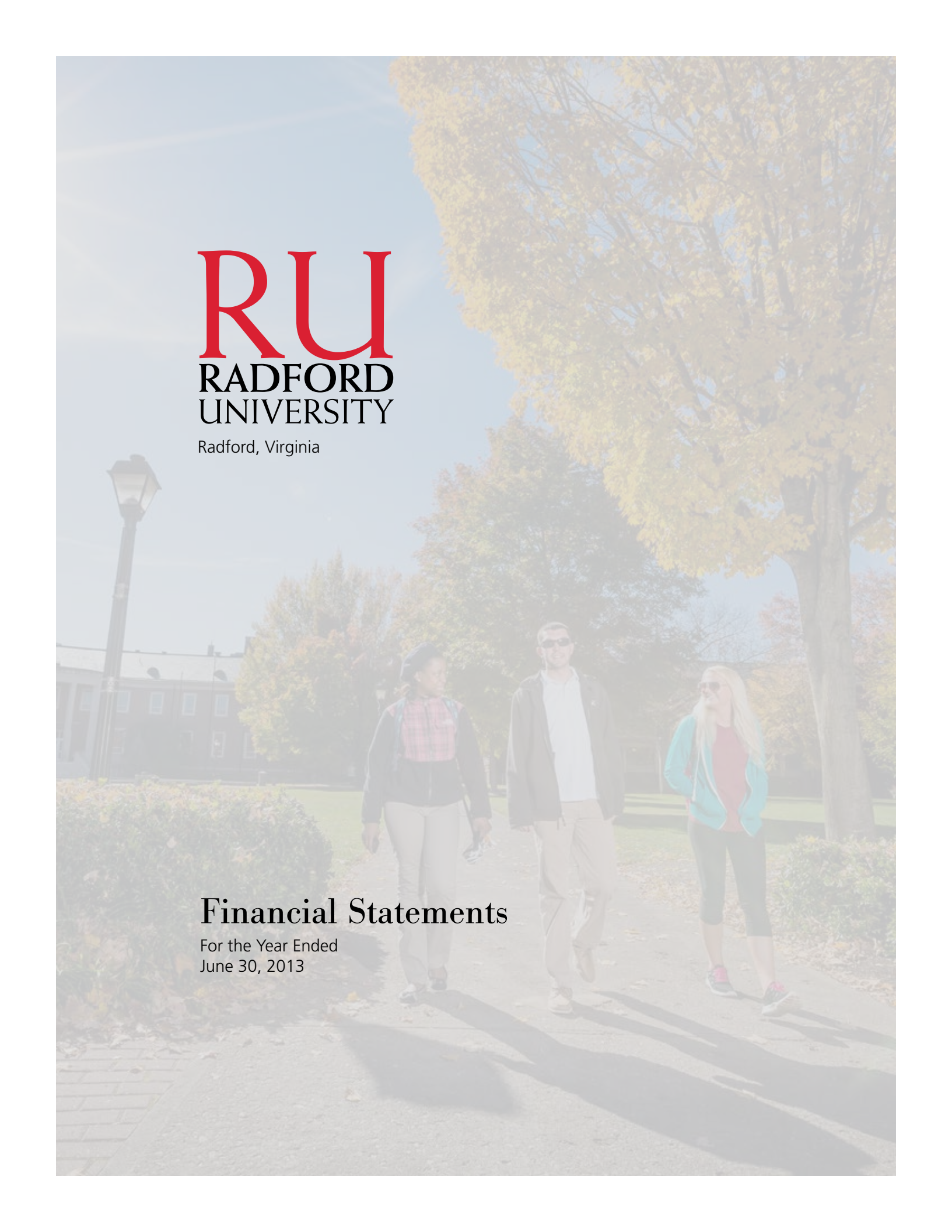


The background of the entire page is a photograph of a university campus. In the foreground, three students are walking along a paved path. On the left, a woman is wearing a plaid shirt and a dark jacket. In the center, a man is wearing a white shirt and a dark jacket. On the right, a woman is wearing a teal jacket and a red shirt. They are all walking towards the camera. In the background, there are large trees with yellow and orange leaves, suggesting autumn. A black lamppost is visible on the left side of the path. A brick building is partially visible in the distance on the left.

RU RADFORD UNIVERSITY

Radford, Virginia

Financial Statements

For the Year Ended
June 30, 2013

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Management's Discussion and Analysis

(Unaudited)

Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of Radford University in an objective, easily readable format for the year ending June 30, 2013. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements and footnotes. The University's management is responsible for all financial information presented, including this discussion and analysis.

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

University Overview

Founded in 1910 as an all-women's college, Radford University became co-educational in 1972 and was granted university status by the Virginia General Assembly in 1979. Today, the University is a flourishing coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs to its 9,928 students (fall 2013 headcount). Radford University's enrollment has increased yearly for a total of 921 students since fall 2010. This trend is despite a recent U.S. Census Bureau report that national college enrollment declined in the fall of 2012 for the first time in six years.

The University offers excellent educational opportunities to students from all geographic regions of the Commonwealth of which 94 percent are Virginia residents and 28 percent of undergraduates are the first in their family to attend college. Because of its mid-size, the University provides its students a winning combination of broad opportunities associated with a large university and highly-personalized relationships considered the hallmark of a small institution.

Well known for its strong faculty/student collaboration, innovative use of technology in the learning environment and vibrant student life on a beautiful residential campus, the University offers many opportunities for success in and out of the classroom. Through its six academic colleges, the University offers 69 undergraduate degree programs; 15 master's programs in 16 disciplines; three doctoral programs with four concentrations at the graduate level; and seven post-baccalaureate certificates. A Division I member of the NCAA and Big South Athletic Conference, the University participates in 19 varsity sports – 11 for women and eight for men.

The campus community supports a culturally diverse student population and offers more than 200 clubs and

organizations for student participation and growth, leadership development and service. Students also have the opportunity to participate in faculty-led study abroad programs in 13 different countries. The University was also recognized in 2013 for being among the top 100 producers in the United States of minority degrees conferred for several academic programs. Among African-American students, Radford University ranked 47th in physical sciences degrees and 97th in marketing degrees awarded. Among Asian-American students, Radford University ranked 70th in parks, recreation, leisure and fitness, 80th in interdisciplinary studies and 86th in marketing degrees earned. This represents only a few examples of the many accomplishments that all of the colleges have attained during the course of their instructional mission.

Over the past 100 years, Radford University has become known for meeting the growing needs of society through its academic programs. Recent additions include a master's in occupational therapy, allied health doctoral programs in psychology, physical therapy and nursing practice, and an expansion of STEM-H (science, technology engineering, mathematics and health) programs. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the Roanoke Higher Education Center, Southwest Virginia Higher Education Center and Carilion Roanoke Community Hospital.

Radford University continues on a path of success which is apparent by the national recognition received. In September 2013, the University was named one of the "Best Regional Universities" in the South by U.S. News & World Report (2014). In 2013, the University was named one of 75 institutions nationally to The Princeton Review's "Best Value Colleges". For the fifth year in a row, Radford University was named to The Princeton Review's "Best Colleges and Universities in the Southeast" moving up significantly over the previous year. Radford University was also named for the third year in a row to The Princeton Review's "Top Green Colleges in the Nation." The U.S. News and World Report has identified Radford University as a "Top Public Master's University in the South" and included the Doctor of Nursing Practice in its "Top Online Education Programs."

Individual colleges have also received accolades for their accomplishments and reached very important milestones. In 2013, NCTQ Teacher Prep Review recognized the University as one of the top 13 "Institutions Housing Multiple Strong Programs" in teacher preparation. For the second consecutive year, the College of Business and Economics received recognition from The Princeton Review as one of its "Best 294 Business Schools." The College of Visual and Performing Arts was designated as an All-Steinway School in September 2011, making Radford University one of only 150 colleges and universities world-wide to receive this honor. The Interior Design Program was identified in Design Intelligence's "Top 10 Interior Design Programs in

Statement of Net Position—Summary Schedule

(\$ shown in thousands)

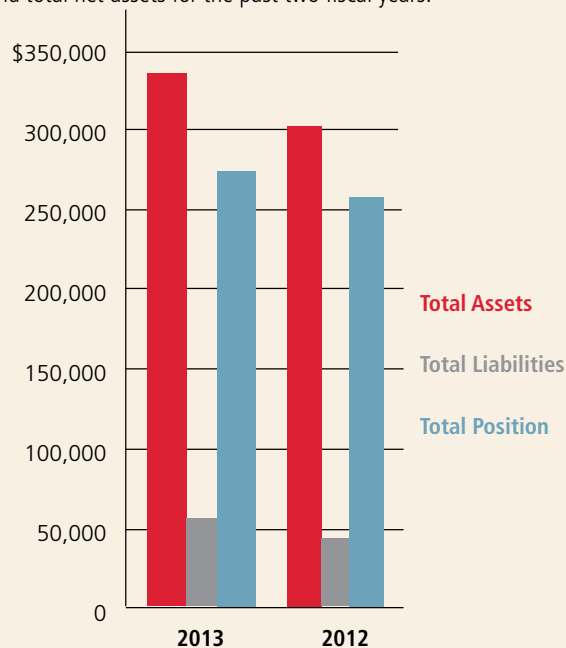
The schedule below shows trends in assets, liabilities, and net position over the past two fiscal years:

	2013	2012*	Change	
			Amount	Percent
Assets:				
Current assets	\$115,771	\$95,939	\$19,832	20.7
Capital assets, net	219,606	202,695	16,911	8.3
Other noncurrent assets	2,994	3,866	(872)	(22.6)
Total assets	\$338,371	\$302,500	\$35,871	11.9
Liabilities:				
Current liabilities	\$34,285	\$29,349	\$4,936	16.8
Noncurrent liabilities	29,613	12,524	17,089	136.5
Total liabilities	\$63,898	\$41,873	\$22,025	52.6
Net Position:				
Net investment in capital assets	\$214,624	\$201,932	\$12,692	6.3
Restricted—expendable	12,853	9,424	3,429	36.4
Unrestricted	46,996	49,271	(2,275)	(4.6)
Net position	\$274,473	\$260,627	\$13,846	5.3

Statement of Net Position—Comparative Chart

(\$ shown in thousands)

The chart below is a snapshot of total assets, total liabilities, and total net assets for the past two fiscal years:



*Some fiscal year 2012 amounts have been restated. See Note 2 to the Financial Statements for details.

the Nation.” Radford University was also included in the 2014 “Guide to Military Friendly Schools”, which recognizes institutions for their contributions to the education of veterans.

In 2012-13, Radford University's accreditation was reaffirmed by the Southern Association of Colleges and Schools (SACS) Commission on Colleges. The SACS accreditation process takes place every 10 years with periodic evaluations. SACS Commission on Colleges is the regional body for the accreditation of degree-granting higher education institutions in the Southern states. Also in 2012-13, the Association of Advance Collegiate Schools of Business (AACSB) announced that the College of Business and Economics has maintained its accreditation. Only 25 percent of the baccalaureate business programs in the United States have AACSB accreditation. This same year the University officially opened the new home for the College of Business and Economics, a state-of-the-art complex featuring the latest in educational technology.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements.

The data presented in the Statement of Net Position aids readers in determining the assets available to continue

the operations of the University. It also allows readers to determine how much the University owes to vendors and creditors. Finally, the Statement of Net Position provides a picture of net position to indicate available resources of the University. Sustained increases in net position over time are one indicator of the financial stability of an organization.

Net position is classified into three major components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets**—Net investment in capital assets represents the University's total capital assets, net of accumulated depreciation, reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- **Restricted—expendable**—Expendable restricted component includes resources the University is legally or contractually obligated to expend, with restrictions imposed by external third parties.
- **Unrestricted**—Unrestricted component represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's board of visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research, and outreach. These resources are derived from student

tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total University assets rose by \$35.9 million or 11.9 percent during fiscal year 2013, bringing the total to \$338.4 million at year end. The majority of increase in total assets is attributable to a \$19.8 million increase in current assets and \$16.9 million in net capital assets. The largest increases in current assets were in the cash and cash equivalents (\$21.8 million) as outlined in the Statement of Cash Flows (discussed in a later section). Capital assets, net of accumulated depreciation (\$219.6 million), comprises the majority of the increase in noncurrent assets and reflects the ongoing expansion and renovation of facilities at the University as discussed in detail in the following section, Capital Asset and Debt Administration.

Total liabilities grew by \$22.0 million or 52.6 percent during fiscal year 2013. The current liabilities category increased by \$4.9 million and the noncurrent liabilities increased by \$17.1 million. The net increase in liabilities resulted from an increase in obligations under securities lending as well as Radford University's participation in the pooled bond program (Series 2012B) for \$12.5 million to construct the Student Fitness and Wellness Center and 9(c) general obligation bonds of \$5.5 million for Washington Hall renovations. Further information regarding the debt issuance can be found in Notes 7 and 8 of the Financial Statements. The increase in restricted cash and cash equivalents being spent on the capital projects was offset by the proceeds of debt issued for the Student Fitness and Wellness Center along with Washington Hall renovations.

The increase in total assets was greater than the corresponding increase in total liabilities, thus improving the University's net position by \$13.8 million or 5.3 percent. Net investment in capital assets increased \$12.7 million as a direct result of the increase in capital assets as offset by capital related debt.

Capital Asset and Debt Administration

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

high-quality instructional programs, residential lifestyles, and student quality of life.

Note 5 of the Notes to Financial Statements describe the University's on-going investment in capital assets. The value of the University's net capital assets increased to \$219.6 million at the end of fiscal year 2013, an increase of \$16.9 million or 8.3 percent over fiscal year 2012. The net additions and reductions to capital assets during fiscal year 2013 totaled \$27.8 million (excluding depreciation). The completion of the College of Business and Economics (COBE) and Moffett Hall renovations as well as the progress made on the Student Fitness Center, which included the purchase of land, Washington Hall renovations and Center for the Sciences account for the majority of the current year capital activity. Current year depreciation expense totaled \$13.2 million.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Notes 7 and 8 of the Notes to Financial Statements contain information about the long-term debt of the University. One new note payable, in the amount of \$12.5 million, was issued in fiscal year 2013 for the construction of the Student Fitness and Wellness Center and one bond payable, in the amount of \$5.5 million, was issued in fiscal year 2013 for the renovations of Washington Hall.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating and nonoperating activities, which creates the changes in total net position. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

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

Nonoperating revenues are revenues received for which goods and services are not directly provided. State appropriations are included in this category, but provide substantial support for paying the University's operating expenses. Therefore, the University, like most public institutions, will expect to show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Position—Summary Schedule

(\$ shown in thousands)

	2013	2012*	Change	
			Amount	Percent
Operating revenues	\$115,437	\$108,877	\$6,560	6.0
Less: Operating expenses	172,059	160,073	11,986	7.5
Operating loss	(56,622)	(51,196)	(5,426)	10.6
Nonoperating revenues and expenses	63,493	58,566	4,927	8.4
Income before other revenues, expenses, gains, or losses	6,871	7,370	(499)	(6.8)
Other revenue, expenses, gains, or losses	6,975	23,764	(16,789)	(70.6)
Increase in net position	13,846	31,134	(17,288)	(55.5)
Net Position—beginning of year (as restated)	260,627	229,493	31,134	13.6
Net Position—end of year	\$274,473	\$260,627	\$13,846	5.3

*Some fiscal year 2012 amounts have been restated. See Note 2 to the Financial Statements for details.

Overall, the result from total fiscal year operations was an increase in net position of \$13.8 million. This increase was primarily attributable to the increase of operating and nonoperating revenues as described further below. The increase in the operating loss of \$5.4 million was the combination of increased expenses offset by the increase of operating revenues. With the inclusion of state appropriations for the University in the nonoperating category, the University will routinely display an operating loss for the year. This operating loss is primarily covered by the state appropriations included in the nonoperating category as well as investment income and capital appropriations.

Operating revenues of the University consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in total for fiscal year 2013 increased by 6.6 million as compared to fiscal year 2012. This increase was primarily due to growth in tuition and fee and auxiliary revenues, net of

scholarship allowances, which reflected an increase of 7.3 percent and 7.0 percent respectively. The growth in these revenues was due to Board of Visitors approved tuition and fee rate increases and enrollment growth. To address continuing programmatic and instructional needs resulting from sustained enrollment growth and to cover other mandatory cost increases including state mandated salary adjustments and health insurance rate changes, tuition rates increases ranged from 0.0 to 3.5 percent and the auxiliary comprehensive fee rate increased 3.2 percent for fiscal year 2013. Nonoperating revenues and expenses in fiscal year 2013 increased a total of 8.4 percent, which represents an increase of state appropriations offset by the reduction of the federal stabilization funds (ARRA). Reduction of capital appropriations of 70.6 percent was a result of a decrease in capital construction funding, predominately related to the completion of the COBE building funded via the 21st Century bond program in fiscal year 2012.

Revenues by Source Comparison

(\$ shown in thousands)

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

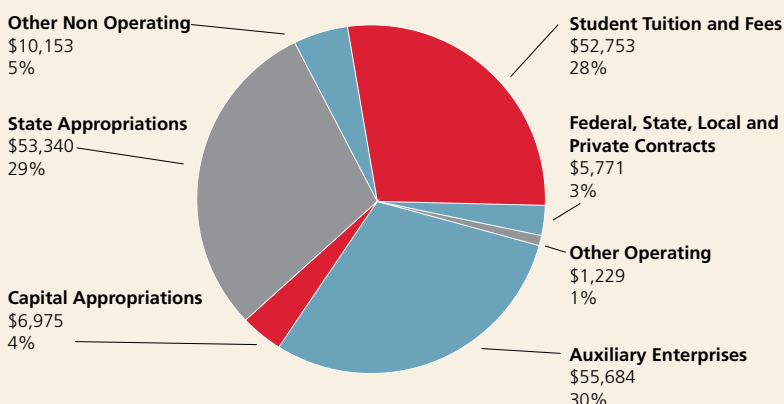
	2013	2012	Change	
			Amount	Percent
Revenues by Source:				
Student Tuition and Fees	\$52,753	\$49,183	\$3,570	7.3
Federal, State, Local and Private Contracts	5,771	6,580	(809)	(12.3)
Auxiliary Revenue	55,684	52,045	3,639	7.0
Other Operating	1,229	1,069	160	15.0
State Appropriations	53,340	46,152	7,188	15.6
Other Nonoperating*	10,153	12,414	(2,262)	(18.2)
Capital Appropriations and Gifts	6,975	23,764	(16,789)	(70.6)
Total Revenues by Source :	\$185,905	\$191,207	\$(5,302)	(2.8)

* Includes, federal Pell grants, investment income, interest expense on debt related to capital assets, loss on disposal of assets and nonoperating transfers to the Commonwealth.

Revenues by Source

(\$ shown in thousands)

The following chart illustrates the percentage of the University's total revenue comprised by each major revenue source (both operating and nonoperating) for the year ended June 30, 2013:



Operating expenses for fiscal year 2013 increased \$12.0 million (7.5 percent) over fiscal year 2012. From a natural expense standpoint, compensation and benefits comprises 56.1 percent of the University's operating expenses and services and supplies, comprises 25.0 percent. These two categories contributed to the majority of the increase in operating expenses for 2013. Compensation and benefits increased 6.1 percent, which was primarily due to a university-wide state mandated one-time 3 percent bonus, January 2013

classified salary adjustment, and additional hire of full-time faculty and support positions due to enrollment growth. Services and supplies increased 9.5 percent over 2012. The increased activity in services and supplies is attributed to several factors including; the completion of additional one-time facility infrastructure improvements, increased dining contract payments due to increased meal plan sales, increased lease payments, and an overall increase in contractual obligations related to student and operational support.

Expenses by Function Comparison

(\$ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2013 and 2012.

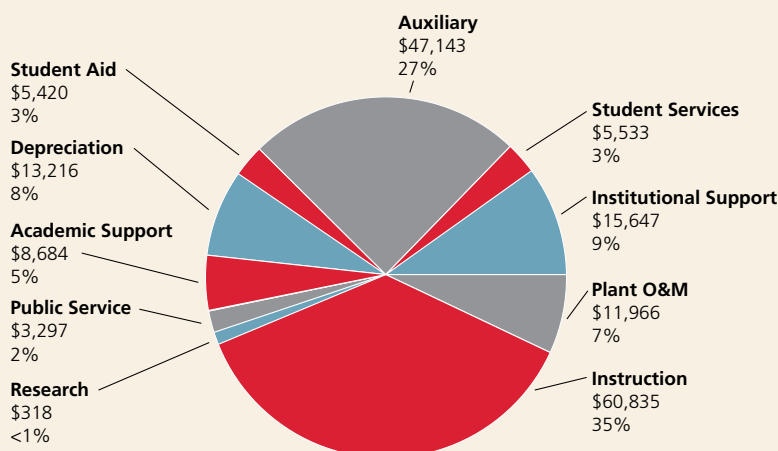
	2013	2012*	Change	
			Amount	Percent
Operating Expenses:				
Instruction	\$60,835	\$58,790	\$2,045	3.5
Research	318	540	(222)	(41.1)
Public Service	3,297	3,377	(80)	(2.4)
Academic Support	8,684	8,284	400	4.8
Student Services	5,533	5,363	170	3.2
Institutional Support	15,647	15,536	111	0.7
Operation and Maintenance of Plant	11,966	10,564	1,402	13.3
Depreciation	13,216	11,925	1,291	10.8
Student Aid	5,420	4,770	650	13.6
Auxiliary Activities	47,143	40,924	6,219	15.2
Total Operating Expenses:	\$172,059	\$160,073	\$11,986	7.5

* Some fiscal year 2012 amounts have been restated. See Note 2 to the Financial Statements for details.

Expenses by Function

(\$ shown in thousands)

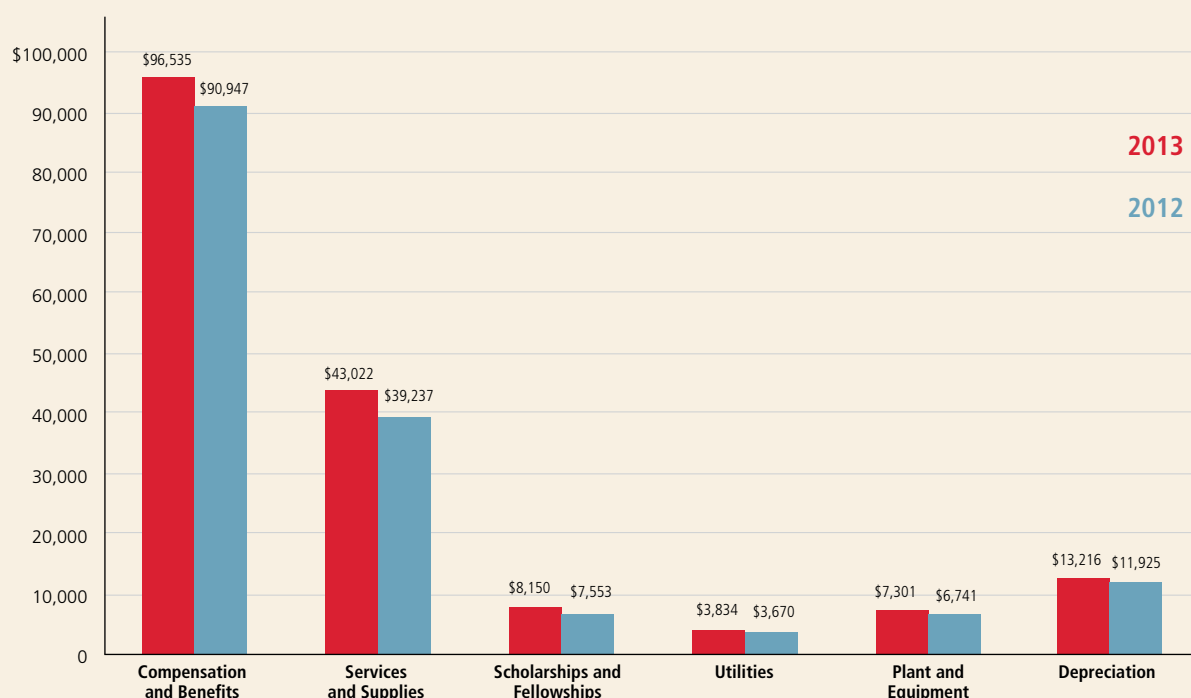
The following graphic illustration present total expenses by function for fiscal year 2013.



Expenses by Natural Classification Comparison

(\$ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2013 and 2012.



Statement of Cash Flows

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

The Statement of Cash Flows is divided into five sections: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, cash flows from investing activities, and a reconciliation of the net operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net

Position to net cash used by operating activities.

The first section, Cash Flows from Operating Activities, deals with operating cash flows and shows net cash used by operating activities of the University. The Cash Flows from Noncapital Financing Activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the Commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash Flows from Capital and Related Financing Activities present cash used for the acquisition and construction of capital and related items. Included in cash flows from capital financing activities are plant fund activities (except for depreciation). Cash Flows from Investing Activities reflect the cash flows generated from investments to include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year to net cash used by operating activities.

Statement of Cash Flows

(\$ shown in thousands)

	2013	2012*	Change	
			Amount	Percent
Net cash used by operating activities	\$(40,821)	\$(39,137)	\$(1,684)	(4.3)
Net cash provided by noncapital financing activities	62,774	58,482	4,292	7.3
Net cash used by capital and related financing activities	(6,409)	(13,112)	6,703	51.1
Net cash provided by investing activities	6,276	599	5,677	947.7
Net increase in cash	21,820	6,832	14,988	219.4
Cash and cash equivalents—beginning of year	85,558	78,726	6,832	8.7
Cash and cash equivalents—end of year	\$107,378	\$85,558	\$21,820	25.5

*Some fiscal year 2012 amounts have been restated. See Note 2 to the Financial Statements for details.

Overall, the University had a net increase in cash of \$21.8 million from fiscal year 2012. The primary sources of cash for the University were state appropriations (\$53.3 million), student tuition and fees (\$53.0 million), auxiliary enterprise revenues (\$55.9 million), and receipts for student loans (\$51.8 million). The major uses of cash were employee compensation and benefits (\$96.5 million), services and supplies (\$41.9 million), student loan disbursements (\$52.4 million), and the purchase of capital assets (\$33.8 million). Net cash used by capital and related financing activities reflected a decrease of \$6.7 million from the prior year as a result of mainly an increase in proceeds of capital debt related to the Student Fitness and Wellness Center and Washington Hall offset by the reduction of capital appropriations as related to the completion of the COBE building. For 2013, the change in cash flow from investing activities increased \$5.7 million primarily due to securities lending.

Economic Outlook

The 2013-14 operating budget was developed considering projected enrollment levels, actions taken by the Governor and General Assembly during the 2013 session, Board of Visitors approved tuition and fee rates, strategic goals of the University, and the outlook for the economy. The development of the institution's multi-year budget plan combined with general fund support from the Commonwealth positioned the University to implement requirements and initiatives tied to the recently enacted legislation "Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011" (TJ21). This landmark legislation outlines key goals and objectives for higher education including 100,000 more degrees by 2025, increased retention and degree completion, economic development and partnership opportunities, year-round utilization of facilities and instructional resources, and ensuring access and affordability.

Radford University remains committed to providing a quality, affordable educational experience represented by the fact that among Virginia's four-year public institutions, the University is the second lowest total costs for tuition, fees, room and board. Additionally, tuition and mandatory fees had the lowest increase in more than a decade due in part to the state's reinvestment in higher education and the University's enrollment growth.

Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first generation students. As of fall 2013, 94 percent of the University's students were residents of Virginia representing various geographic regions of the Commonwealth. Reflective of Radford University's growth and diversity, the Class of 2017 is composed of 1,986 students from 314 Virginia high schools and 138 out-of state and international high schools, and represents 16 different nations. Nearly one-third of the class is from northern Virginia. More than 38 percent of the new freshmen are first generation college students, a more than four percent increase over fall 2012. Nearly 30 percent of the new class identify themselves as ethnic minorities, with 12.8 percent as African American and 6.6 percent as Hispanic/Latino. As a result of placing a continued emphasis on enrollment planning and management as well as implementing new master's and doctoral programs, the University has witnessed and projects further growth in enrollment.

For fall 2013, enrollment totaled 9,928 students which reflects a 3.7 percent increase over the prior fall. Additionally, retention among the returning freshmen cohort (Class of 2016) increased by four percentage points, compared to the previous year, and is the highest since fall 2008. Recently added advanced degrees in nursing, physical therapy and occupational therapy have also brought awareness to the University's exceptional allied health programs. As Radford University seeks to educate an additional 1,400 in-state undergraduates, as identified in the Six Year Plan, the

University will be instrumental in supporting the Governor's "Top Jobs for the 21st Century" legislation.

As a public institution of higher education in Virginia, the University is committed to providing affordable educational opportunities for in-state undergraduate students, thus Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities. For fiscal year 2014, state general fund support for the E&G program will account for \$45.4 million of the total projected program revenues representing a 5.6 percent increase from fiscal year 2013. This increase in state general fund support is vital, especially considering unavoidable cost increases such as health insurance, fringe benefits, state authorized salary adjustments and operation and maintenance of new facilities coming online.

During fiscal year 2013, the University planned and developed Wintermester, a new pilot inter-session offered during winter break. The session is specifically designed to help students progress more quickly in their degree programs by providing a variety of course offerings across multiple colleges. All instruction is conducted online and allows Radford University students to take a class while at home celebrating the holidays. It also provides the opportunity to hold a part-time job during the winter break which assists with affordability. It is anticipated that non-Radford University students will also find Wintermester to be a helpful way to advance their academic career. This new session allows students to progress more rapidly toward degree completion, emphasizes a more effective use of technology and teaching resources through year round utilization, assists with the retention of students, and expands the growth and development of Radford University's online learning opportunities.

Radford University has also initiated an intensive retention effort which has already resulted in a four percentage point increase in the retention rate over the previous fall's new student cohort. The University contracted with industry leader Noel Levitz to develop a holistic retention plan, authorized the hiring of five professional advising staff positions, is researching best practices for student assistance programs, and is developing yoked instructional and student engagement opportunities.

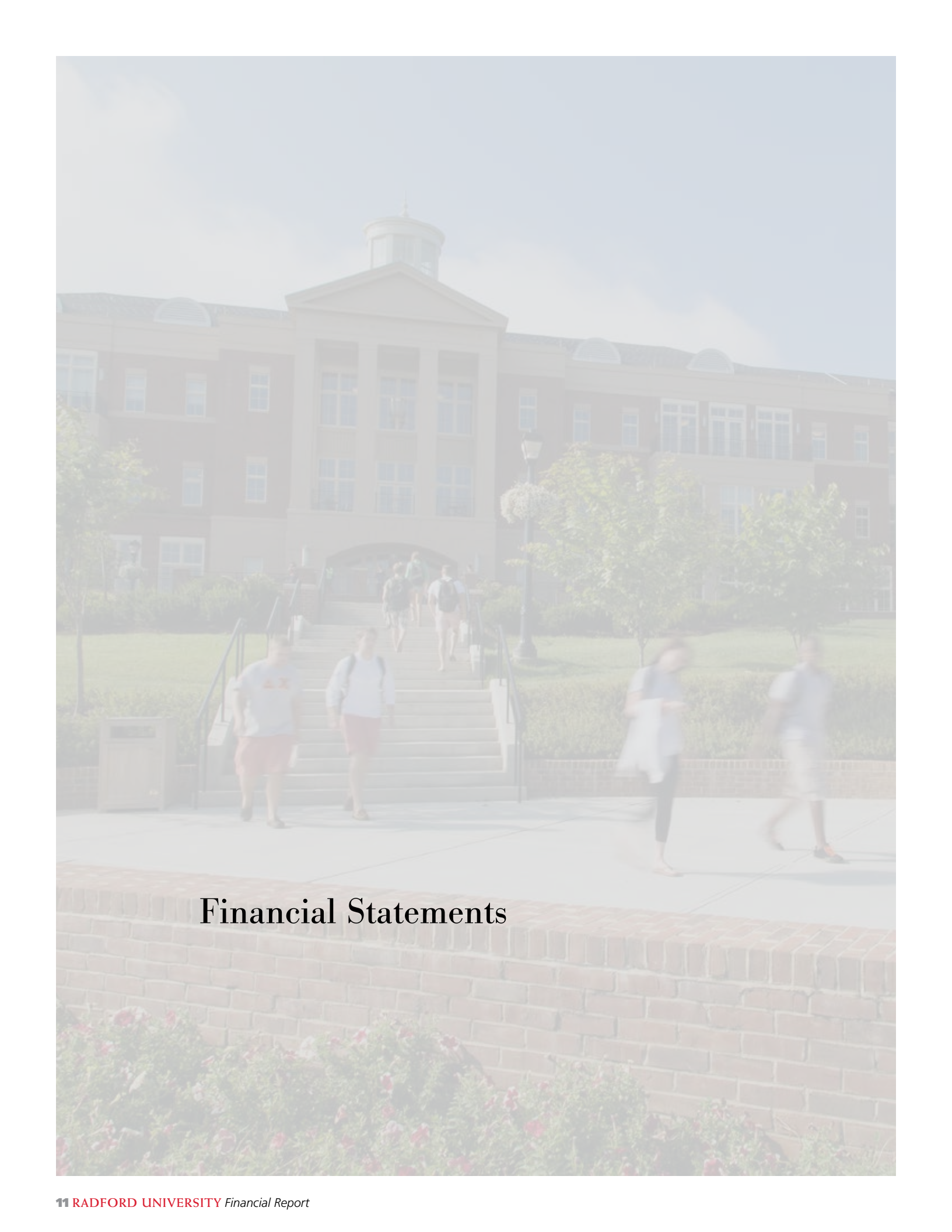
Radford Transit, developed as a partnership with the City of Radford and operated by New River Valley Community Services, continues to experience extraordinary growth. During fiscal year 2012, Radford Transit carried a total of 187,332 passengers. During fiscal year 2013, Radford Transit had transported 328,943 passengers, reflecting a 75 percent increase in ridership over fiscal year 2012. Since inception, Radford Transit has transported a staggering 516,275 passengers. Radford Transit will continue to serve

the needs of students, employees and community residents by giving full campus access and transportation to areas adjacent to the University, including the City of Radford, Fairlawn, Christiansburg, Blacksburg and connections with the Smartway Bus and Megabus. These connections provide students and members of the community with multi-state bus routes and transportation to the Roanoke Regional Airport. The success of the Radford Transit reinforces the University's commitment to its students, employees, community residents and sustainable initiatives.

During fiscal year 2013, construction was completed on the state-of-the-art College of Business and Economics building with departments occupying the facility in July of 2012. Renovations to residence halls continue as the University proceeds with a fourth project to modernize Pocahontas, Bolling and Draper Halls under one project umbrella to create efficiencies and reduce cost. Washington Hall was completed in one academic year with the renovated residence hall reopening to students in fall 2013. Additionally, Moffett Hall was renovated and reopened in fall 2012 while Jefferson and Madison Halls were renovated and opened in fall 2011. Jefferson and Madison have both received LEED Gold certification and the College of Business and Economics and Moffett Hall are both tracking to LEED certification.

For fiscal year 2014, the University is moving forward with several major capital projects. Construction was initiated on two technologically advanced buildings, the Student Fitness and Wellness Center and the Center for the Sciences. These facilities are expected to open in fall 2014 and spring 2015, respectively. The University has also taken steps to initiate the planning for the renovation of Whitt Hall as well as the construction of a new academic building for the College of Humanities and Behavior Sciences. The addition of each of these structures will certainly result in exciting changes and improve the landscape of Radford University.

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



Financial Statements

RADFORD UNIVERSITY

Statement of Net Position

As of June 30, 2013

		Radford University	Component Unit Radford University Foundation, Inc.
ASSETS			
Current assets			
Cash and cash equivalents (Note 3)	\$	86,261,453	\$ 1,515,854
Restricted cash and cash equivalents (Note 3)		21,116,455	-
Short-term investments (Notes 3, 19C)		321,490	43,987,299
Accounts receivable (Net of allowance for doubtful accounts of \$309,420) (Note 4)		1,691,408	-
Contributions receivable (Net of allowance for uncollectible contributions of \$460) (Note 19A)		-	816,027
Due from the Commonwealth (Note 12)		2,228,440	-
Due from Federal Government		760,049	-
Inventory		456,095	-
Notes receivable (Net of allowance for doubtful accounts of \$6,304 and \$0) (Notes 4, 19B)		26,739	4,057
Prepaid expenses		2,909,098	8,833
Other assets		-	130,213
Other receivables		-	52,083
Total current assets		115,771,227	46,514,366
Noncurrent assets			
Other long-term investments (Note 19C)		-	4,319,665
Contributions receivable (Net of discount \$92,802) (Note 19A)		-	716,831
Other assets		-	201,071
Notes receivable (Net of allowance for doubtful accounts of \$597,460 and \$0) (Notes 4, 19B)		2,993,847	41,797
Depreciable capital assets, net (Notes 5, 19D)		187,702,547	10,729,526
Non-depreciable capital assets (Notes 5, 19D)		31,902,821	4,673,525
Total noncurrent assets		222,599,215	20,682,415
Total assets	\$	338,370,442	\$ 67,196,781
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses (Note 6)	\$	20,665,519	\$ 201,265
Deferred revenue		4,220,286	362,049
Obligations under securities lending		6,284,098	-
Deposits held in custody for others		261,232	-
Line of credit (Note 19E)		-	1,057,956
Long-term liabilities - current portion (Notes 7, 8 and 19F)		2,833,609	169,997
Advance from the Treasurer of Virginia		20,000	-
Trust and annuity obligations		-	94,087
Total current liabilities		34,284,744	1,885,354
Noncurrent liabilities (Notes 7, 8 and 19F)		29,613,089	1,335,375
Trust and annuity obligations		-	573,289
Total noncurrent liabilities		29,613,089	1,908,664
Total liabilities	\$	63,897,833	\$ 3,794,018
NET POSITION			
Net investment in capital assets	\$	214,624,160	\$ 13,817,764
Restricted for:			
Expendable:			
Scholarships and fellowships		7,693,521	10,596,823
Instruction, research and other		1,384,269	1,889,621
Loans		64,551	-
Debt service		3,710,281	-
Other		-	10,052,201
Nonexpendable:			
Scholarships and fellowships		-	18,664,760
Instruction and research		-	2,122,062
Other		-	3,645,257
Unrestricted		46,995,827	2,614,275
Total net position	\$	274,472,609	\$ 63,402,763

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

RADFORD UNIVERSITY**Statement of Revenues, Expenses, and Changes in Net Position***For the Year Ended June 30, 2013*

	<i>Radford University</i>	<i>Component Unit Radford University Foundation, Inc.</i>
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of \$11,297,299)	\$ 52,752,784	\$ -
Gifts and contributions	-	3,307,757
Federal grants and contracts	4,606,331	-
State grants and contracts	892,869	-
Nongovernmental grants and contracts	271,664	-
Auxiliary enterprises (Net of scholarship allowances of \$8,085,748) (Note 9)	55,684,394	-
Other operating revenues	1,229,109	755,063
Total operating revenues	115,437,151	4,062,820
OPERATING EXPENSES		
Instruction	60,835,227	23,950
Research	318,292	-
Public service	3,297,389	-
Academic support	8,683,719	1,942,558
Student services	5,532,616	-
Institutional support	15,646,843	1,914,466
Operation and maintenance of plant	11,966,337	-
Depreciation (Note 5)	13,215,985	407,523
Student aid	5,419,905	1,145,297
Auxiliary activities (Note 9)	47,142,987	-
Total operating expenses (Note 10)	172,059,300	5,433,794
Operating loss	(56,622,149)	(1,370,974)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 11)	53,339,807	-
Federal student financial aid (Pell)	10,196,757	-
Investment income	1,044,309	5,020,927
Interest on capital asset-related debt	(582,715)	(86,292)
Loss on disposal of assets	(90,904)	(471,895)
Nonoperating transfers to the Commonwealth	(414,596)	-
Net nonoperating revenues	63,492,658	4,462,740
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES		
	6,870,509	3,091,766
Capital appropriations and gifts (Note 12)	6,975,265	180,821
Additions to permanent endowments	-	622,594
Additions to term endowments	-	57,881
Total other revenues	6,975,265	861,296
Increase in net position	13,845,774	3,953,062
Net position—beginning of year, as restated	260,626,835	59,449,701
Net position—end of year	\$ 274,472,609	\$ 63,402,763

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

RADFORD UNIVERSITY

Statement of Cash Flows

As of June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Student tuition and fees	\$ 52,999,249
Grants and contracts	6,673,916
Auxiliary enterprises	55,942,875
Other receipts	1,258,095
Payments for salaries, wages and fringe benefits	(96,460,269)
Payments for services and supplies	(41,898,633)
Payments for utilities	(3,834,003)
Payments for scholarships and fellowships	(8,150,492)
Payments for noncapitalized plant improvements and equipment	(7,301,291)
Loans issued to students and employees	(1,119,503)
Collections of loans from students and employees	1,069,311
Net cash used by operating activities	\$ (40,820,745)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	\$ 53,339,807
Non-General Fund appropriations	(414,596)
Federal Student Financial Aid (Pell)	10,196,757
Federal Loan Contribution	78,522
Federal Direct Lending Program - receipts	51,825,967
Federal Direct Lending Program - disbursements	(52,388,735)
Student organization agency transactions	136,218
Net cash provided by noncapital financing activities	\$ 62,773,940

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from capital debt	\$ 17,979,238
Capital appropriations and gifts	10,177,737
Purchase of capital assets	(33,788,670)
Principal paid on capital debt, leases and installments	(353,069)
Interest paid on capital debt, leases and installments	(423,809)
Net cash used by capital financing activities	\$ (6,408,573)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	\$ (298,885)
Proceeds from sale and maturities of investments	5,530,347
Interest on investments	1,044,309
Net cash provided by investing activities	\$ 6,275,771

Net increase in cash	\$ 21,820,393
Cash and cash equivalents—beginning of the year, as restated	85,557,515
Cash and cash equivalents—end of the year	\$ 107,377,908

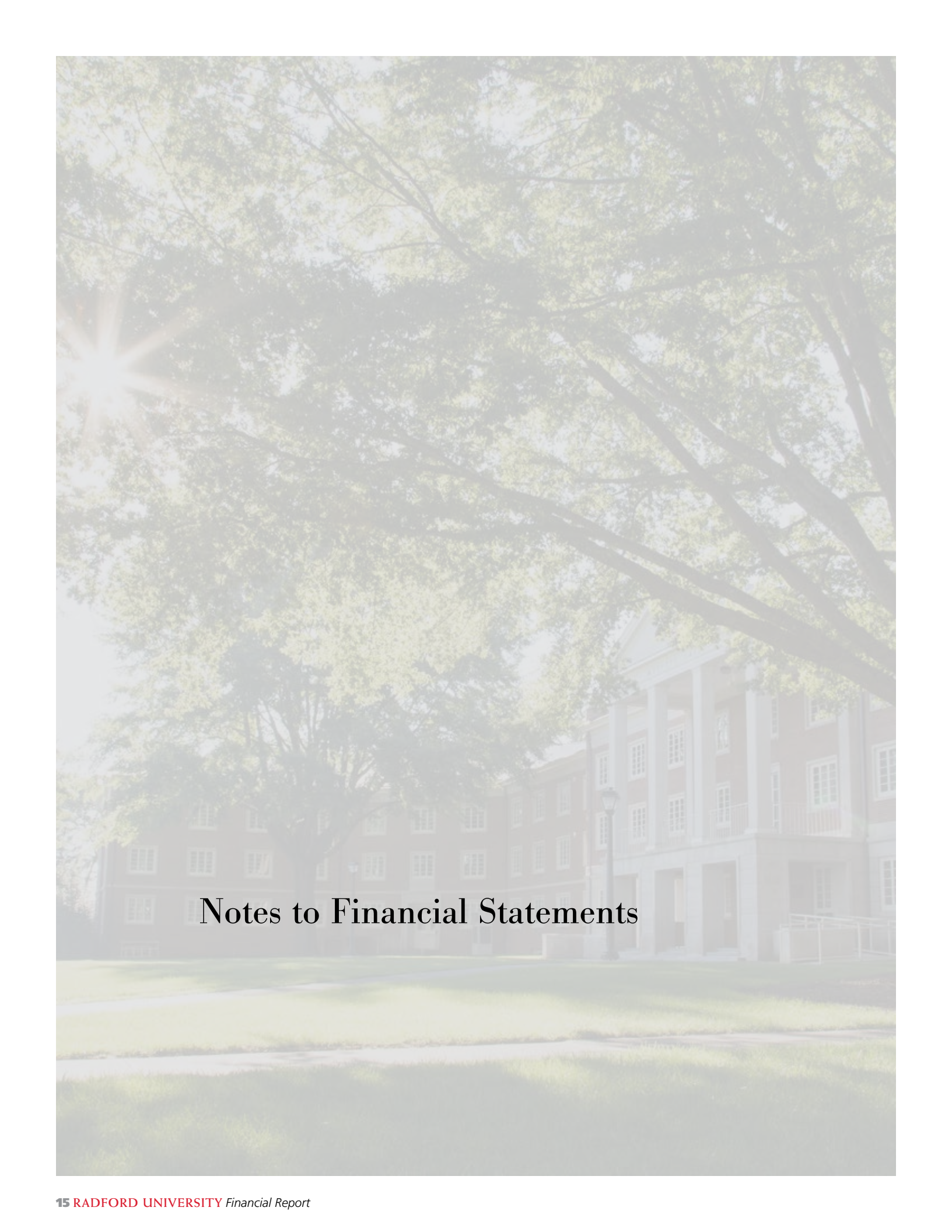
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating loss	\$ (56,622,149)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	13,215,985
Changes in assets and liabilities:	
Receivables, net	462,369
Due from the Commonwealth	67,630
Prepaid expenses	(895,046)
Inventory	11,530
Notes receivable, net	(9,722)
Accounts payable and accrued expenses	2,000,069
Deferred revenue	866,515
Accrued compensated absences	82,074
Net cash used by operating activities	\$ (40,820,745)

NONCASH CAPITAL AND FINANCING ACTIVITIES

Amortization of bond premium/discount	(75,007)
Loss on disposal of capital assets	(90,904)

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

The background of the page is a faded, artistic photograph of a university campus. It features a large, multi-story brick building with white columns and a pediment, partially obscured by the dense, green foliage of large trees. Sunlight filters through the leaves, creating a soft, dappled light effect. A paved path leads towards the building, and a grassy lawn is in the foreground.

Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

Radford 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 of Virginia 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 general purpose financial statements of the Commonwealth.

Under Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, the Radford University Foundation, Inc. (the “Foundation”) meets the criteria to qualify as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The seventeen member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements. During the year ended June 30, 2013, the Foundation made distributions of \$1,890,224 to or on behalf of the University for both restricted and unrestricted purposes.

Basis of Presentation

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 Financial Accounting Standards Board (FASB) statements. 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 of Public Colleges and Universities*.

During the year ended June 30, 2013, the following GASB statements became effective: Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement 61, *The Financial Reporting Entity: Omnibus*; Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement 60 addresses service concession arrangements, which are a type of public-private or public-public partnership. The University was not a participant in any of these arrangements during the fiscal year. Statement 61 modifies certain requirements for inclusion of component units in the financial reporting entity, which had no impact on the component units reported by the University for the year ending June 30, 2013. Statement 62 codifies all sources of generally accepted accounting principles for state and local governments into a single source. Statement 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as well as standardizes the presentation of the Statement of Net Position.

The Foundation is a non-profit organization that reports under FASB standards, including FASB Statement 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Basis of Accounting

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

Cash Equivalents

For purposes of the statements of net position and cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

In accordance with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, modified by GASB Statement 59, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

Accounts receivable consist of tuition and fees charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments, and non-governmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of accounts receivable amounts.

Notes Receivable

The majority of notes receivable consists of amounts due from the Federal Perkins Loan Program and from other student loans administered by the University. Notes receivable are recorded net of allowance for doubtful accounts for current and noncurrent notes receivable. See Note 4 for a detailed list of notes receivable amounts.

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.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles and infrastructure. 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. Intangibles, commonly software, are capitalized with an initial cost of \$10,000 or more and an estimated useful life in excess of three years. Library materials are valued using actual costs for library acquisitions. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction costs with a value or cost in excess of \$100,000 for major capital assets and improvements are captured and capitalized as construction in progress as the projects are constructed. Once the construction is substantially complete, the project costs are removed from construction in progress and are capitalized in the appropriate capital asset account (e.g., buildings, equipment, etc.). Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. 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 and are charged to operating expenses.

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

Buildings	40 years
Building improvements	15 years
Other improvements and infrastructure	20 years
Equipment	2-25 years
Intangibles (Software)	3-15 years
Library materials	10 years

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, 2013.

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2013, all unused annual, sick, compensatory, recognition leave and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay-out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. See Note 7 for the current and noncurrent amounts.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of notes and bond payable and installment purchase obligations with maturities greater than one year, (2) estimated amounts for accrued compensated absences, and (3) contributions from the Federal government to fund the operations of the Perkins Loan Program and the Nursing Student Loan Program. See Note 7 and 8 for detailed information and amounts.

Federal Financial Assistance Programs

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

Net Position

GASB Statement 34, as amended by GASB Statement 63, requires that the Statement of Net Position report the difference between assets and liabilities as net position. Net position is displayed in three broad components: Net investment in capital assets, restricted net position (expendable or nonexpendable), and unrestricted. "Net investment in capital assets" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as "Restricted" when constraints on net position are either externally imposed by creditors, grantors, or contributors, laws or government regulations, or imposed by law. Unrestricted net position consists of net position that does not meet the definitions above.

Revenue Classifications

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, 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 income.

Scholarship Discounts and Allowances

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

NOTE 2: Restatement of Net Position

Certain net assets originally reported in the University's financial statements as of June 30, 2012, have been restated to reflect further evaluation of assets and liabilities.

Net Position as previously reported June 30, 2012	\$260,834,826
Adjustment to capital assets	58,900
Dissolution of RUPAC	(266,891)
Net Position balance at July 1, 2012, as restated	<u>\$260,626,835</u>

The Radford University Property Acquisition Corporation (RUPAC) began operations during the year ended June 30, 2008. Previously, RUPAC was a legally separate, tax-exempt organization, and under GASB Statement 39 standards, was considered part of the reporting entity and represented in the University's financial statements as a blended component unit. RUPAC was dissolved in fiscal year 2013 and absorbed by the Foundation.

NOTE 3: Cash and Cash Equivalents and Investments

The following information is provided with respect to the University's cash, cash equivalents, investments, and risk disclosures as of June 30, 2013, in accordance with GASB Statement 40, Deposit and Investment Risk Disclosures:

Custodial Credit Risk (Category 3 deposits and investments)—The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, 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 possession of an outside party. The University had no category 3 deposits or investments for fiscal year 2013.

Credit Risk—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. Information with respect to University deposit exposure to credit risk is discussed below.

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

Interest Rate Risk—The risk that changes in interest rates will adversely affect the fair value of an investment. This Statement requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates. The University does not have an interest rate risk policy and no investments or deposits that are sensitive to changes in interest rates as of the close of business on June 30, 2013.

Foreign Currency Risk—The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or deposits for fiscal year 2013.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. In accordance with GASB Statement 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, cash and cash equivalents represents cash with the Treasurer, cash on hand, temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The financial institution that holds the University's local cash provides an interest bearing checking account that allows the University to earn a competitive rate of interest on 100 percent of its collected balances.

Investments

The Board of Visitors approved the University's Investment Policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., Code of Virginia. Investments 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.

As of June 30, 2013:

Market Value

Cash and cash equivalents:

Cash on hand and deposited with financial institutions	\$7,115,465
Cash with the Treasurer of Virginia	73,183,380
Collateral held for Securities Lending	5,962,608
Cash equivalents (State Nonarbitrage Program)	21,116,455
Total	<u>\$107,377,908</u>

Investments:

Collateral held for Securities Lending (short-term)	<u>\$321,490</u>
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Securities Lending Transactions

GASB Statement 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

NOTE 4: Accounts and Notes Receivable

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

Student tuition and fees	\$762,980
Auxiliary enterprises	521,832
Federal, state, and nongovernmental grants and contracts	510,518
Other activities	<u>205,498</u>
	2,000,828
Less allowance for doubtful accounts	<u>(309,420)</u>
Net accounts receivable	<u><u>\$1,691,408</u></u>

Notes receivable consisted of the following at June 30, 2013:

Current portion:	
Federal student loans	\$28,965
Institutional student loans	4,078
Less allowance for doubtful accounts	<u>(6,304)</u>
Total current portion	<u><u>\$26,739</u></u>
Non-current portion:	
Federal student loans	\$3,353,437
Institutional student loans	237,870
Less allowance for doubtful accounts	<u>(597,460)</u>
Total non-current portion	<u><u>\$2,993,847</u></u>

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 (restated)	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$8,100,150	3,092,158	-	\$11,192,308
Construction in progress	53,813,719	24,352,392	57,455,598	20,710,513
Total nondepreciable capital assets	61,913,869	27,444,550	57,455,598	31,902,821
Depreciable capital assets:				
Buildings	201,965,465	53,917,838	165,000	255,718,303
Infrastructure	22,349,228	-	-	22,349,228
Equipment	30,199,382	3,839,829	975,936	33,063,275
Software	8,095,948	22,050	-	8,117,998
Other improvements	9,081,855	445,604	-	9,527,459
Library materials	22,065,757	2,002,621	1,266,025	22,802,353
Total depreciable capital assets	293,757,635	60,227,942	2,406,961	351,578,616
Less accumulated depreciation for:				
Buildings	91,793,984	8,179,753	119,969	99,853,768
Infrastructure	19,759,860	316,540	-	20,076,400
Equipment	20,113,129	2,337,957	930,063	21,521,023
Software	2,308,315	677,387	-	2,985,702
Other improvements	5,557,812	302,196	-	5,860,008
Library materials	13,443,041	1,402,152	1,266,025	13,579,168
Total accumulated depreciation	152,976,141	13,215,985	2,316,057	163,876,069
Depreciable capital assets, net	140,781,494	47,011,957	90,904	187,702,547
Total capital assets, net	\$202,695,363	74,456,507	57,546,502	\$219,605,368

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	\$10,249,040
Vendors and suppliers accounts payable	5,137,622
Capital projects accounts payable	5,000,230
Accrued interest payable	278,627
Total accounts payable and accrued expenses	\$20,665,519

NOTE 7: Noncurrent Liabilities

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

	Beg Bal, as restated	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Long term debt:						
Notes payable—Pooled bonds	\$8,351,597	\$12,515,907	\$335,007	\$20,532,497	\$728,718	\$19,803,779
Bonds Payable—9c	-	5,463,331	6,968	5,456,363	190,905	5,265,458
Installment purchase obligations	82,723	-	11,094	71,629	11,327	60,302
Total long-term debt	\$8,434,320	\$17,979,238	\$353,069	\$26,060,489	\$930,950	\$25,129,539
Other liabilities:						
Accrued compensated absences	2,782,734	3,721,313	3,639,239	2,864,808	1,902,659	962,149
Federal loan program contributions	3,442,879	428,585	350,063	3,521,401	-	3,521,401
Total other liabilities	6,225,613	4,149,898	3,989,302	6,386,209	1,902,659	4,483,550
Total long-term liabilities	\$14,659,933	\$22,129,136	\$4,342,371	\$32,446,698	\$2,833,609	\$29,613,089

NOTE 8: Long-Term Debt

Notes Payable—Pooled bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes. The Radford University portion of the 2009B issuance was \$3.72 million (par amount) and carries interest rates from 2.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 9/01/29. The Radford University portion of the 2011A issuance was \$4.235 million (par amount) and carries interest rates from 3.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 9/01/31. The Radford University portion of the 2012B issuance was \$11.155 million (par amount) and carries interest rates from 3.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 9/01/32.

Bonds Payable—9c

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia. The Radford University portion of the 2013A issuance was \$5.04 million (par amount) and carries interest rates from 2.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 6/01/33.

Installment Purchase Obligations

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

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

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable—9c	Installment Purchase
June 30, 2014	\$625,000	\$170,000	\$11,327
June 30, 2015	645,000	170,000	11,565
June 30, 2016	685,000	180,000	11,808
June 30, 2017	715,000	190,000	12,055
June 30, 2018	750,000	200,000	12,308
2019–2023	4,365,000	1,160,000	12,566
2024–2028	5,470,000	1,395,000	-
2029–2033	5,360,000	1,575,000	-
Unamortized Premium	1,917,497	416,363	-
Total	<u>\$20,532,497</u>	<u>\$5,456,363</u>	<u>\$71,629</u>

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

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable—9c	Installment Purchase
June 30, 2014	\$769,613	\$175,663	\$1,437
June 30, 2015	743,238	172,263	1,199
June 30, 2016	711,813	163,763	956
June 30, 2017	676,812	154,762	708
June 30, 2018	640,187	145,262	455
2019–2023	2,584,387	566,062	197
2024–2028	1,485,769	329,600	-
2029–2033	404,325	143,400	-
Total	<u>\$8,016,144</u>	<u>\$1,850,775</u>	<u>\$4,952</u>

NOTE 9: Auxiliary Activities

Auxiliary operating revenues and expenses consisted of the following at June 30, 2013:

Revenues

Room contracts, net of scholarship allowances of \$1,923,919	\$11,068,746
Dining service contracts, net of scholarship allowances of \$1,981,909	11,403,145
Comprehensive fee, net of scholarship allowances of \$4,179,920	22,730,548
Other student fees and sales and services	10,481,955
Auxiliary enterprises revenues	<u>\$55,684,394</u>

Expenses

Residential facilities	\$8,896,775
Dining operations	15,098,048
Athletics	9,328,913
Other auxiliary activities	13,819,251
Auxiliary activities expenses	<u>\$47,142,987</u>

NOTE 10: Expenses by Natural Classification

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	\$52,867,027	\$3,966,012	\$208,440	\$ -	\$3,793,748	\$ -	\$60,835,227
Research	171,332	140,882	-	-	6,078	-	\$318,292
Public service	1,926,042	1,299,883	-	-	71,464	-	\$3,297,389
Academic support	7,454,106	821,687	57,867	-	350,059	-	\$8,683,719
Student services	4,258,721	1,224,868	-	200	48,827	-	\$5,532,616
Institutional support	12,294,912	2,595,649	-	-	756,282	-	\$15,646,843
Operation and maintenance of plant	4,816,188	4,274,794	-	2,164,247	711,108	-	\$11,966,337
Depreciation	-	-	-	-	-	13,215,985	\$13,215,985
Student aid	-	12,920	5,406,985	-	-	-	\$5,419,905
Auxiliary activities	12,746,961	28,685,545	2,477,200	1,669,556	1,563,725	-	\$47,142,987
Total	\$96,535,289	\$43,022,240	\$8,150,492	\$3,834,003	\$7,301,291	\$13,215,985	\$172,059,300

NOTE 11: State Appropriations

The University receives state appropriations from the general fund of the Commonwealth. The Appropriation Act specifies that unexpended general fund appropriations that remain on the last day of the current year, ending June 30, 2013, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2013, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

The following is a summary of state appropriations received by the University during the year-ended June 30, 2013, including all supplemental appropriations and reversions:

Original legislative appropriation:

Educational and general programs	\$42,168,708
Student financial assistance	7,585,329

Supplemental adjustments:

Virtual Library of Virginia (VIVA) allocation	12,551
Prior year NGF carry-forward	1,506,414
FY12 Line of Duty roll-forward	3,010
College Scholarship Assistance Program (CSAP)	147,976
Virginia Military Survivors and Dependents Education Program	47,171
Two-Year College Transfer Grant Program	65,500

Central Appropriation Transfers:

Health insurance	561,350
Retirement contribution changes	419,333
State employee increases	1,007,353
Across the board reduction	(185,630)
Other transfers	3,139

Reversion to the General Fund of the Commonwealth	(2,397)
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Adjusted appropriation	<u>\$53,339,807</u>
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NOTE 12: Capital Appropriations

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2013, funding has been provided to the University from three programs: general obligation bonds [code section 9(c)], and two programs (21st Century program and the Equipment Trust Fund) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities.

The Statement of Revenues, Expenses and Changes in Net Position includes the amounts listed below for the year ended June 30, 2013, in the "Capital Appropriations and Gifts" line item for equipment and facilities. Part of the funding for these programs is a receivable from the Commonwealth at June 30, 2013 as shown in the subsequent paragraph:

VCBA 21st Century program	\$4,142,073
General Obligation Bonds	5,500
VCBA Equipment Trust Fund program	1,802,615
Other capital appropriations	1,025,077
Total Treasury Reimbursement Program Revenue	<u>\$6,975,265</u>

The line item, "Due from the Commonwealth," on the Statement of Net Position for the year ended June 30, 2013, represents pending reimbursements from the following programs:

VCBA 21st Century program	\$714,319
General Obligation Bonds	4,800
VCBA Equipment Trust Fund program	1,327,458
Credit card rebate/accrued interest	181,863
Total Due from the Commonwealth	<u>\$2,228,440</u>

NOTE 13: Commitments

At June 30, 2013, the University was a party to construction and other contracts totaling approximately \$79,040,870 of which \$67,517,555 has been incurred.

The University is committed under various operating leases for land, buildings, and equipment. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. Rental expense was approximately \$1,429,249 for the year ended June 30, 2013.

The University has, as of June 30, 2013, future minimum rental payments due under the above leases of \$598,448 for the year ending June 30, 2014.

NOTE 14: Retirement Plans

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 a multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth of Virginia, 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 \$3,428,121 for the year ended June 30, 2013.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in an optional defined contribution plan administered by two different providers other than VRS, TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. This plan is a defined contribution program to which the University contributes an amount established by statute. Effective July 1, 2010, the Virginia General Assembly passed legislation establishing two separate plans with differing contribution amounts dependent upon the employee's contract/employment date. For Plan 1, the employer contribution is 10.4 percent and, for Plan 2, the employer contribution is 8.5 percent. With Plan 1 and 2, the employee is required to contribute 5 percent on a salary reduction basis.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$2,686,378 for year ended June 30, 2013. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$24,628,650 for this fiscal year.

Deferred Compensation Plan

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 \$309,747 for the fiscal year 2013.

NOTE 15: Post-Employment Benefits

The Commonwealth sponsors postemployment benefit programs that are administered by VRS. These programs, a statewide group life insurance program and the Virginia Sickness and Disability Program's long-term care plan, provide postemployment benefits to eligible retired and terminated employees. Health care credits are also provided to offset the monthly health insurance premiums for retirees who have at least 15 years of service. Information related to these plans is available at the state-wide level in the Commonwealth's Comprehensive Annual Financial Report.

NOTE 16: 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 allowance 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.

NOTE 17: Federal Direct Lending Program

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student. These loan proceeds are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the Statement of Revenues, Expenses, and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2013, cash provided by the program totaled \$51,825,967 and cash used by the program totaled \$52,388,735.

NOTE 18: Risk Management and Employee Health Care Plans

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 plan is 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 worker's compensation, 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.

NOTE 19: Component Unit Financial Information

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2013:

Current receivables:

Receivable in less than one year	\$816,487
Less allowance for uncollectible contributions	(460)
Net current contributions receivable	<u>\$816,027</u>

Non-current receivables:

Receivable in one to five years	\$809,633
Less discount	(92,802)
Net non-current contributions receivable	<u>\$716,831</u>
Total contributions receivable	<u>\$1,532,858</u>

The discount rate used in 2013 was 6%. As of June 30, 2013, there were no conditional promises to give.

(B) Notes Receivable

Note receivable in monthly payments of \$542 through May 2022 with interest receivable at 5.5%, secured by land and building

Note receivable, current	\$4,057
Note receivable, noncurrent	41,797
Total note receivable	<u>\$45,854</u>

(C) Investments

Investments are comprised of the following as of June 30, 2013:

Short-term:

Cash and cash equivalents	\$840,385
Equities	914,904
Corporate bonds	300,000
Investment company	41,932,010
Total short-term	<u>\$43,987,299</u>

Long-term:

Cash and cash equivalents	\$5,248
Negotiable Certificate of Deposit	18,959
Equities	22,005
Mutual and money market funds	595,303
Investment company	3,678,150
Total long-term	<u>\$4,319,665</u>
Total investments	<u>\$48,306,964</u>

(D) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2013 is presented as follows:

Depreciable capital assets:

Buildings	\$13,857,018
Furniture and equipment	545,544
Vehicles	44,982
Land improvements	192,177
Total depreciable capital assets, at cost	<u>14,639,721</u>
Less accumulated depreciation	<u>(3,910,195)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>\$10,729,526</u>

Non-depreciable capital assets:

Land	\$2,233,727
Construction in progress	374,816
Collections of art	2,064,982
Total non-depreciable capital assets	<u>4,673,525</u>
Total capital assets, net of accumulated depreciation	<u>\$15,403,051</u>

(E) Line of Credit

The following is a summary of outstanding line of credit at June 30, 2013:

Line of credit agreement up to a principal amount of \$4,500,000, interest payable monthly at LIBOR plus 1.61% (1.85% at June 30, 2013) with outstanding principal due upon maturity on May 17, 2013, Line of credit was renewed on June 5, 2013 for \$1,500,000, interest payable monthly at LIBOR plus 1.61% (1.80% at June 30, 2013) with outstanding principal due June 1, 2014, secured by real estate and substantially all accounts held by Radford University Foundation, Inc. with the bank	<u>\$1,057,956</u>
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(F) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2013:

Note payable in semi-annual installments of \$40,000 through April 2016, with interest payable quarterly at LIBOR plus 2.25%, with a minimum rate of 3% (3% at June 30, 2013), outstanding principal due upon maturity, collateralized by virtually all accounts held by Radford University Foundation, Inc. with the bank	\$640,000
Note payable in monthly installments of \$9,804 through March 2018 with interest payable at 3.41%, outstanding principal due upon maturity, collateralized by real property	<u>865,372</u>
Total long-term debt	<u>\$1,505,372</u>

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2013 are as follows:

2014	\$169,997
2015	173,137
2016	576,241
2017	99,568
2018	<u>486,429</u>
Total notes payable	<u>\$1,505,372</u>

(G) Subsequent Event

In July 2013, the Foundation borrowed \$1,000,000 from Branch Banking and Trust Company (BB&T). The proceeds from this loan were used to pay off most of the outstanding balance on the Foundation's line of credit with SunTrust. This unsecured term note is payable over 5 years and carries an interest rate of 2.01%. Monthly payments of \$17,532 started in August 2013.

NOTE 20: Subsequent Events

In November 2013, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Bonds, Series 2013A, in which Radford University is a participating institution. The Public Higher Education Financing Program (Pooled Bond Program) was created by the General Assembly in 1996 and allows the VCBA to issue 9(d) bonds and use the proceeds to purchase debt obligations (notes) of various institutions of higher education. The notes are secured by the pledged general revenues of the participating universities. The proceeds received by the University from this issue were approximately \$5.1 million, and will be used for the construction of the Student Fitness and Wellness Center.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 14, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Radford University, 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 discretely presented component unit of the University, which is discussed in Notes 1 and 19. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the

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amounts included for the component unit of the University, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit of the University that were audited by another auditor upon whose report we are relying was audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of Radford 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 1 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 14, 2014, on our consideration of Radford University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Martha S. Mansueti".

AUDITOR OF PUBLIC ACCOUNTS

RADFORD UNIVERSITY
Radford, Virginia

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