rise in both in-state and out-of-state tuition rates and an increase in enrollment. The increase in nonoperating revenue of \$19,184,177 was primarily due to the increase in federal stimulus funding, appropriation revenue and an increase in Pell grant revenue as well as a growth in investment income related to improved market conditions. Other revenues increased as a result of additional funds from the Commonwealth for General Obligation and 21st Century Bond programs.

Expenses



Operating expenses increased in response to various factors including the one time bonus for faculty and staff, establishment of 51 new full time positions, faculty promotions, benefit increases, and the expansion of policing and security staff. Student financial assistance expenses increased as a result of additional funding. Nonoperating expenses increased due to an increase in interest expense related to capital debt.

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 (\$120.6 million) and auxiliary enterprises (\$102.1 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits (\$199.6 million) and payments to vendors (\$80.2 million).

The second section reflects the cash flow from non-capital financing activities and reflects nonoperating sources and uses of cash. The primary sources are state appropriations (\$108.2 million) and gifts and grants (\$49.2 million). The primary use is to support cash requirements of operations.

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 is proceeds from reimbursements from the Commonwealth (\$19.4 million). The primary uses are purchases of capital assets (\$32.9 million) and principal and interest paid on capital debt (\$26.1 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was from the sale and maturity of investments (\$3.9 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 Assets.

	2011	2010
Cash flows from operating activities	\$ (115,670,480)	\$ (94,834,713)
Cash flows from non-capital financing activities	157,663,517	138,536,281
Cash flows from capital financing activities	(34,479,561)	(49,275,733)
Cash flows from investing activities	1,817,855	2,023,180
Net change in cash	<u>\$ 9,331,331</u>	<u>\$ (3,550,985)</u>

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 critical 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. Capital asset additions for June 30, 2011 include increases of \$24.5 million in buildings, \$5.5 million in equipment and \$2.5 million in library books. The building increase included the completion of Dragas Hall Renovations and Performing Arts Phase 2.

Several major ongoing capital projects were added and completed during the fiscal year which resulted in a slight increase in Construction in Progress of \$.7 million. New additions to construction in progress of \$23.9 million include Dragas Hall Renovation, Performing Arts Phase 2 which includes the Monarch Theater, Student Success Center, Student Housing Renovation Phase 1 and Powhatan Sports Center. Deductions in construction in progress were a result of the completed projects discussed above. 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 \$8.4 million as reflected in Notes 7 and 8. The decrease is the result of normal payment of existing debt offset by only issuing new debt for \$2.9 million for Student Housing Renovations Phase 1 and Powhatan Sports Center and the assumption of \$2.2 million for the capital lease for the President's residence.

Uncompleted construction and other related contractual commitments decreased from \$18,413,585 at June 30, 2010 to \$1,581,184 at June 30, 2011 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 decrease is primarily the result of the completion of several major projects for the Dragas Hall Renovation, Monarch Theater, and Powhatan Sports Center.

Economic Outlook

Old Dominion University is a comprehensive, multicultural, and student-centered university whose central purpose is to provide our students with the best education possible. The University is a residential university that enjoys advantages from its unique coastal location within a thriving metropolitan region adjacent to major maritime and military installations and within easy reach of the nation's capital. Metropolitan Hampton Roads' location provides a rich living laboratory for many of the University's academic and research pursuits, including environmental, marine, and natural sciences and engineering associated with the Chesapeake Bay and the Atlantic Ocean. The region is host to an extensive and

comprehensive public education system and several community colleges and universities, with which the University has long-standing and strong collaborations. The University's co-location with an exceptional array of major local and federal government facilities and organizations presents opportunities for mutually beneficial partnerships, such as with the Jefferson National Laboratory, NASA Langley, Virginia Port Authority, and teaching hospitals such as Eastern Virginia Medical School and Sentara Norfolk General Hospital.

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OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2011

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 65,711,770	\$ 21,072,330
Accounts receivable (Net of allowance for doubtful accounts \$605,745) (Note 4)	8,865,962	23,293,126
Contributions receivable (Net of allowance for doubtful collections \$164,979) (Note 11)	-	2,156,346
Due from the Commonwealth (Note 4)	8,859,930	-
Appropriations available	612,558	-
Travel advances	-	54,265
Prepaid expenses	1,917,214	832,350
Inventory	666,284	-
Notes receivable (Net of allowance for doubtful accounts \$18,703)	1,131,566	-
Other assets	-	154,013
Total current assets	87,765,284	47,562,430
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	11,779,182	-
Endowment investments (Note 3)	8,355,325	-
Investments (Notes 2 and 11)	13,884,113	172,147,867
Accounts receivable	-	60,870,093
Contributions receivable (Net of allowance for doubtful collections \$140,904) (Note 11)	-	3,016,166
Notes receivable (Net of allowance for doubtful accounts \$56,689)	2,002,268	3,405,000
Unamortized bond issuance expense	710,577	-
Nondepreciable capital assets (Notes 5 and 11)	50,631,515	14,573,171
Capital assets (Notes 5 and 11)	515,533,103	7,189,666
Total noncurrent assets	602,896,083	261,201,963
Total assets	690,661,367	308,764,393
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	32,719,256	10,983,573
Due to affiliates	-	7,534,138
Deferred revenue	8,475,082	3,657,354
Obligations under securities lending (Note 2)	53,759	-
Deposits held in custody for others	2,597,011	39,891
Other liabilities	-	10,568,796
Line of credit	-	2,018,946
Long-term liabilities - current portion (Notes 7 and 11)	17,577,315	5,395,917
Total current liabilities	61,422,423	40,198,615
Noncurrent liabilities (Notes 7 and 11)	273,286,799	86,187,214
Total liabilities	334,709,222	126,385,829
NET ASSETS		
Invested in capital assets, net of related debt	287,439,347	13,139,967
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,708,151	-
Permanently restricted	-	109,955,133
Expendable:		
Scholarships and fellowships	8,101,946	-
Research	1,293,382	-
Loans	3,359,476	-
Capital projects	151,565	-
Temporarily restricted	-	62,348,583
Departmental uses	9,753,922	-
Unrestricted	41,144,356	(3,065,119)
Total net assets	\$355,952,145	\$182,378,564

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

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$21,641,502)	\$ 105,775,238	\$ -
Gifts and contributions	-	5,103,933
Federal grants and contracts	5,596,121	-
State grants and contracts	104,777	-
Indirect cost	-	9,231,723
Sponsored research	-	37,026,733
Nongovernmental grants and contracts	2,665,197	-
Auxiliary enterprises (Net of scholarship allowances of \$13,722,740)	90,153,109	-
Other operating revenues	6,511,200	11,305,020
Total operating revenues	210,805,642	62,667,409
Operating expenses:		
Instruction	125,550,901	2,585,588
Research	5,941,079	43,360,528
Public service	361,717	-
Academic support	41,945,043	4,631,784
Student services	12,929,301	-
Institutional support	25,865,379	13,786,447
Operation and maintenance	24,749,330	39,690
Depreciation	24,105,258	235,417
Student aid	18,113,099	1,601,391
Auxiliary activities	70,433,186	-
Total operating expenses	349,994,293	66,240,845
Operating income (loss)	(139,188,651)	(3,573,436)
Nonoperating revenues (expenses):		
State appropriations (Note 10)	110,054,755	-
Pell grant revenue	26,820,744	-
ARRA state fiscal stabilization funds	13,308,912	-
Gifts	9,106,859	-
Investment income (Net of investment expenses of \$156,991)	3,263,269	14,823,204
Other	(27,302)	-
Interest of capital asset - related debt	(12,326,659)	-
Payments to Commonwealth from state appropriations	(1,551,021)	-
Payments to grantors	(13,569)	-
Net nonoperating revenues (expenses)	148,635,988	14,823,204
Income before other revenues, (expenses), gains, and (losses)	9,447,337	11,249,768
Contributions from primary government	21,197,952	-
Capital gifts	2,134,280	-
Loss on disposal of plant assets	(146,501)	-
Build America bond interest	16,974	-
Contributions to permanent endowments	-	748,798
Total other revenues, (expenses), gains, and (losses)	23,202,705	748,798
Increase in net assets	32,650,042	11,998,566
Net assets - beginning of year	323,302,103	170,379,998
Net assets - end of year	\$ 355,952,145	\$ 182,378,564

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, 2011

Cash flows from operating activities:	
Student tuition and fees	\$ 120,550,509
Grants and contracts	8,587,578
Auxiliary enterprises	102,125,355
Other receipts	6,307,781
Payments to employees	(157,545,880)
Payments for fringe benefits	(42,093,571)
Payments for services and supplies	(75,085,603)
Payments for travel	(5,130,807)
Payments for scholarships and fellowships	(58,902,932)
Payments for noncapitalized improvements and equipment	(14,552,556)
Loans issued to students	(398,038)
Collections of loans from students	467,684
Net cash used by operating activities	(115,670,480)
Cash flows from noncapital financing activities:	
State appropriations	108,191,246
Pell grant revenue	27,019,283
ARRA state fiscal stabilization funds	13,308,912
Gifts and grants for other than capital purposes	9,186,830
William D. Ford direct lending receipts	105,811,791
William D. Ford direct lending disbursements	(105,811,791)
PLUS loans receipts	12,030,150
PLUS loans disbursements	(12,030,150)
Refund to the federal government	(13,569)
Agency receipts	2,105,515
Agency payments	(2,134,700)
Net cash provided by noncapital financing activities	157,663,517
Cash flows from capital financing activities:	
Proceeds from capital debt and investments	2,901,212
Capital appropriations and appropriations available	49,828
Contributions from primary government	19,392,187
Bond premium	76,754
Capital gifts	2,111,280
Purchase of capital assets	(32,888,421)
Bond issuance expense	(25,824)
Principal paid on capital debt, leases and installments	(13,198,178)
Interest paid on capital debt, leases and installments	(12,898,399)
Net cash used by capital financing activities	(34,479,561)
Cash flows from investing activities:	
Interest on investment and cash management	1,392,646
Purchase of investments	(2,063,806)
Proceeds from sales and maturities of investments	2,489,015
Net cash provided by investing activities	1,817,855
Net change in cash	9,331,331
Cash and cash equivalents - beginning of the year	73,049,006
Less: Securities lending - Treasurer of Virginia	(4,930,528)
Cash and cash equivalents - beginning of the year	68,118,478
Cash and cash equivalents - end of the year	\$ 77,449,809

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

Statement of Net Assets

Cash and cash equivalents	\$	77,490,952
Less: Securities lending - Treasurer of Virginia		(41,143)
		<u>(41,143)</u>
Net cash and cash equivalent	\$	<u>77,449,809</u>

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

Operating (loss)	\$	(139,188,651)
Adjustments to reconcile net income/(loss) to net cash used by operating activities		
Depreciation expense		24,105,258
Changes in assets and liabilities:		
Receivables, net		(235,298)
Prepaid expenses		127,534
Inventory		(175,278)
Accounts payable and accrued expenses		720,769
Deposits		(44,416)
Deferred revenue		(980,398)
		<u>(980,398)</u>
Net cash used by operating activities	\$	<u>(115,670,480)</u>
Non-cash investing, capital and financing activities		
Security lending	\$	41,143
Capitalization of interest expense	\$	47,058
Amortization of bond premium	\$	586,503
Change in receivables related to nonoperating income	\$	(266,766)

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 39 standards, the Old Dominion University Educational and Real Estate Foundations, the Old Dominion University Intercollegiate 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 Intercollegiate Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these two foundations, contact Foundation Offices at 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational and Real Estate and Intercollegiate Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2010. 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. Transactions between the University and these component units have not been eliminated in this year's 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*, and GASB Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public College and Universities*. 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 and 35 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 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.

The University's accounting policies conform with generally accepted accounting principles as prescribed by the GASB, including all applicable GASB pronouncements, as well as applicable FASB statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply the FASB pronouncements issued after the applicable date.

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*. 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 Assets.

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 insurance premiums, lease payments, and satellite space for Teletechnet classes for fiscal year 2012 that were paid in advance as of June 30, 2011.

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 Assets.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years, including assets acquired under the Higher Education Trust Fund. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using purchase price 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 \$47,058 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2011. 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	7-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	4-10 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, 2011. 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.

Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2011 and certain grants that have received advance funding but have not met their restriction prior to year end.

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 Assets 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 Assets

GASB Statement 34 requires that the Statement of Net Assets report the differences between assets and liabilities as net assets rather than fund balance. Accordingly, the University's net assets are classified as follows:

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

Restricted Net Assets 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.

Restricted Net Assets 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 Assets 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 and 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 Revenue, Expenses and Changes in Net Assets. 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 Assets. 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 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.

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, 2011. 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, 2011.

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, 2011. 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.

The following information is provided with respect to the risks associated with the University's cash, cash equivalents, and investments at June 30, 2011.

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, 2011, the carrying value of the University's deposit with banks was \$44,243,622 and bank balance was \$36,991,524. 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, 2011, 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 \$53,759 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			
Merrill Lynch	6.12%	\$ 1,598,082	AAAm
ML Government Fund	0.04%	9,915	AAAm
BB&T/Wachovia Securities	0.17%	44,591	
SNAP	8.33%	2,176,006	AAA
Securities Lending	0.16%	41,143	
Total Cash Equivalents		<u>3,869,737</u>	
INVESTMENTS:			
Mutual/Money Market			
Intermediate Term Fund	22.84%	5,963,361	AA
U. S. Treasury & Agency Securities*			
U. S. Treasury Bond DTD	0.74%	194,359	Unrated
U. S. Treasury Note DTD	0.21%	55,668	Unrated
U. S. Treasury Bill DTD	0.27%	69,971	
Corporate Bonds			
AFLAC Inc DTD	0.07%	18,345	A-
ACE INA HLDG Inc DTD	0.09%	22,290	A
Bear Stearns Company	0.07%	17,812	A+
Berkshire Hathaway Inc	0.08%	20,845	AA+
Bottling Group LLC DTD	0.09%	22,927	A
Caterpillar Financial SE DTD	0.09%	24,676	A
Conocophillips DTD	0.09%	23,001	A
Deere & Co DTD	0.09%	23,184	A
El Dupont DeNemour & Company DTD	0.08%	20,957	A
General Electric Capital Corporation DTD	0.08%	20,811	AA
Goldman Sachs Group Incorporated DTD	0.06%	16,186	A
HSBC Finance Corporation DTD	0.06%	16,401	A
Hewlett-Packard Company DTD	0.08%	21,825	A
IBM Corporation DTD	0.10%	25,437	A+
Metlife Incorporated DTD	0.09%	23,279	A-
Morgan Stanley DTD	0.06%	15,932	A
PNC Funding Corporation DTD	0.08%	21,065	A
Phillip Morris International Incorporated DTD	0.09%	22,493	A
Shell International Fin DTD	0.08%	21,532	AA
Target Corp DTD	0.09%	22,854	A+
TEVA Pharmacy Fin III LLC DTD	0.08%	20,188	A-
Thermo Fisher Scientific Incorporated DTD	0.08%	20,596	A
Cellco Part/Verizon Wireless DTD	0.10%	25,972	A
Wachovia Corporation DTD	0.06%	16,284	A+
Municipal Securities			
Baltimore Maryland Ser B Go DTD	0.17%	43,967	AA-
Easren Iowa Community College District	0.11%	27,463	Unrated
Indiana Board Bank Rev	0.08%	20,021	AA+
Kentucky Housing Corporation Housing Rev	0.04%	10,469	AAA

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
Agency Mortgage Backed			
Federal Home Loan Bank DTD	0.31%	80,048	AAA
Federal Home Loan Mortgage Corporation DTD	0.83%	217,496	AAA
Federal National Mortgage Association DTD	0.33%	87,290	AAA
Foreign Bonds/Notes			
BHP Finance USA Ltd DTD	0.09%	23,932	A+
BP Capital Markets PLC DTD	0.08%	20,342	A
Bank of Nova Scotia DTD	0.08%	20,429	AA-
Barclays DTD	0.06%	15,276	AA-
Credit Suisse New York DTD	0.06%	15,186	A
Rio Tinto Fin USA LTD DTD	0.10%	26,501	A-
Common & Preferred Stock**	6.47%	1,690,418	
Other**			
Equity Interest in Land	8.04%	2,100,000	
Mutual Funds Held by Foundations	42.28%	11,039,733	Unrated
Securities Lending	0.05%	12,616	
Total Investments		22,239,438	
Total Cash Equivalents & Investments	100.00%	\$ 26,109,175	

* 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

<u>Type of Investment</u>	<u>0-3 Months</u>	<u>4-12 Months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Cash Equivalents:				
Mutual/Money Market Funds				
Merrill Lynch (ML)	\$ 1,598,082	\$ -	\$ -	\$ -
ML Government Fund	9,915			
BB&T/Wachovia Securities	44,591			
Cash Equivalents-Securities Lending held with Treasurer	41,143			
SNAP	2,176,006			
Total Cash Equivalents	<u>3,869,737</u>			
Investments:				
Mutual/Money Market				
Intermediate Term Fund			5,963,361	
Investment - Securities Lending held with Treasurer	12,616			
U.S. Treasury & Agency Securities*				
U. S. Treasury Bill DTD		69,971		
U. S. Treasury Note DTD			55,668	
U. S. Treasury Bond DTD			194,359	
Corporate Bonds				
AFLAC Inc DTD				18,345
ACE INA HLDG Inc DTD				22,290
Bear Stearns Company				17,812
Berkshire Hathaway Inc			20,845	
Bottling Group LLC			22,927	
Caterpillar Financial SE DTD				24,676
Conocophillips DTD				23,001
Deere & Co DTD			23,184	
El Dupont DeNemour & Company DTD			20,957	
General Electric Capital Corporation DTD				20,811
Goldman Sachs Group Incorporated DTD			16,186	
HSBC Finance Corporation DTD			16,401	
Hewlett-Packard Company DTD			21,825	
IBM Corporation DTD				25,437
Metlife Incorporated DTD			23,279	

<u>Type of Investment</u>	<u>0-3 Months</u>	<u>4-12 Months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Morgan Stanley DTD				15,932
PNC Funding Corporation DTD			21,065	
Phillip Morris International Incorporated DTD				22,493
Shell International Fin DTD			21,532	
Target Corp DTD				22,854
TEVA Pharmacy Fin III LLC DTD		20,188		
Thermo Fisher Scientific Incorporated DTD			20,596	
Cellco Part/Verizon Wireless DTD				25,972
Wachovia Corporation DTD				16,284
Municipal Securities				
Baltimore Maryland Ser B Go DTD			43,967	
Easren Iowa Community College District			27,463	
Indiana Board Bank Rev	20,021			
Kentucky Housing Corporation Housing			10,469	
Agency Mortgage Backed				
Federal Home Loan Mortgage Corporation			217,496	
Federal Home Loan Bk			80,048	
Federal National Mortgage Association DTD				87,290
Foreign Bonds/Notes				
BHP Finance USA Ltd DTD				23,932
BP Capital Markets PLC DTD			20,342	
Bank of Nova Scotia DTD			20,429	
Barclays DTD			15,276	
Credit Suisse New York DTD				15,186
Rio Tinto Fin USA LTD DTD				26,501
Total	<u>\$ 3,902,374</u>	<u>\$ 90,159</u>	<u>\$ 6,877,675</u>	<u>\$ 408,816</u>

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 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 2011, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2011, net appreciation of \$389,862 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

NOTE 4: ACCOUNTS RECEIVABLE

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

Student tuition and fees	\$ 5,510,546
Auxiliary enterprises	1,136,640
Federal, state, and nongovernmental grants and contracts	2,377,832
Other activities	446,689
Gross receivables	<u>9,471,707</u>
Less allowance for doubtful accounts	605,745
Net accounts receivable	<u><u>\$ 8,865,962</u></u>

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

Interest/rebate allocation	\$ 451,856
Equipment trust fund reimbursement	3,279,476
Virginia College Building Authority 21 st Century Bonds	5,128,598
Total Due from Commonwealth of Virginia	<u><u>\$ 8,859,930</u></u>

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 30,342,197	\$ 522,227	\$ -	\$ 30,864,424
Construction in progress	19,097,778	23,911,230	23,241,917	19,767,091
Total nondepreciable capital assets	<u>49,439,975</u>	<u>24,433,457</u>	<u>23,241,917</u>	<u>50,631,515</u>
Depreciable capital assets:				
Buildings	642,028,390	24,471,400	-	666,499,790
Infrastructure	1,312,561	703,000	-	2,015,561
Equipment	77,288,781	5,524,196	7,916,727	74,896,250
Improvements other than building	10,111,562	22,535	-	10,134,097
Library books	64,998,999	2,470,684	247,562	67,222,121
Intangible assets	2,091,898	111,994	111,539	2,092,353
Total depreciable capital assets	<u>797,832,191</u>	<u>33,303,809</u>	<u>8,275,828</u>	<u>822,860,172</u>
Less accumulated depreciation for:				
Buildings	176,778,577	13,513,312	-	190,291,889
Infrastructure	1,312,561	24,813	-	1,337,374
Equipment	48,495,912	6,275,842	7,450,536	47,321,218
Improvements other than building	6,455,088	246,825	-	6,701,913
Library books	56,175,637	3,966,945	247,562	59,895,020
Intangible assets	1,816,637	77,521	114,503	1,779,655
Total accumulated depreciation	<u>291,034,412</u>	<u>24,105,258</u>	<u>7,812,601</u>	<u>307,327,069</u>
Depreciable capital assets, net	<u>506,797,779</u>	<u>9,198,551</u>	<u>463,227</u>	<u>515,533,103</u>
Total capital assets, net	<u>\$ 556,237,754</u>	<u>\$ 33,632,008</u>	<u>\$ 23,705,144</u>	<u>\$ 566,164,618</u>

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Employee salaries, wages, and fringe benefits payable	\$ 16,779,191
Retainage payable	1,037,642
Vendors and suppliers accounts payable	<u>14,902,423</u>
Current liabilities - accounts payable and accrued expenses	<u>\$ 32,719,256</u>

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, 2011 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligations bonds	\$ 68,891,386	\$ 2,010,753	\$ 3,585,791	\$ 67,316,348	\$ 3,060,000
Revenue bonds	148,503,974	17,682,309	24,028,808	142,157,475	7,395,000
Installment purchases	2,708,341	-	262,886	2,445,455	283,393
Capital leases	71,531,586	2,200,000	2,438,952	71,292,634	1,988,640
Total long-term debt	291,635,287	21,893,062	30,316,437	283,211,912	12,727,033
Accrued compensated absences	6,954,455	6,092,541	6,098,634	6,948,362	4,789,782
Federal loan program contributions	151,948	67,892	-	219,840	-
Other liabilities	544,500	-	60,500	484,000	60,500
Total long-term liabilities	\$ 299,286,190	\$ 28,053,495	\$ 36,475,571	\$ 290,864,114	\$ 17,577,315

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	2011
General obligation bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 370,000
Dormitory, Series 1983B	3.00%	2013	340,000
Dormitory, Series 2002	2.50% - 5.00%	2022	245,000
Dormitory, Series 2005	3.50% - 5.00%	2025	2,035,000
Dormitory, Series 2006B	4.00% - 5.00%	2026	4,695,000
Dormitory, Series 2007B	4.00% - 5.00%	2027	13,680,000
Dormitory, Series 2008B	3.00% - 5.00%	2028	36,095,000
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	1,930,000
Total general obligation bonds			64,799,293

Description	Interest Rates	Maturity	2011
Revenue bonds:			
Classrooms, Series 2004B	3.00% - 5.00%	2017	3,895,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	520,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	802,998
Recreation, Series 2001A	3.00% - 5.00%	2022	1,165,000
Recreation, Series 2004B	3.00% - 5.00%	2017	4,585,000
Recreation, Series 2004B	3.00% - 5.00%	2020	595,000
Recreation, Series 2007B	4.00% - 4.25%	2018	416,823
Recreation, Series 2007B	4.00% - 4.50%	2020	6,761,645
Recreation, Series 2010B	2.00% - 5.00%	2020	1,015,000
Recreation, Series 2010B	2.00% - 5.00%	2021	9,590,000
Parking, Series 2001A	3.00% - 5.00%	2022	355,000
Parking, Series 2003A	2.00% - 5.00%	2024	980,000
Parking, Series 2004A	3.00% - 5.00%	2025	3,010,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,175,000
Parking, Series 2004B	3.00% - 5.00%	2020	855,000
Parking, Series 2007A	4.50% - 5.00%	2028	7,700,000
Parking, Series 2007B	4.00% - 4.25%	2018	150,179
Parking, Series 2007B	4.00% - 4.50%	2020	2,568,355
Parking, Series 2009A	2.10% - 5.00%	2029	5,140,000
Parking, Series 2010B	2.00% - 5.00%	2020	580,000
Parking, Series 2010B	2.00% - 5.00%	2021	2,935,000
Parking, Series 2010B	2.00% - 5.00%	2020	450,000
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	1,790,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	2,910,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	850,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	435,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	1,495,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	2,915,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	14,230,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	1,120,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	2,220,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	205,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	230,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	18,830,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	5,865,000
Powhatan Sports Ctr, Series 2009A	2.10% - 5.00%	2029	26,100,000
Powhatan Sports Ctr, Series 2010A	2.00% - 5.50%	2030	920,000
Webb Center Expansion, Series 2009B	2.00% - 5.00%	2029	700,000
Total revenue bonds			<u>137,060,000</u>

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>2011</u>
Installment purchases	4.23%	2023	2,445,455
Capital leases	Various	2011-41	71,292,634
Total bond, notes, installment purchases, and leases			<u>275,597,382</u>
Amortize bond premium, general obligation bonds			2,972,082
Amortize bond premium, revenue bonds			6,250,840
Deferred loss on early retirement of debt			<u>(1,608,392)</u>
Total bond, notes, installment purchases, leases, bond premium, and deferred loss			<u><u>\$ 283,211,912</u></u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 12,727,033	\$ 12,240,585
2013	13,460,700	11,871,440
2014	13,626,847	11,220,050
2015	14,184,171	10,547,731
2016	14,728,087	9,867,625
2017-2021	80,210,096	38,588,793
2022-2026	76,951,008	20,418,447
2027-2031	41,135,176	5,637,969
2032-2036	7,998,846	637,537
2037-2041	575,418	75,647
Total	<u><u>\$ 275,597,382</u></u>	<u><u>\$ 121,105,824</u></u>

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 Assets line “Due from the Commonwealth” includes \$3,279,476 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In November 2010, the Commonwealth of Virginia issued \$101,040,000 in Educational Facilities Revenue Refunding Bonds, Series 2010B. The sale of these bonds enabled the University to advance refund \$1,750,000 of Series 2000A, \$13,345,000 of Series 2001A and \$470,000 of Series 2003A. The net proceeds of \$16,620,477 (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 \$1,195,526 resulting in an economic gain of \$1,040,830 discounted at the rate of 3.017 percent.

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, 2011, \$19,320,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2011, assets purchased under capital leases were included in depreciable capital assets in the amount of \$73,446,847. 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 Assets 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	\$ 111,838,515	\$ 8,811,048	\$ -	\$ 4,901,338	\$ -	\$ 125,550,901
Research	3,387,035	2,386,235	-	167,809	-	5,941,079
Public service	232,664	112,694	-	16,359	-	361,717
Academic support	24,329,146	13,479,411	-	4,136,486	-	41,945,043
Student services	10,348,569	2,482,487	-	98,245	-	12,929,301
Institutional support	22,223,704	2,943,385	-	698,290	-	25,865,379
Operation and maintenance of plant	10,331,074	12,416,076	-	2,002,180	-	24,749,330
Depreciation expense	-	-	-	-	24,105,258	24,105,258
Scholarship and related expenses	-	-	18,113,099	-	-	18,113,099
Auxiliary activities	22,483,903	38,793,292	6,201,590	2,954,401	-	70,433,186
Total	\$ 205,174,610	\$ 81,424,628	\$ 24,314,689	\$ 14,975,108	\$ 24,105,258	\$ 349,994,293

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 874:

Educational and general programs	\$ 89,771,848
Student financial assistance/grants	16,290,418

Supplemental adjustments:

Central fund appropriation transfers	1,669,406
Eminent scholars	77,891
Grants	2,229,421
VIVA	23,962
DPB budget reduction	(8,264)
VITA rate reduction	73

Adjusted appropriations	<u><u>\$ 110,054,755</u></u>
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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 University Intercollegiate 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 University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Net Assets</u>				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,338,104	\$ 4,299,224	\$ 11,435,002	\$ 21,072,330
Accounts receivable	95,613	2,661,376	20,536,137	23,293,126
Contributions receivable, net	859,574	1,296,772	-	2,156,346
Travel advances	-	-	54,265	54,265
Prepaid expenses	11,222	27,412	793,716	832,350
Other assets	39,995	114,018	-	154,013
Total current assets	<u>6,344,508</u>	<u>8,398,802</u>	<u>32,819,120</u>	<u>47,562,430</u>
Noncurrent assets:				
Investments	18,968,568	149,622,303	3,556,996	172,147,867
Accounts receivable	-	60,870,093	-	60,870,093
Contributions receivable, net	1,679,126	1,337,040	-	3,016,166
Notes receivable	-	3,405,000	-	3,405,000
Nondepreciable capital assets	-	14,518,369	54,802	14,573,171
Capital assets	48,599	3,142,251	3,998,816	7,189,666
Total noncurrent assets	<u>20,696,293</u>	<u>232,895,056</u>	<u>7,610,614</u>	<u>261,201,963</u>
Total assets	<u>27,040,801</u>	<u>241,293,858</u>	<u>40,429,734</u>	<u>308,764,393</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,387,561	541,052	9,054,960	10,983,573
Due to affiliates	-	-	7,534,138	7,534,138
Deferred revenue	-	483,391	3,173,963	3,657,354
Deposits held in custody for others	-	39,891	-	39,891
Agency related payables	-	10,568,796	-	10,568,796
Line of credit	-	2,018,946	-	2,018,946
Long-term liabilities – current portion	352,500	5,043,417	-	5,395,917
Total current liabilities	<u>1,740,061</u>	<u>18,695,493</u>	<u>19,763,061</u>	<u>40,198,615</u>
Noncurrent liabilities	115,564	86,071,650	-	86,187,214
Total liabilities	<u>1,855,625</u>	<u>104,767,143</u>	<u>19,763,061</u>	<u>126,385,829</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,599	9,037,750	4,053,618	13,139,967
Permanently restricted	13,086,042	96,869,091	-	109,955,133
Temporarily restricted	7,320,064	39,896,232	15,132,287	62,348,583
Unrestricted	4,730,471	(9,276,358)	1,480,768	(3,065,119)
Total net assets	<u>\$ 25,185,176</u>	<u>\$ 136,526,715</u>	<u>\$ 20,666,673</u>	<u>\$ 182,378,564</u>

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Revenues, Expenses and Changes in Net Assets</u>				
Operating revenues:				
Gifts and contributions	\$ 2,932,144	\$ 2,060,289	\$ 111,500	\$ 5,103,933
Indirect cost	-	-	9,231,723	9,231,723
Sponsored research	-	-	37,026,733	37,026,733
Other operating revenues	355,686	7,909,830	3,039,504	11,305,020
Total operating revenue	<u>3,287,830</u>	<u>9,970,119</u>	<u>49,409,460</u>	<u>62,667,409</u>
Operating expenses:				
Instruction	-	2,585,588	-	2,585,588
Research	-	-	43,360,528	43,360,528
Academic support	1,414,824	3,216,960	-	4,631,784
Institutional support	1,293,161	8,195,745	4,297,541	13,786,447
Operation and maintenance of plant	-	39,690	-	39,690
Depreciation	47,905	187,512	-	235,417
Student aid	607,276	994,115	-	1,601,391
Total operating expenses	<u>3,363,166</u>	<u>15,219,610</u>	<u>47,658,069</u>	<u>66,240,845</u>
Operating gain/(loss)	<u>(75,336)</u>	<u>(5,249,491)</u>	<u>1,751,391</u>	<u>(3,573,436)</u>
Investment income	1,506,422	13,040,164	276,618	14,823,204
Contributions to permanent endowments	<u>(32,655)</u>	<u>781,453</u>	<u>-</u>	<u>748,798</u>
Increase in net assets	1,398,431	8,572,126	2,028,009	11,998,566
Beginning net assets	23,786,745	127,954,589	18,638,664	170,379,998
Ending net assets	<u>\$ 25,185,176</u>	<u>\$ 136,526,715</u>	<u>\$ 20,666,673</u>	<u>\$ 182,378,564</u>

Contributions Receivable

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	TOTAL
<u>Current Receivable</u>			
Receivable due in less than one year	\$ 917,715	\$ 1,403,610	\$ 2,321,325
Less allowance for doubtful accounts	<u>58,141</u>	<u>106,838</u>	<u>164,979</u>
Net current accounts receivable	859,574	1,296,772	2,156,346
Receivable due in greater than 1 year, net of discount (\$639,542)	1,699,554	1,457,516	3,157,070
Less allowance for doubtful accounts	<u>20,428</u>	<u>120,476</u>	<u>140,904</u>
Net noncurrent contributions receivable	1,679,126	1,337,040	3,016,166
Total contributions receivable	<u>\$ 2,538,700</u>	<u>\$ 2,633,812</u>	<u>\$ 5,172,512</u>

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 University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	\$ 620,149	\$ 5,185,486	\$ 3,097,928	\$ 8,903,563
Common & preferred stocks	1,011,857	8,819,759	2,337	9,833,953
Commercial paper	2,993,674	-	-	2,993,674
Mutual and money market funds	8,798,424	78,428,229	456,731	87,683,384
Real estate	-	259,000	-	259,000
Alternative investments	5,544,464	46,361,033	-	51,905,497
Managed investments	-	10,568,796	-	10,568,796
Total	<u>\$ 18,968,568</u>	<u>\$ 149,622,303</u>	<u>\$ 3,556,996</u>	<u>\$ 172,147,867</u>

Capital Assets

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:				
Land	\$ -	\$ 2,960,668	\$ 54,802	\$ 3,015,470
Construction in progress	-	11,557,701	-	11,557,701
Total capital assets not being depreciated	<u>-</u>	<u>14,518,369</u>	<u>54,802</u>	<u>14,573,171</u>
Depreciable capital assets:				
Buildings	-	4,727,904	1,029,336	5,757,240
Equipment	386,664	55,187	16,764,542	17,206,393
Total capital assets being depreciated	<u>386,664</u>	<u>4,783,091</u>	<u>17,793,878</u>	<u>22,963,633</u>
Less accumulated depreciation for:				
Buildings	-	1,605,955	805,945	2,411,900
Equipment	338,065	34,885	12,989,117	13,362,067
Total accumulated depreciation	<u>338,065</u>	<u>1,640,840</u>	<u>13,795,062</u>	<u>15,773,967</u>
Total depreciable capital assets, net	<u>48,599</u>	<u>3,142,251</u>	<u>3,998,816</u>	<u>7,189,666</u>
Total capital assets, net	<u>\$ 48,599</u>	<u>\$ 17,660,620</u>	<u>\$ 4,053,618</u>	<u>\$ 21,762,837</u>

Long-Term Liabilities

Old Dominion University Intercollegiate Foundation

Trust and annuity obligations	\$ 468,064
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Old Dominion University Educational and Real Estate Foundations

Description	Interest Rates	Maturity	2010
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	3.58%	2033	\$ 52,465,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	4.475%	2031	12,345,000
Total bonds payable			64,810,000
Notes payable			
ODU Inn	6.597%	2011	2,663,847
Parking Garage - 45 th Street	6.20%	2010	265,000
Tri-Cities II	3.65%	2014	4,395,600
Bookstore	5.585%	2023	5,212,550
President's House	5.980%	2040	2,182,251
Total notes payable			14,719,248
Other long-term liabilities			11,585,819
Total long-term debt			91,115,067
Total component unit long-term liabilities			\$ 91,583,131

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

2011	\$ 4,589,345
2012	1,988,204
2013	2,078,210
2014	6,566,117
2015	2,269,660
Thereafter	62,037,712
Total	\$ 79,529,248

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, 2011, the University will repay \$71,056,723. 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 University Intercollegiate Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2011 totaled \$8,491,332, \$2,219,940, and \$5,931,890 respectively. This includes gift transfer, payments for facilities, and services.

Component Unit Subsequent Event

In April 2011, the Intercollegiate Foundation made disbursements to members of the athletic staff under existing deferred compensation arrangements in which all conditions of the mutual agreement have been met. The amount of the deferred compensation paid was approximately \$495,000.

In 2011, the Intercollegiate Foundation changed the name to Old Dominion Athletic Foundation.

In February 2011, the Real Estate Foundation extended the line of credit in the amount of \$3,000,000 for the purpose of purchasing additional properties for future projects. In May 2011, this line was increased to \$6,000,000 and expires February 28, 2012. The increase was used partially to fund the retirement of the debt on the Old Dominion Inn. The interest rate is 1-month LIBOR plus 1.75%.

In 2011, the board of visitors approved to fund the purchase of a Norfolk property. On April 26, 2011, \$1,360,000 was transferred to Norfolk Redevelopment and Housing Association to begin the acquisition process. On April 1, 2011, a separate Norfolk property was purchased for \$634,400.

NOTE 12: COMMITMENTS

At June 30, 2011, the University was a party to construction and other contracts totaling approximately \$26,081,353 of which \$24,500,169 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 \$6,715,661 for the year ended June 30, 2011.

The University has, as of June 30, 2011, the following future minimum rental payments due under the above leases:

<u>Year Ending June 30</u>	<u>Operating Lease Obligation</u>
2012	\$ 6,028,993
2013	6,083,792
2014	6,068,071
2015	6,082,536
2016	5,078,889
2017-2021	20,467,957
2022-2026	8,707,687
Total	<u>\$ 58,517,925</u>

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, 2011. 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 \$7,415,578 for the year ended June 30, 2011. The retirement contribution rate was 11.58% for state employees and 18.09% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2011. Contributions to VRS were calculated using the base salary amount of approximately \$52,452,758 for the year ended June 30, 2011. The University's total payroll was approximately \$165,858,711 for the fiscal year ended June 30, 2011. Employees hired after July 1, 2010 were responsible for paying the 5% employee share.

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 \$6,152,018 for the year ended June 30, 2011. Contributions to the optional retirement plans were calculated using the base salary amount of approximately \$59,767,495 for fiscal year 2011. Employees hired after July 1, 2010 were responsible for paying the 5% employee share.

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 \$10 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$311,133 for fiscal year 2011.

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, 2011, the University estimates that no material liabilities will result from such audits or questions.

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*.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 18, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Old Dominion University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Footnote 11- Component Unit Financial Information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2011 on our consideration of 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

OLD DOMINION UNIVERSITY
Norfolk, Virginia

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