



*Old Dominion University
Financial Statements*

June 30, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Old Dominion University is a research doctoral university which is centered on student success. The University is comprised of six colleges: Arts and Letters, Business and Public Administration, Education, Engineering and Technology, Health Sciences and Sciences offer 66 baccalaureate programs, 56 master's programs, two education specialist programs and 41 doctoral programs. More than 24,400 undergraduate and graduate students comprise the Old Dominion University student body including more than 1,400 international students from 113 countries.

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

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

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2012. Comparative numbers, where presented, are for the fiscal year ended June 30, 2011. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying Financial Statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

Statement of Net Assets

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

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percentage Difference</u>
<u>Assets:</u>				
Current	\$ 89,190,399	\$ 87,765,284	\$ 1,425,115	1.6 %
Capital, net of accumulated depreciation	555,935,056	566,164,618	(10,229,562)	(1.8)%
Other noncurrent	42,694,710	36,731,465	5,963,245	16.2 %
Total assets	<u>687,820,165</u>	<u>690,661,367</u>	<u>(2,841,202)</u>	<u>(0.4)%</u>
<u>Liabilities:</u>				
Current	62,016,641	61,422,423	594,218	1.0 %
Noncurrent	259,575,502	273,286,799	(13,711,297)	(5.0)%
Total liabilities	<u>321,592,143</u>	<u>334,709,222</u>	<u>(13,117,079)</u>	<u>(3.9)%</u>
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	289,148,104	287,439,347	1,708,757	0.6 %
Restricted	28,393,556	27,368,442	1,025,114	3.7 %
Unrestricted	48,686,362	41,144,356	7,542,006	18.3 %
Total net assets	<u>\$ 366,228,022</u>	<u>\$ 355,952,145</u>	<u>\$ 10,275,877</u>	<u>2.9 %</u>

Total University assets were \$687,820,165 at the end of fiscal year 2012. The marginal decline in total assets was primarily the result of changes in capital asset balances. There were net additions to capital assets from completed construction projects and new acquisitions in the amount of \$18,636,733 and decreases of \$28,866,295 mainly from depreciation expense. The overall decline was offset by the increase in current assets from the continued growth in cash in Auxiliary Enterprises which ties to the University's Strategic Plan for future expansion and improvements for student facilities. The University is increasing resources instead of acquiring new debt. Further, the increase in other noncurrent assets was a result of additional cash and investments relating to capital projects. Total University liabilities decreased \$13,117,079. The decrease in liabilities was a result of normal payment of debt. The financial position of the University has improved over the prior fiscal year as evidenced by the growth in net assets of \$10,275,877 or 2.9%.

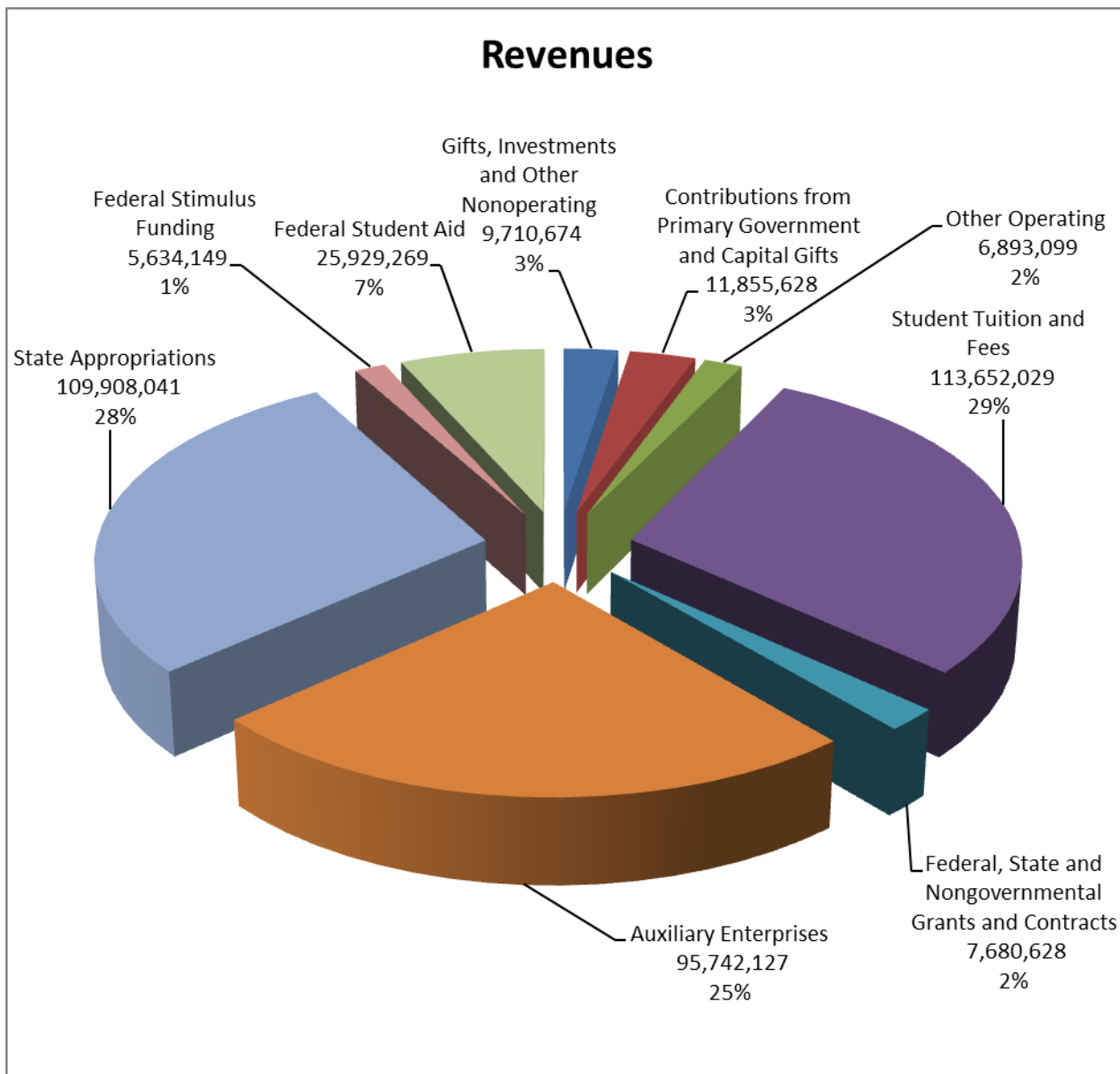
Statement of Revenues, Expenses and Changes in Net Assets

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

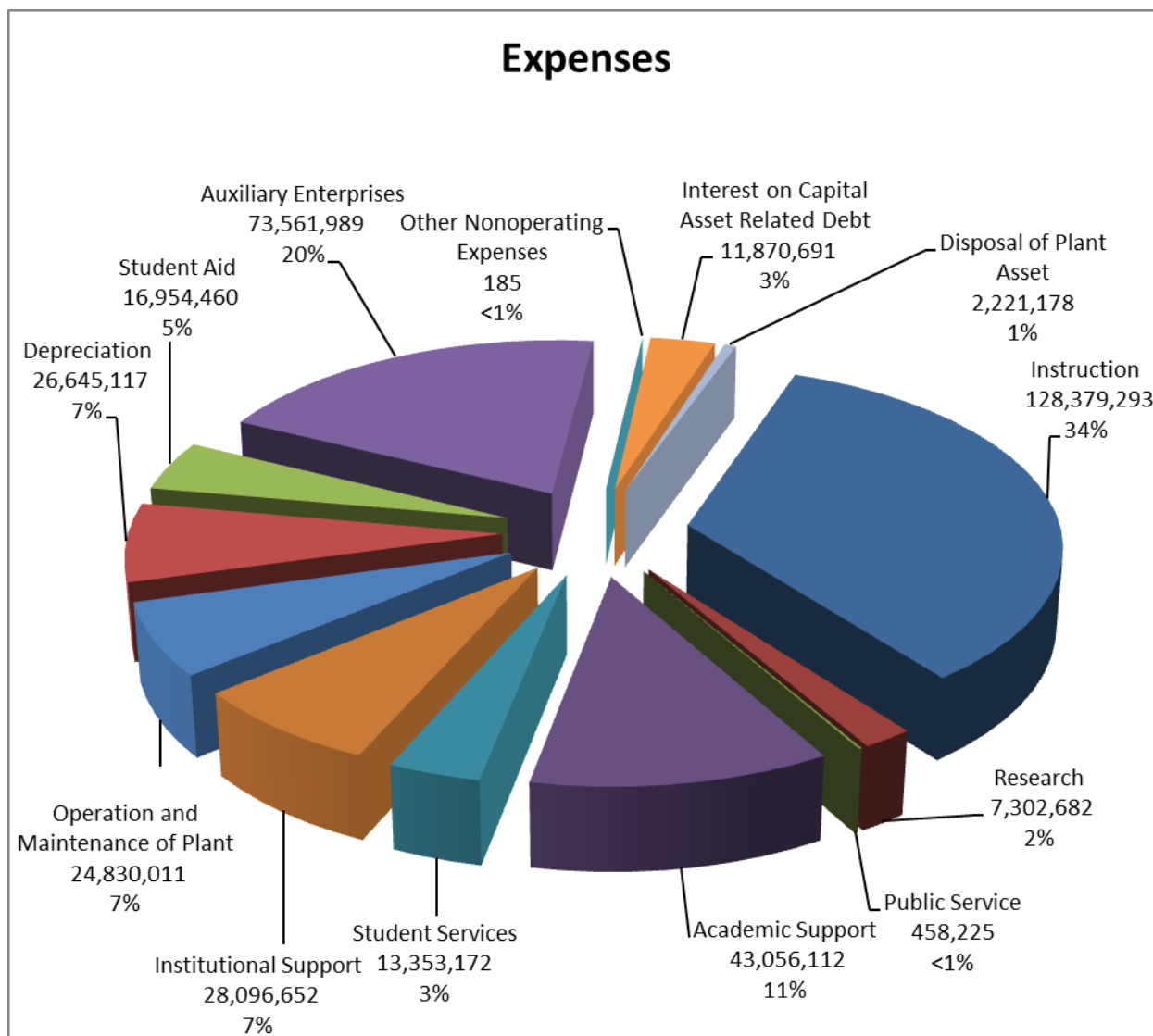
Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's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

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

	2012	2011	Difference	Percentage Difference
<u>Operating revenues:</u>				
Student tuition and fees, net of scholarship allowances of \$23,032,596 and \$21,641,502	\$ 113,652,029	\$ 105,775,238	\$ 7,876,791	7.4 %
Federal grants and contracts	5,176,307	5,596,121	(419,814)	(7.5)%
State, local & nongovernmental grants	2,504,321	2,769,974	(265,653)	(9.6)%
Auxiliary enterprises, net of scholarship allowances of \$14,075,624 and \$13,722,740	95,742,127	90,153,109	5,589,018	6.2 %
Other operating revenues	6,893,099	6,511,200	381,899	5.9 %
Total operating revenues	<u>223,967,883</u>	<u>210,805,642</u>	<u>13,162,241</u>	<u>6.2 %</u>
<u>Operating expenses:</u>				
Instruction	128,379,293	125,550,901	2,828,392	2.3 %
Research	7,302,682	5,941,079	1,361,603	22.9 %
Public service	458,225	361,717	96,508	26.7 %
Academic support	43,056,112	41,945,043	1,111,069	2.6 %
Student services	13,353,172	12,929,301	423,871	3.3 %
Institutional support	28,096,652	25,865,379	2,231,273	8.6 %
Operation and maintenance	24,830,011	24,749,330	80,681	0.3 %
Depreciation	26,645,117	24,105,258	2,539,859	10.5 %
Scholarships and fellowships	16,954,460	18,113,099	(1,158,639)	(6.4)%
Auxiliary activities	73,561,989	70,433,186	3,128,803	4.4 %
Total operating expenses	<u>362,637,713</u>	<u>349,994,293</u>	<u>12,643,420</u>	<u>3.6 %</u>
Operating loss	<u>(138,669,830)</u>	<u>(139,188,651)</u>	<u>518,821</u>	<u>0.4 %</u>
Net nonoperating revenues and expenses	<u>139,280,710</u>	<u>148,635,988</u>	<u>(9,355,278)</u>	<u>(6.3)%</u>
Income before other revenues/ (expenses)/gains/(losses)	<u>610,880</u>	<u>9,447,337</u>	<u>(8,836,457)</u>	<u>(93.5)%</u>
Net other revenues and expenses	<u>9,664,997</u>	<u>23,202,705</u>	<u>(13,537,708)</u>	<u>(58.3)%</u>
Increase in net assets	<u>10,275,877</u>	<u>32,650,042</u>	<u>(22,374,165)</u>	<u>(68.5)%</u>
Net assets - beginning of year	<u>355,952,145</u>	<u>323,302,103</u>	<u>32,650,042</u>	<u>10.1 %</u>
Net assets - end of year	<u>\$ 366,228,022</u>	<u>\$ 355,952,145</u>	<u>\$ 10,275,877</u>	<u>2.9 %</u>



Total operating revenue increased by \$13,162,241 or 6.2% from the prior fiscal year. The growth in revenue was expected given the rise in both in-state and out-of-state tuition rates and an increase in enrollment. Auxiliary student fees and room and board charges were increased slightly. There was a decrease in nonoperating revenue of \$8,220,466 primarily due to the decrease in federal stimulus funding.



Operating expenses increased in response to various factors including establishment of additional faculty, administrative and staff positions, as well as faculty promotions, and Modeling and Simulation research. Student financial assistance expenses increased as a result of additional funding. Nonoperating expenses decrease slightly due to a decrease in interest expense related to capital debt.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees (\$130.4 million) and auxiliary enterprises (\$106.2 million). The primary uses are payments to employees including salaries, wages, and fringe benefits (\$204.9 million) and payments to vendors (\$85.3 million).

The second section reflects the cash flow from non-capital financing activities and reflects nonoperating sources and uses of cash. The primary sources are state appropriations (\$110.4 million) and gifts and grants (\$40.6 million). The primary use is to support cash requirements of operations.

The third section represents cash flows from capital financing activities and details the activities related with the acquisition and construction of capital assets including related debt payments. The primary source is proceeds from reimbursements from the Commonwealth (\$11.9 million). The primary uses are principal and interest paid on capital debt (\$25.4 million) and purchases of capital assets (\$19.2 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was interest on investments and cash management (\$0.8 million). The last section which is not included below reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

	2012	2011
Cash flows from operating activities	\$ (109,273,657)	\$ (115,670,480)
Cash flows from non-capital financing activities	151,106,313	157,663,517
Cash flows from capital financing activities	(29,489,019)	(34,479,561)
Cash flows from investing activities	785,443	1,817,855
Net change in cash	<u>\$ 13,129,080</u>	<u>\$ 9,331,331</u>

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the key factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 5. Capital asset additions for June 30, 2012 include increases of \$11.9 million in buildings, \$6.5 million in equipment and \$2.3 million in library books. The building increase included the completion of the Student Success Center and Performing Arts Phase II.

Several ongoing capital projects were added and completed during the fiscal year which resulted in a decrease in Construction in Progress of \$5.2 million. New additions to construction in progress of \$7.4 million include Diehn Phase II, Student Success Center, Women's Crew Facility and Teletechnet Classroom Expansion. Deductions in construction in progress were a result of the completed projects discussed above. Projects were financed through issuance of General Obligation and Revenue Bonds.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased \$12.7 million as reflected in Notes 7 and 8. The decrease is the result of normal payment of existing debt.

Uncompleted construction and other related contractual commitments increased from \$1.6 million at June 30, 2011 to \$6.5 million at June 30, 2012 as reflected in Note 12. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. This large increase is primarily the result of new projects for Diehn Phase II and Perry Library Roof Replacement.

Economic Outlook

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

The University's 2012-2013 Budget and Plan is consistent with the criteria set forth in the University Strategic Plan and the Code of Virginia higher education institutional performance standards as evidenced by the focus upon access, affordability, breadth of academic programs, academic standards, student retention and timely graduation, articulation agreements and dual enrollment, economic development, research, patents and licenses, elementary and secondary education, and financial and administrative efficiency standards.

The budget planning process was restructured to involve the Vice Presidents in a more collaborate approach in determining the strategic direction for resource allocations. The Vice Presidents reviewed the budget requests and prioritized the initiatives in accordance with specific strategic principles:

- Investments were made in faculty positions, but only a few critical administrative and classified positions were to be established.
- Full-time positions would not be filled until January 1, 2013 to maximize use of position funds for one-time strategic investments.
- Mandated, uncontrollable costs, such as the 3 percent bonus, benefit adjustments, leases, insurance and utility increases would be supported from available state and tuition funding.

Another objective of the budget planning process was to maximize the use of the additional state general funds (\$7.5 million), the additional tuition revenue (\$4.0 million), and the additional revenue from the student fee increase (\$2.4 million), a total of \$14 million in new revenue.

After deducting the costs for the mandated 3 percent bonus, and increases in employee retirement and health care benefits, debt service, capital and operating leases, corporate insurance, utilities and scholarships costs, a total of \$8.6 million remained for new strategic investments.

By delaying the hiring of the full-time positions until January 2013, and carrying over uncommitted FY2012 funds, a total of \$3.5 million in additional one-time resources was added to the budget's bottom line, bringing the total economic impact for FY2012-2013 to \$12.1 million.

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

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

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

2. Student Recruitment and Enrollment Management: The University endeavors to provide access to qualified undergraduate and graduate students at an affordable cost. Thus, the University allocated program funds for the enrollment management functions in admissions and student financial aid as well as in targeted student success programs. Significant investments have also been made in institutional scholarships.
3. Campus Infrastructure: The University promotes innovative instructional models toward degree attainment through optimal use of physical facilities and instructional resources, technology-enhanced instruction, and increased online learning opportunities for both traditional and nontraditional students. These ongoing costs include funding for utilities, leases, insurance as well as base and one-time costs related to instructional technology, and operation and maintenance of plant.
4. Campus Life and Student Retention: The University is committed to student success and retention. Investments were made toward the Sophomore Success Programs, Career Links, Student Recreational and Wellness, international student support and intercultural programs. With a culturally diverse student population, it is expected that these various student engagement initiatives will provide an improved support structure to assist and retain students throughout their academic careers at Old Dominion University.

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

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OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2012

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 74,409,853	\$ 24,263,362
Accounts receivable (Net of allowance for doubtful accounts \$690,576) (Note 4)	10,030,072	24,152,340
Contributions receivable (Net of allowance for doubtful collections \$302,738) (Note 11)	-	4,365,525
Due from the Commonwealth (Note 4)	2,538,723	-
Appropriations available	44,182	-
Travel advances	-	56,589
Prepaid expenses	315,476	485,677
Inventory	674,711	-
Notes receivable (Net of allowance for doubtful accounts \$18,802)	1,177,382	-
Other assets	-	167,303
Total current assets	89,190,399	53,490,796
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	17,583,876	-
Endowment investments (Note 3)	7,976,121	-
Investments (Notes 2 and 11)	14,086,518	169,766,185
Accounts receivable	-	55,557,679
Contributions receivable (Net of allowance for doubtful collections \$46,085) (Note 11)	-	5,460,929
Notes receivable (Net of allowance for doubtful accounts \$58,148)	2,160,003	3,405,000
Unamortized bond issuance expense	888,192	-
Nondepreciable capital assets (Notes 5 and 11)	45,636,465	18,530,917
Capital assets (Notes 5 and 11)	510,298,591	7,732,348
Total noncurrent assets	598,629,766	260,453,058
Total assets	687,820,165	313,943,854
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 6)	30,419,595	13,378,881
Due to affiliates	-	1,755,324
Deferred revenue	9,096,374	5,043,485
Obligations under securities lending (Note 2)	1,458,584	-
Deposits held in custody for others	2,449,411	34,762
Other liabilities	-	10,371,996
Line of credit	-	5,258,497
Long-term liabilities - current portion (Notes 7 and 11)	18,592,677	2,805,637
Total current liabilities	62,016,641	38,648,582
Noncurrent liabilities (Notes 7 and 11)	259,575,502	91,798,907
Total liabilities	321,592,143	130,447,489
NET ASSETS		
Invested in capital assets, net of related debt	289,148,104	18,090,368
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,639,981	-
Permanently restricted	-	116,126,676
Expendable:		
Scholarships and fellowships	7,550,549	-
Research	2,223,381	-
Loans	3,517,876	-
Capital projects	98,004	-
Temporarily restricted	-	58,374,301
Departmental uses	10,363,765	-
Unrestricted	48,686,362	(9,094,980)
Total net assets	\$ 366,228,022	\$ 183,496,365

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

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$23,032,596)	\$ 113,652,029	\$ -
Gifts and contributions	-	10,098,119
Federal grants and contracts	5,176,307	-
State grants and contracts	126,070	-
Indirect cost	-	8,844,014
Sponsored research	-	35,025,142
Nongovernmental grants and contracts	2,378,251	-
Auxiliary enterprises (Net of scholarship allowances of \$14,075,624)	95,742,127	-
Other operating revenues	6,893,099	9,677,589
Total operating revenues	223,967,883	63,644,864
Operating expenses:		
Instruction	128,379,293	1,702,302
Research	7,302,682	42,341,151
Public service	458,225	-
Academic support	43,056,112	4,545,284
Student services	13,353,172	-
Institutional support	28,096,652	17,811,644
Operation and maintenance	24,830,011	40,895
Depreciation	26,645,117	224,901
Student aid	16,954,460	2,117,046
Auxiliary activities	73,561,989	-
Total operating expenses	362,637,713	68,783,223
Operating income (loss)	(138,669,830)	(5,138,359)
Nonoperating revenues (expenses):		
State appropriations (Note 10)	111,689,455	-
Pell grant revenue	25,929,269	-
ARRA state fiscal stabilization funds	5,634,149	-
Gifts	8,940,861	-
Investment income (Net of investment expenses of \$214,526)	589,298	2,146,531
Other	149,968	-
Interest of capital asset - related debt	(11,870,691)	-
Payments to Commonwealth from state appropriations	(1,781,414)	-
Payments to grantors	(185)	-
Net nonoperating revenues (expenses)	139,280,710	2,146,531
Income before other revenues, (expenses), gains, and (losses)	610,880	(2,991,828)
Contributions from primary government	8,120,813	-
Capital gifts	3,734,815	-
Loss on disposal of plant assets	(2,221,178)	-
Build America bond interest	30,547	-
Contributions to permanent endowments	-	4,109,629
Total other revenues, (expenses), gains, and (losses)	9,664,997	4,109,629
Increase in net assets	10,275,877	1,117,801
Net assets - beginning of year	355,952,145	182,378,564
Net assets - end of year	\$ 366,228,022	\$ 183,496,365

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Cash flows from operating activities:	
Student tuition and fees	\$ 130,445,402
Grants and contracts	6,975,550
Auxiliary enterprises	106,196,722
Other receipts	7,847,325
Payments to employees	(164,283,574)
Payments for fringe benefits	(40,574,980)
Payments for services and supplies	(79,480,690)
Payments for travel	(5,861,432)
Payments for scholarships and fellowships	(60,681,066)
Payments for noncapitalized improvements and equipment	(9,647,129)
Loans issued to students	(650,000)
Collections of loans from students	440,215
Net cash used by operating activities	<u>(109,273,657)</u>
Cash flows from noncapital financing activities:	
State appropriations	110,432,894
Pell grant revenue	26,011,917
ARRA state fiscal stabilization funds	5,634,149
Gifts and grants for other than capital purposes	8,914,461
William D. Ford direct lending receipts	103,733,181
William D. Ford direct lending disbursements	(103,733,181)
PLUS loans receipts	12,144,523
PLUS loans disbursements	(12,144,523)
Refund to the federal government	(185)
Agency receipts	2,703,982
Agency payments	(2,590,905)
Net cash provided by noncapital financing activities	<u>151,106,313</u>
Cash flows from capital financing activities:	
Proceeds from capital debt and investments	182,670
Capital appropriations and appropriations available	43,524
Contributions from primary government	11,894,021
Capital gifts	2,931,862
Purchase of capital assets	(19,180,920)
Principal paid on capital debt, leases and installments	(12,895,226)
Interest paid on capital debt, leases and installments	(12,464,950)
Net cash used by capital financing activities	<u>(29,489,019)</u>
Cash flows from investing activities:	
Interest on investments and cash management	<u>785,443</u>
Net cash provided by investing activities	<u>785,443</u>
Net change in cash	13,129,080
Cash and cash equivalents - beginning of the year	77,490,952
Less: Securities lending - Treasurer of Virginia	<u>(41,143)</u>
Cash and cash equivalents - beginning of the year	<u>77,449,809</u>
Cash and cash equivalents - end of the year	<u><u>\$ 90,578,889</u></u>

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

Statement of Net Assets

Cash and cash equivalents	\$ 91,993,729
Less: Securities lending - Treasurer of Virginia	<u>(1,414,840)</u>
Net cash and cash equivalent	<u><u>\$ 90,578,889</u></u>

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

Operating (loss)	\$ (138,669,830)
Adjustments to reconcile net income/(loss) to net cash used by operating activities	
Depreciation expense	26,645,117
Changes in assets and liabilities:	
Receivables, net	1,004,854
Prepaid expenses	1,606,738
Inventory	(8,427)
Accounts payable and accrued expenses	(351,705)
Deposits	(121,695)
Deferred revenue	<u>621,291</u>
Net cash used by operating activities	<u><u>\$ (109,273,657)</u></u>
Non-cash investing, capital and financing activities	
Security lending	\$ 1,414,840
Capitalization of interest expense	\$ 33,750
Amortization of bond premium	\$ 679,671
Change in receivables related to nonoperating income	\$ (62,935)

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Old Dominion University (the University) is a comprehensive university that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 39 standards, the Old Dominion University Educational and Real Estate Foundations, the Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation (the Foundations) are included as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University.

The Educational and Real Estate Foundations receive, administer, and distribute gifts for the furtherance of educational activities and objectives of the University. The Athletic Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these foundations, contact Foundation Offices at 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational and Real Estate and Athletic Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2011. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information contact the Research Foundation at 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

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

Basis of Presentation

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

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Prepaid Expenses

The University's prepaid expenses include lease payments, membership, and travel deposits for fiscal year 2013 that were paid in advance as of June 30, 2012.

Inventories

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

Noncurrent Cash and Investments

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

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year, including assets acquired under the Higher Education Trust Fund. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using purchase price for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of donation, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of \$33,750 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2012. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

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

Buildings	5-50 years
Other improvements and infrastructure	4-30 years
Equipment	2-25 years
Library materials	5 years
Intangible assets	5-10 years

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2012. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2012.

Noncurrent Liabilities

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

Discounts, Premiums, and Bond Issuance Costs

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

Net Assets

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

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

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

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

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

Classification of Revenues and Expenses

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

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

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

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

Scholarship Allowances

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

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

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, Perkins Loans, Stafford Loans, Parent Loans for Undergraduate Students (PLUS), and Teacher Education Assistance for College and Higher Education grants (TEACH). Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2012. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2012.

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

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

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

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2012. The foreign investments are traded in U.S. dollars and the risk is considered to be low. The University does not have a foreign currency risk policy.

The following information is provided with respect to the risks associated with the University's cash, cash equivalents, and investments at June 30, 2012.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Deposits

At June 30, 2012, the carrying value of the University's deposit with banks was \$45,255,377 and bank balance was \$37,927,209. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2012, the University's deposits were not exposed to custodial credit risk.

Investments

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

Investments fall into two groups: short and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$1,458,584 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

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

Credit & Concentration of Credit Risks

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
CASH EQUIVALENTS:			
Mutual/Money Market Funds			
Merrill Lynch	6.22%	\$ 1,599,836	AAAm
ML Government Fund	0.04%	9,915	AAAm
BB&T/Wachovia Securities	0.10%	24,914	
SNAP	2.42%	623,647	AAA
Securities Lending	5.50%	1,414,840	
Total Cash Equivalents		<u>3,673,152</u>	
INVESTMENTS:			
Mutual/Money Market			
Intermediate Term Fund	23.81%	6,128,650	AA
U. S. Treasury & Agency Securities*			
U. S. Treasury Bond DTD	0.58%	150,473	NR
U. S. Treasury Note DTD	0.56%	144,607	NR
Corporate Bonds			
AFLAC Inc DTD	0.08%	19,581	A-
ACE INA HLDG Inc DTD	0.07%	17,657	A
AT&T INC	0.08%	20,820	A-
Bear Stearns Company	0.09%	23,911	A
Berkshire Hathaway Inc	0.08%	21,236	AA+
Caterpillar Financial SE DTD	0.08%	19,577	A
Conocophillips DTD	0.07%	18,293	A
Deere & Co DTD	0.09%	22,232	A
El Dupont DeNemour & Company DTD	0.08%	21,273	A
General Electric Capital Corporation DTD	0.09%	22,448	AA
Goldman Sachs Group Incorporated DTD	0.06%	15,750	A-
IBM Corporation DTD	0.08%	19,984	AA-
Metlife Incorporated DTD	0.07%	17,589	A-
Occidental Petroleum Cor DTD	0.08%	20,337	A
PNC Funding Corporation DTD	0.08%	21,242	A-
Pepsico INC DTD	0.08%	20,696	A-
Phillip Morris International Incorporated DTD	0.07%	18,115	A
Shell International Fin DTD	0.08%	21,175	AA
Target Corp DTD	0.09%	23,591	A+
Thermo Fisher Scientific Incorporated DTD	0.08%	21,411	A
Cellco Part/Verizon Wireless DTD	0.08%	20,526	A-
Wachovia Corporation DTD	0.09%	22,545	A
US Bancorp DTD	0.08%	21,286	A
Virginia Electric & Power Co DTD	0.08%	20,604	A-
Municipal Securities			
Baltimore Maryland Ser B Go DTD	0.17%	42,512	AA-
Easren Iowa Community College District	0.11%	27,193	NR
Dallas County Tex Hosp Dist Build America Bonds Ser B Go DTD	0.16%	41,339	AAA
New York NY Build America Bonds	0.20%	51,812	AA
New York Dorm Auth St Pers Income Tax Rev Taxable Gen Purp Ser B DTD	0.13%	32,463	AAA
North Tex St Muni Wtr Dist Wtr Sys Rev Build America Bonds Direct Payment Ser D DTD	0.18%	46,976	AAA
Stratford CT Ref Taxable Pension	0.19%	47,806	AA-
California State Taxable Var Purp 3 Go DTD	0.08%	21,436	A-

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
Agency Mortgage Backed			
Federal Home Loan Bank DTD	0.28%	72,974	AA+
Federal Home Loan Mortgage Corporation DTD	0.60%	154,310	AA+
Federal National Mortgage Association DTD	0.33%	84,811	AA+
Foreign Bonds/Notes			
BHP Finance USA Ltd DTD	0.07%	19,094	A+
BP Capital Markets PLC DTD	0.08%	21,272	A
Bank of Nova Scotia DTD	0.08%	20,938	AA-
Barclays DTD	0.06%	15,109	A+
Rio Tinto Fin USA LTD DTD	0.08%	20,509	A-
Common & Preferred Stock**	4.98%	1,280,781	
Equity-Pooled Bonds**	0.87%	224,238	
Equity-Real Estate**	0.29%	74,855	
Other**			
Equity Interest in Land	8.16%	2,100,000	
Mutual Funds Held by Foundations	41.59%	10,702,858	Unrated
Securities Lending	0.17%	43,744	
Total Investments		22,062,639	
Total Cash Equivalents & Investments	100.00%	\$ 25,735,791	

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

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

Interest Rate Risk: Maturities

<u>Type of Investment</u>	<u>0-3 Months</u>	<u>4-12 Months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Cash Equivalents:				
Mutual/Money Market Funds				
Merrill Lynch (ML)	\$ 1,599,836	\$ -	\$ -	\$ -
ML Government Fund	9,915			
BB&T/Wachovia Securities	24,914			
SNAP	623,647			
Cash Equivalents-Securities Lending held with Treasurer	1,414,840			
Total Cash Equivalents	<u>3,673,152</u>			
Investments:				
Mutual/Money Market				
Intermediate Term Fund			6,128,650	
U.S. Treasury & Agency Securities				
U. S. Treasury Bond DTD			150,473	
U. S. Treasury Note DTD				144,607
Corporate Bonds				
AFLAC Inc DTD				19,581
ACE INA HLDG Inc DTD			17,657	
AT&T INC			20,820	
Bear Stearns Company				23,911
Berkshire Hathaway Inc			21,236	
Caterpillar Financial SE DTD				19,577
Conocophillips DTD				18,293
Deere & Co DTD			22,232	
El Dupont DeNemour & Company DTD			21,273	
General Electric Capital Corporation DTD				22,448
Goldman Sachs Group Incorporated DTD			15,750	
IBM Corporation DTD				19,984
Metlife Incorporated DTD			17,589	

<u>Type of Investment</u>	<u>0-3 Months</u>	<u>4-12 Months</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Occidental Petroleum Cor DTD			20,337	
PNC Funding Corporation DTD			21,242	
Pepsico INC DTD				20,696
Phillip Morris International Incorporated DTD				18,115
Shell International Fin DTD			21,175	
Target Corp DTD			23,591	
Thermo Fisher Scientific Incorporated DTD			21,411	
Cellco Part/Verizon Wireless DTD				20,526
Wachovia Corporation DTD			22,545	
US Bancorp DTD			21,286	
Virginia Electric & Power Co DTD				20,604
Municipal Securities				
Baltimore Maryland Ser B Go DTD			42,512	
Easren Iowa Community College District			27,193	
Dallas County Tex Hosp Dist Build America Bonds Ser B Go DTD				41,339
New York NY Build America Bonds				51,812
New York Dorm Auth St Pers Income Tax Rev Taxable Gen Purp Ser B DTD				32,463
North Tex St Muni Wtr Sys Rev Build America Bonds Direct Pay Ser D DTD				46,976
Stratford CT Ref Taxable Pension			47,806	
California State Taxable Var Purp 3 Go DTD			21,436	
Agency Mortgage Backed				
Federal Home Loan BK			72,974	
Federal Home Loan Mortgage Corporation			154,310	
Federal National Mortgage Association DTD				84,811
Foreign Bonds/Notes				
BHP Finance USA Ltd DTD				19,094
BP Capital Markets PLC DTD			21,272	
Bank of Nova Scotia DTD			20,938	
Credit Suisse New York DTD		15,109		
Rio Tinto Fin USA LTD DTD				20,509
Total	<u>\$ 3,673,152</u>	<u>\$ 15,109</u>	<u>\$ 6,975,708</u>	<u>\$ 645,346</u>

NOTE 3: DONOR RESTRICTED ENDOWMENT

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

The Uniform Management of Institutional Funds Act, Code of Virginia Section 55-268.1 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2012, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2012, net appreciation of \$355,971 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

NOTE 4: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2012:

Student tuition and fees	\$ 6,470,915
Auxiliary enterprises	1,489,537
Federal, state, and nongovernmental grants and contracts	2,140,900
Other activities	619,296
Gross receivables	<u>10,720,648</u>
Less allowance for doubtful accounts	690,576
Net accounts receivable	<u><u>\$ 10,030,072</u></u>

B. Due from the Commonwealth consisted of the following at June 30, 2012:

Interest/rebate allocation	\$ 487,750
Equipment trust fund reimbursement	695,583
Virginia College Building Authority 21 st Century Bonds	<u>1,355,390</u>
Total due from Commonwealth of Virginia	<u><u>\$ 2,538,723</u></u>

NOTE 5: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2012 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$ 30,864,424	\$ 200,338	\$ -	\$ 31,064,762
Construction in progress	19,767,091	7,444,530	12,639,918	14,571,703
Total nondepreciable capital assets	<u>50,631,515</u>	<u>7,644,868</u>	<u>12,639,918</u>	<u>45,636,465</u>
Depreciable capital assets:				
Buildings	666,499,790	11,913,763	2,811,750	675,601,803
Infrastructure	2,015,561	-	-	2,015,561
Equipment	74,896,250	6,489,632	12,091,446	69,294,436
Improvements other than building	10,134,097	2,590,666	828,055	11,896,708
Library books	67,222,121	2,278,718	26,390	69,474,449
Intangible assets	2,092,353	359,004	5,904	2,445,453
Total depreciable capital assets	<u>822,860,172</u>	<u>23,631,783</u>	<u>15,763,545</u>	<u>830,728,410</u>
Less accumulated depreciation for:				
Buildings	190,291,889	13,029,620	1,129,045	202,192,464
Infrastructure	1,337,374	24,814	-	1,362,188
Equipment	47,321,218	9,189,112	11,622,826	44,887,504
Improvements other than building	6,701,913	702,963	759,972	6,644,904
Library books	59,895,020	3,614,313	26,391	63,482,942
Intangible assets	1,779,655	84,295	4,133	1,859,817
Total accumulated depreciation	<u>307,327,069</u>	<u>26,645,117</u>	<u>13,542,367</u>	<u>320,429,819</u>
Depreciable capital assets, net	<u>515,533,103</u>	<u>(3,013,334)</u>	<u>2,221,178</u>	<u>510,298,591</u>
Total capital assets, net	<u>\$ 566,164,618</u>	<u>\$ 4,631,534</u>	<u>\$ 14,861,096</u>	<u>\$ 555,935,056</u>

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2012:

Employee salaries, wages, and fringe benefits payable	\$ 16,985,448
Retainage payable	65,125
Vendors and suppliers accounts payable	13,369,022
Current liabilities - accounts payable and accrued expenses	<u>\$ 30,419,595</u>

NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2012 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
General obligations bonds	\$ 67,316,348	\$ 938,588	\$ 4,216,587	\$ 64,038,349	\$ 3,139,693
Revenue bonds	142,157,475	25,993,784	33,343,475	134,807,784	7,705,000
Installment purchases	2,445,455	73,728	285,316	2,233,867	315,985
Capital leases	71,292,634	-	2,154,910	69,137,724	2,102,069
Total long-term debt	283,211,912	27,006,100	40,000,288	270,217,724	13,262,747
Accrued compensated absences	6,948,362	6,474,266	5,934,966	7,487,662	5,269,430
Federal loan program contributions	219,840	-	180,547	39,293	-
Other liabilities	484,000	-	60,500	423,500	60,500
Total long-term liabilities	\$ 290,864,114	\$ 33,480,366	\$ 46,176,301	\$ 278,168,179	\$ 18,592,677

NOTE 8: LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged General Fund revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) also issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue, not otherwise obligated, also secures these notes.

Description	Interest Rates	Maturity	2012
General obligation bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 185,000
Dormitory, Series 1983B	3.00%	2013	175,000
Dormitory, Series 2005	3.50% - 5.00%	2025	1,195,000
Dormitory, Series 2006B	4.00% - 5.00%	2026	4,360,000
Dormitory, Series 2007B	4.00% - 5.00%	2027	13,085,000
Dormitory, Series 2008B	3.00% - 5.00%	2028	34,700,000
Dormitory, Series 2009C	3.00% - 5.00%	2022	1,319,293
Dormitory, Series 2009D	2.50% - 4.50%	2022	1,625,000
Dormitory, Series 2009D	2.50% - 5.00%	2022	2,465,000
Dormitory, Series 2010A	2.00% - 5.00%	2030	1,850,000
Dormitory, Series 2012A	3.00%	2013	69,693
Dormitory, Series 2012A	3.00% - 5.00%	2024	654,765
Total general obligation bonds			61,683,751

Description	Interest Rates	Maturity	2012
Revenue bonds:			
Classrooms, Series 2004B	3.00% - 5.00%	2017	3,325,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	475,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	800,067
Recreation, Series 2004B	3.00% - 5.00%	2017	4,280,000
Recreation, Series 2004B	3.00% - 5.00%	2020	540,000
Recreation, Series 2007B	4.00% - 4.25%	2018	415,302
Recreation, Series 2007B	4.00% - 4.50%	2020	6,739,951
Recreation, Series 2010B	2.00% - 5.00%	2020	630,000
Recreation, Series 2010B	2.00% - 5.00%	2021	9,590,000
Parking, Series 2003A	2.00% - 5.00%	2024	175,000
Parking, Series 2004A	3.00% - 5.00%	2025	515,000
Parking, Series 2004B	3.00% - 5.00%	2017	2,070,000
Parking, Series 2004B	3.00% - 5.00%	2020	775,000
Parking, Series 2007A	4.50% - 5.00%	2028	7,405,000
Parking, Series 2007B	4.00% - 4.25%	2018	149,631
Parking, Series 2007B	4.00% - 4.50%	2020	2,560,049
Parking, Series 2009A	2.10% - 5.00%	2029	4,950,000
Parking, Series 2010B	2.00% - 5.00%	2020	360,000
Parking, Series 2010B	2.00% - 5.00%	2021	2,935,000
Parking, Series 2010B	2.00% - 5.00%	2020	450,000
Parking, Series 2012A	5.00%	2023	650,000
Parking, Series 2012A	3.00% - 5.00%	2024	2,260,000
Athletic Fac. Exp., Series 2004A	3.00% - 5.00%	2025	300,000
Athletic Fac. Exp., Series 2005A	3.50% - 5.00%	2026	1,045,000
Athletic Fac. Exp., Series 2006A	3.00% - 5.00%	2027	815,000
Athletic Fac. Exp., Series 2007A	4.50% - 5.00%	2028	420,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2024	1,330,000
Athletic Fac. Exp., Series 2012A	3.00% - 5.00%	2024	1,645,000
H&PE Renovation, Series 2004A	3.00% - 5.00%	2025	255,000
H&PE Renovation, Series 2005A	3.50% - 5.00%	2026	1,050,000
H&PE Renovation, Series 2007A	4.50% - 5.00%	2028	13,685,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2024	1,110,000
H&PE Renovation, Series 2012A	3.00% - 5.00%	2024	1,645,000
Indoor Tennis Court, Series 2004A	3.00% - 5.00%	2025	190,000
Indoor Tennis Court, Series 2005A	3.50% - 5.00%	2026	805,000
Indoor Tennis Court, Series 2006A	3.00% - 5.00%	2027	195,000
Indoor Tennis Court, Series 2007A	4.50% - 5.00%	2028	220,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2024	820,000
Indoor Tennis Court, Series 2012A	3.00% - 5.00%	2024	1,280,000
Dormitory, Series 2005A	3.50% - 5.00%	2026	6,790,000
Dormitory, Series 2012A	3.00% - 5.00%	2024	10,820,000
Powhatan Sports Ctr, Series 2007A	4.50% - 5.00%	2028	5,640,000
Powhatan Sports Ctr, Series 2009A	2.10% - 5.00%	2029	25,125,000
Powhatan Sports Ctr, Series 2010A	2.00% - 5.50%	2030	890,000
Webb Center Expansion, Series 2009B	2.00% - 5.00%	2029	675,000
Total revenue bonds			128,800,000

Description	Interest Rates	Maturity	2012
Installment purchases	4.23%	2023	2,233,867
Capital leases	Various	2011-41	69,137,724
Total bond, notes, installment purchases, and leases			261,855,342
Amortize bond premium, general obligation bonds			2,834,946
Amortize bond premium, revenue bonds			9,368,294
Deferred loss on early retirement of debt			(3,840,858)
Total bond, notes, installment purchases, leases, bond premium, and deferred loss			\$ 270,217,724

Long-term debt matures as follows:

	Principal	Interest
2013	\$ 13,262,747	\$ 11,453,340
2014	13,651,495	11,135,523
2015	14,202,705	10,462,259
2016	14,703,087	9,782,377
2017	15,366,985	9,081,922
2018-2022	80,801,151	34,535,682
2023-2027	72,950,725	16,793,194
2028-2032	32,168,522	3,925,609
2033-2037	4,300,576	346,649
2038-2042	447,349	44,272
Total	\$ 261,855,342	\$ 107,560,827

A. Equipment Trust Fund Program

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

The Statement of Net Assets line “Due from the Commonwealth” includes \$695,583 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In March 2012, the Commonwealth of Virginia issued \$95,490,000 in General Obligation Refunding Bonds, Series 2012A, and \$164,475,000 in Educational Facilities Revenue Refunding Bonds, Series 2012A. The sale of these bonds enabled the University to advance refund \$125,000 of Series 2002A and \$655,000 of Series 2005A in General Obligation bonds, and \$720,000 of Series 2003A, \$5,770,000 of Series 2004A and \$15,935,000 of Series 2005A in Educational Facilities bonds. The net proceeds of \$26,695,795 (after payment of underwriter’s fees and other issuance costs) were

deposited in an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. This defeasance reduced total debt service payments over the next ten years by \$2,007,655 resulting in an economic gain of \$1,747,487 discounted at the rate of 1.561 percent and 2.807 percent for General Obligation bonds, and 2.090 percent for Educational Facilities bonds.

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2012, \$27,640,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2012, assets purchased under capital leases were included in depreciable capital assets in the amount of \$70,115,131. The assets are net of accumulated depreciation.

NOTE 9: EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, Wages, and Fringe Benefits	Non-Personal Services/ Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	\$ 115,602,134	\$ 9,546,392	\$ -	\$ 3,230,767	\$ -	\$ 128,379,293
Research	4,299,947	2,872,037	-	130,698	-	7,302,682
Public service	282,092	157,689	-	18,444	-	458,225
Academic support	24,682,139	12,617,648	-	5,756,325	-	43,056,112
Student services	10,381,497	2,876,111	-	95,564	-	13,353,172
Institutional support	23,597,202	3,952,140	-	547,310	-	28,096,652
Operation and maintenance of plant	10,788,797	12,630,774	-	1,410,440	-	24,830,011
Depreciation expense	-	-	-	-	26,645,117	26,645,117
Scholarship and related expenses	-	-	16,954,460	-	-	16,954,460
Auxiliary activities	24,309,180	41,321,111	7,302,093	629,605	-	73,561,989
Total	\$ 213,942,988	\$ 85,973,902	\$ 24,256,553	\$ 11,819,153	\$ 26,645,117	\$ 362,637,713

NOTE 10: STATE APPROPRIATIONS

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

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

Original legislative appropriation per Chapter 890:	
Educational and general programs	\$ 90,151,584
Student financial assistance/grants	17,508,506
Supplemental adjustments:	
Central fund appropriation transfers	1,294,488
Eminent scholars	77,891
Grants	2,634,484
VIVA	22,441
VITA rate reduction	61
Adjusted appropriations	<u>\$ 111,689,455</u>

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

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

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Net Assets</u>				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,396,303	\$ 4,991,622	\$ 9,875,437	\$ 24,263,362
Accounts receivable	103,658	2,996,635	21,052,047	24,152,340
Contributions receivable, net	992,770	3,372,755	-	4,365,525
Travel advances	-	-	56,589	56,589
Prepaid expenses	667	26,589	458,421	485,677
Other assets	43,481	123,822	-	167,303
Total current assets	<u>10,536,879</u>	<u>11,511,423</u>	<u>31,442,494</u>	<u>53,490,796</u>
Noncurrent assets:				
Investments	16,695,183	149,329,222	3,741,780	169,766,185
Accounts receivable	-	55,557,679	-	55,557,679
Contributions receivable, net	2,936,428	2,524,501	-	5,460,929
Notes receivable	-	3,405,000	-	3,405,000
Nondepreciable capital assets	-	18,476,115	54,802	18,530,917
Capital assets	7,387	3,105,502	4,619,459	7,732,348
Total noncurrent assets	<u>19,638,998</u>	<u>232,398,019</u>	<u>8,416,041</u>	<u>260,453,058</u>
Total assets	<u>30,175,877</u>	<u>243,909,442</u>	<u>39,858,535</u>	<u>313,943,854</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,408,973	677,077	11,292,831	13,378,881
Due to affiliates	-	-	1,755,324	1,755,324
Deferred revenue	-	-	5,043,485	5,043,485
Deposits held in custody for others	-	34,762	-	34,762
Agency related payables	-	10,371,996	-	10,371,996
Line of credit	-	5,258,497	-	5,258,497
Long-term liabilities – current portion	427,500	2,378,137	-	2,805,637
Total current liabilities	<u>1,836,473</u>	<u>18,720,469</u>	<u>18,091,640</u>	<u>38,648,582</u>
Noncurrent liabilities	70,764	91,728,143	-	91,798,907
Total liabilities	<u>1,907,237</u>	<u>110,448,612</u>	<u>18,091,640</u>	<u>130,447,489</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,387	13,408,720	4,674,261	18,090,368
Permanently restricted	14,880,165	101,246,511	-	116,126,676
Temporarily restricted	7,292,082	34,547,389	16,534,830	58,374,301
Unrestricted	6,089,006	(15,741,790)	557,804	(9,094,980)
Total net assets	<u>\$ 28,268,640</u>	<u>\$ 133,460,830</u>	<u>\$ 21,766,895</u>	<u>\$ 183,496,365</u>

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Revenues, Expenses and Changes in Net Assets</u>				
Operating revenues:				
Gifts and contributions	\$ 5,589,685	\$ 4,423,684	\$ 84,750	\$ 10,098,119
Indirect cost	-	-	8,844,014	8,844,014
Sponsored research	-	-	35,025,142	35,025,142
Other operating revenues	351,854	4,811,727	4,514,008	9,677,589
Total operating revenue	5,941,539	9,235,411	48,467,914	63,644,864
Operating expenses:				
Instruction	-	1,702,302	-	1,702,302
Research	-	-	42,341,151	42,341,151
Academic support	1,239,391	3,305,893	-	4,545,284
Institutional support	1,443,546	11,125,658	5,242,440	17,811,644
Operation and maintenance of plant	-	40,895	-	40,895
Depreciation	28,130	196,771	-	224,901
Student aid	890,610	1,226,436	-	2,117,046
Total operating expenses	3,601,677	17,597,955	47,583,591	68,783,223
Operating gain/(loss)	2,339,862	(8,362,544)	884,323	(5,138,359)
Investment income	207,103	1,723,529	215,899	2,146,531
Contributions to permanent endowments	536,499	3,573,130	-	4,109,629
Increase in net assets	3,083,464	(3,065,885)	1,100,222	1,117,801
Beginning net assets	25,185,176	136,526,715	20,666,673	182,378,564
Ending net assets	\$ 28,268,640	\$ 133,460,830	\$ 21,766,895	\$ 183,496,365

Contributions Receivable

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	TOTAL
<u>Current Receivable</u>			
Receivable due in less than one year	\$ 1,076,929	\$ 3,591,334	\$ 4,668,263
Less allowance for doubtful accounts	84,159	218,579	302,738
Net current accounts receivable	992,770	3,372,755	4,365,525
Receivable due in greater than 1 year, net of discount (\$1,076,592)	2,946,166	2,560,848	5,507,014
Less allowance for doubtful accounts	9,738	36,347	46,085
Net noncurrent contributions receivable	2,936,428	2,524,501	5,460,929
Total contributions receivable	\$ 3,929,198	\$ 5,897,256	\$ 9,826,454

Investments

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

Summary Schedule of Investments

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	\$ 732,237	\$ 5,859,869	\$ 3,276,462	\$ 9,868,568
Common & preferred stocks	1,110,261	9,271,472	1,836	10,383,569
Mutual and money market funds	8,191,634	70,281,569	463,482	78,936,685
Real estate	-	259,000	-	259,000
Alternative investments	6,661,051	53,285,316	-	59,946,367
Managed investments	-	10,371,996	-	10,371,996
Total	<u>\$ 16,695,183</u>	<u>\$ 149,329,222</u>	<u>\$ 3,741,780</u>	<u>\$ 169,766,185</u>

Capital Assets

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
Nondepreciable capital assets:				
Land	\$ -	\$ 2,960,665	\$ 54,802	\$ 3,015,467
Construction in progress	-	15,515,450	-	15,515,450
Total capital assets not being depreciated	<u>-</u>	<u>18,476,115</u>	<u>54,802</u>	<u>18,530,917</u>
Depreciable capital assets:				
Buildings	-	4,887,925	1,037,290	5,925,215
Equipment	366,872	55,187	18,513,096	18,935,155
Total capital assets being depreciated	<u>366,872</u>	<u>4,943,112</u>	<u>19,550,386</u>	<u>24,860,370</u>
Less accumulated depreciation for:				
Buildings	-	1,788,817	835,456	2,624,273
Equipment	359,485	48,793	14,095,471	14,503,749
Total accumulated depreciation	<u>359,485</u>	<u>1,837,610</u>	<u>14,930,927</u>	<u>17,128,022</u>
Total depreciable capital assets, net	<u>7,387</u>	<u>3,105,502</u>	<u>4,619,459</u>	<u>7,732,348</u>
Total capital assets, net	<u>\$ 7,387</u>	<u>\$ 21,581,617</u>	<u>\$ 4,674,261</u>	<u>\$ 26,263,265</u>

Long-Term Liabilities

Old Dominion Athletic Foundation

Trust and annuity obligations \$ 498,264

Old Dominion University Educational and Real Estate Foundations

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>2011</u>
Bonds payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	3.58%	2033	\$ 51,060,000
Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008	4.475%	2031	<u>12,230,000</u>
Total bonds payable			<u>63,290,000</u>
Notes payable			
Tri-Cities II	3.65%	2014	4,395,600
Bookstore	5.585%	2023	5,100,927
President's House	5.980%	2040	<u>2,155,727</u>
Total notes payable			<u>11,652,254</u>
Other long-term liabilities			<u>19,164,026</u>
Total long-term debt			<u>94,106,280</u>
Total component unit long-term liabilities			<u><u>\$ 94,604,544</u></u>

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

2012	\$ 1,988,204
2013	2,078,210
2014	6,566,117
2015	2,269,660
2016	2,373,366
Thereafter	<u>59,666,697</u>
Total	<u><u>\$ 74,942,254</u></u>

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2012, the University will repay \$68,933,776. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the projects to the University. As such, the University has recorded capital leases relating to these lease agreements.

Direct payments to the University from the Old Dominion University Educational and Real Estate Foundations, Old Dominion Athletic Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2012 totaled \$7,631,950, \$2,304,889, and \$6,740,454 respectively. This includes gift transfers, payments for facilities, and services.

Component Unit Subsequent Event

In February 2012, the Real Estate Foundation extended the line of credit in the amount of \$6,000,000 for the purpose of purchasing additional properties for future projects. Principal on this note matures and is payable on February 25, 2013. The interest rate is one-month LIBOR plus 1.75%.

NOTE 12: COMMITMENTS

At June 30, 2012, the University was a party to construction and other contracts totaling approximately \$7,822,844 of which \$1,302,494 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately \$7,082,632 for the year ended June 30, 2012.

The University has, as of June 30, 2012, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2013	\$ 6,147,137
2014	6,112,750
2015	6,126,574
2016	5,109,278
2017	5,062,466
2018-2022	17,884,638
2023-2027	6,228,540
Total	<u>\$ 52,671,383</u>

NOTE 13: RETIREMENT PLANS

A. Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to the plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2012. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled approximately \$4,787,749 for the year ended June 30, 2012. The retirement contribution rate was 6.58% for state employees and 13.09% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2012. Contributions to VRS were calculated using the base salary amount of approximately \$70,513,204 for the year ended June 30, 2012. The University's total payroll was approximately \$172,982,411 for the fiscal year ended June 30, 2012.

B. Optional Retirement Plan

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

Individual contracts issued under the plans provide for full immediate vesting of both the University's and employee's contributions. Total pension costs under these plans were approximately \$6,381,277 for the year ended June 30, 2012. Contributions to the optional retirement plans were calculated using the base salary amount of approximately \$62,953,934 for fiscal year 2012.

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$574,241 for fiscal year 2012.

NOTE 14: POST-EMPLOYMENT BENEFITS

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

NOTE 15: CONTINGENCIES

The University has received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2012, the University estimates that no material liabilities will result from such audits or questions.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 19, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
And Review Commission

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Old Dominion University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages three through ten be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2013, on our consideration of Old Dominion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



AUDITOR OF PUBLIC ACCOUNTS

OLD DOMINION UNIVERSITY
Norfolk, Virginia

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