



Radford, Virginia

Audited Financial Statements

For the Year Ended
June 30, 2011

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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, 2011. 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 the financial information presented, including this discussion and analysis.

The three required financial statements are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; 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 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 9,370 students (fall 2011 headcount). The university offers excellent educational opportunities to students from all geographic regions of the Commonwealth of which 94 percent are Virginia residents and 26 percent are the first in their family to attend college. The student population is also comprised of 165 international students representing 55 different countries.

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 67 degree programs at the undergraduate level and 23 graduate degree programs including 3 doctoral programs. Over the past 100 years, Radford has become known for meeting the growing needs of society; that commitment is stronger than ever as demonstrated by the recent addition of a master's in occupational therapy and allied health doctoral programs in psychology, physical therapy and nursing practice. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the New College Institute, Roanoke Higher Education Center and Southwest Virginia Higher Education Center.

In 2010, Radford was named one of the nation's Top Up-and Coming Schools in the U.S. News and World Report's Guide to America's Best Colleges and Universities. Radford University has consistently ranked in the top 20 public master's universities in the south in U.S. News and World Reports rankings. For the third year in a row, Radford University was named to the Princeton Review's "Best Colleges and Universities in the Southeast" list. The Princeton Review again named Radford University to its updated Guide to 311 Green Colleges and the U.S. Environmental Protection Agency recognized multiple buildings on campus as earning Energy Star Certification.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets 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 Assets 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 Assets provides a picture of net assets available for expenditure by the university. Sustained increases in net assets over time are one indicator of the financial stability of an organization.

Net assets are classified into three major categories: invested in capital assets, restricted net assets - expendable, and unrestricted net assets.

- Invested in capital assets – Invested in capital assets, net of related debt, represents the university’s total investment in capital assets net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.
- Restricted net assets - expendable – Restricted expendable assets include resources the university is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, indirect costs, and sales and services of auxiliary enterprises and educational departments. These resources are used for transactions related to academic departments and general operations and may be used at the discretion of the university to meet current expenses for any lawful purpose in support of its primary mission of instruction. These resources also include auxiliary enterprises that provide services for students, faculty, and staff. Examples of the university’s auxiliary enterprises include residence halls, dining services, and intercollegiate athletics.

Statement of Net Assets - Summary Schedule
(\$ shown in thousands)

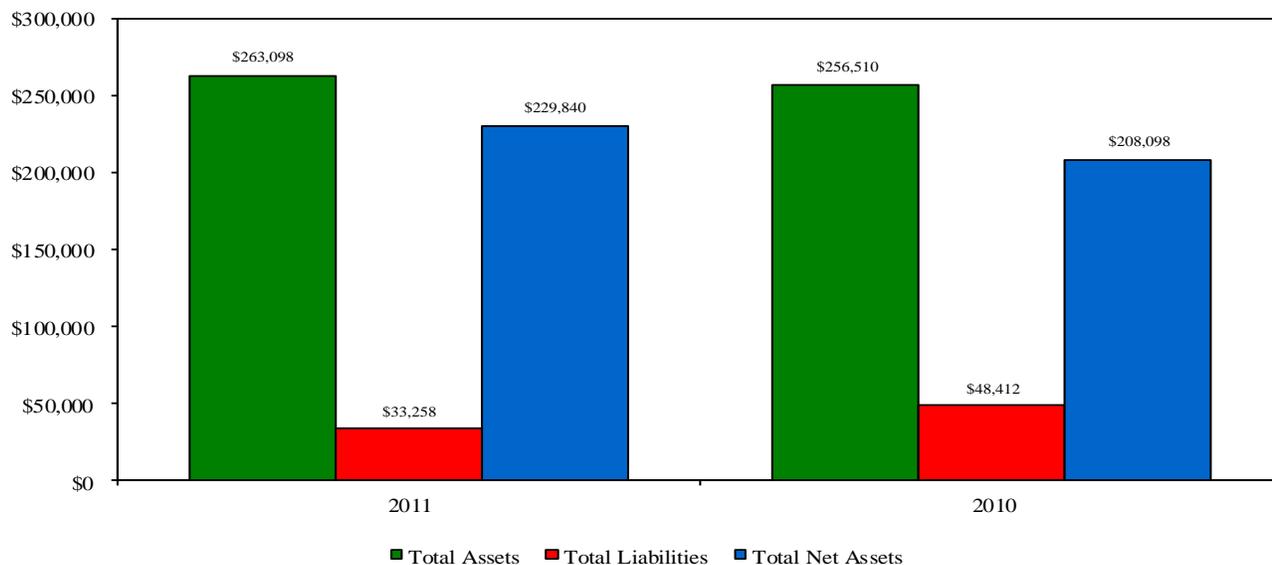
The schedule below shows trends in assets, liabilities, and net assets over the past two fiscal years:

	2011	2010*	Change	
			Amount	Percent
Assets:				
Current assets	\$ 87,273	\$ 94,717	\$ (7,444)	(7.9)
Capital assets, net	172,064	158,231	13,833	8.7
Other noncurrent assets	3,761	3,562	199	5.6
Total assets	263,098	256,510	6,588	2.6
Liabilities:				
Current liabilities	24,149	39,273	(15,124)	(38.5)
Noncurrent liabilities	9,109	9,139	(30)	(0.3)
Total liabilities	33,258	48,412	(15,154)	(31.3)
Net assets:				
Invested in capital assets, net of related debt	170,600	156,633	13,967	8.9
Restricted – expendable	2,429	2,357	72	3.1
Unrestricted	56,811	49,108	7,703	15.7
Total net assets	\$229,840	\$208,098	\$ 21,742	10.4

*Some fiscal year 2010 amounts have been restated. See Note 2 to the Financial Statements for details.

Statement of Net Assets - 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:



The university's financial position remained strong at the end of fiscal year 2011. The university's total net assets increased by 10.4 percent to \$229.8 million at June 30, 2011, an increase of \$21.7 million over the previous year. The growth in total net assets is primarily attributable to an overall increase of \$13.8 million in capital assets and a decrease of \$15.1 million in obligations under securities lending. The increase in capital assets was due to various construction projects as further described below. This increase of capital assets was offset by a decrease of short-term investment collateral held for securities lending and obligations under securities lending pursuant to Chapter 874, Section 3-3.03, 2011 Acts of Assembly that states interest earnings shall remain in the Commonwealth's general fund, resulting in the corresponding asset and liability also being recorded with the Commonwealth's general fund. Further information regarding securities lending transactions can be found in Note 3 of the Notes to the Financial Statements.

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 \$172.1 million at the end of fiscal year 2011, an increase of \$13.8 million or 8.7 percent over fiscal year 2010. The net additions and reductions to capital assets during fiscal year 2011 totaled \$23.9 million (excluding depreciation). The progress made on the new College of Business and Economics building project along with the dorm renovations of Jefferson and Madison Halls attributed to 92% (\$22 million) of the current year capital additions. Current year depreciation expense totaled 11.4 million.

Notes 7 and 8 of the Notes to the Financial Statements describe the university's long-term liabilities. There were no new additions to long-term liabilities in fiscal year 2011.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the university's operating and nonoperating activities, which creates the changes in total net assets. 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. Salaries and fringe benefits for faculty and staff are the largest category of operating expense.

Nonoperating revenues are revenues received for goods and services that are not directly provided. Under GASB Statement 35, some critical recurring sources of the university's revenues are considered nonoperating. State appropriations are included in this category and provide substantial support for paying the operating expenses of the university. Therefore, the university, like most public institutions, will show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Assets - Summary Schedule

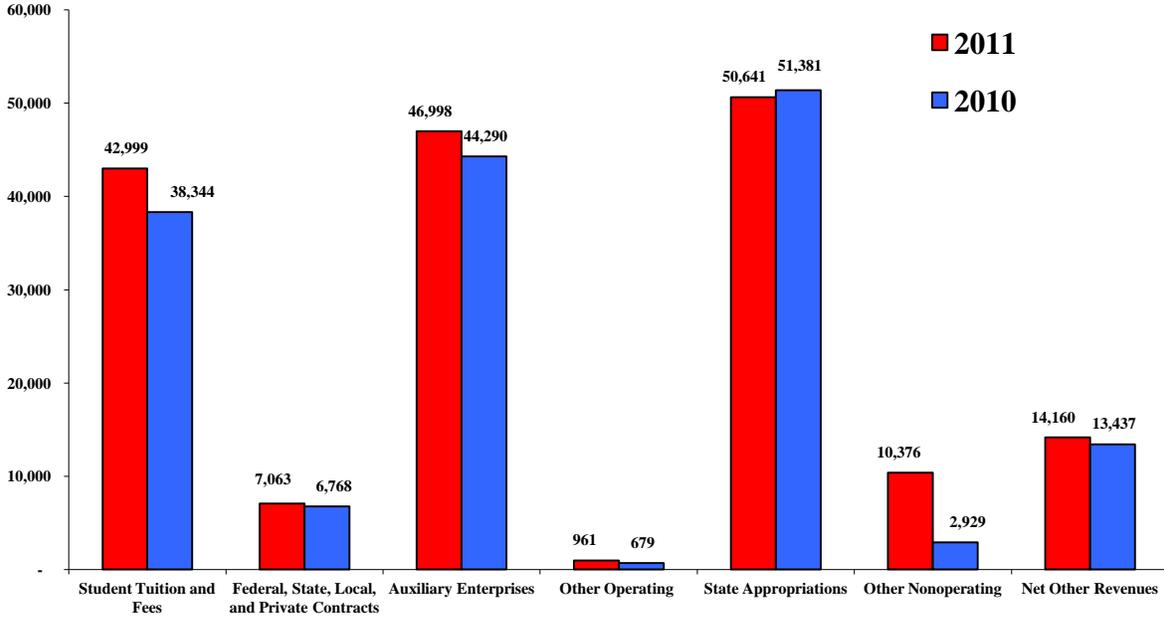
(\$ shown in thousands)

	2011	2010*	Change	
			Amount	Percent
Operating revenues	\$ 98,021	\$ 90,081	\$7,940	8.8
Less: Operating expenses	151,456	144,809	6,647	4.6
Operating loss	(53,435)	(54,728)	1,293	2.4
Nonoperating revenues and expenses	61,017	54,310	6,707	12.3
Income before other revenues, expenses, gains, or losses	7,582	(418)	8,000	1913.9
Other revenue, expenses, gains, or losses	14,160	13,437	723	5.4
Increase in net assets	21,742	13,019	8,723	67.0
Net assets - beginning of year (as restated)	208,098	195,079	13,019	6.7
Net assets - end of year	\$229,840	\$208,098	\$ 21,742	10.4

*Some fiscal year 2010 amounts have been restated. See Note 2 to the Financial Statements for details.

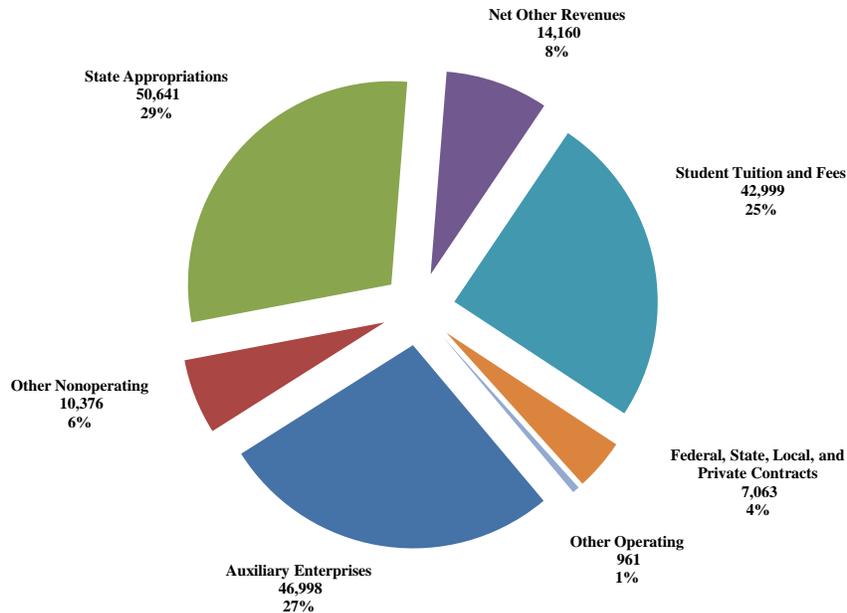
Revenues by Source Comparison
(\$ shown in thousands)

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



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, 2011:

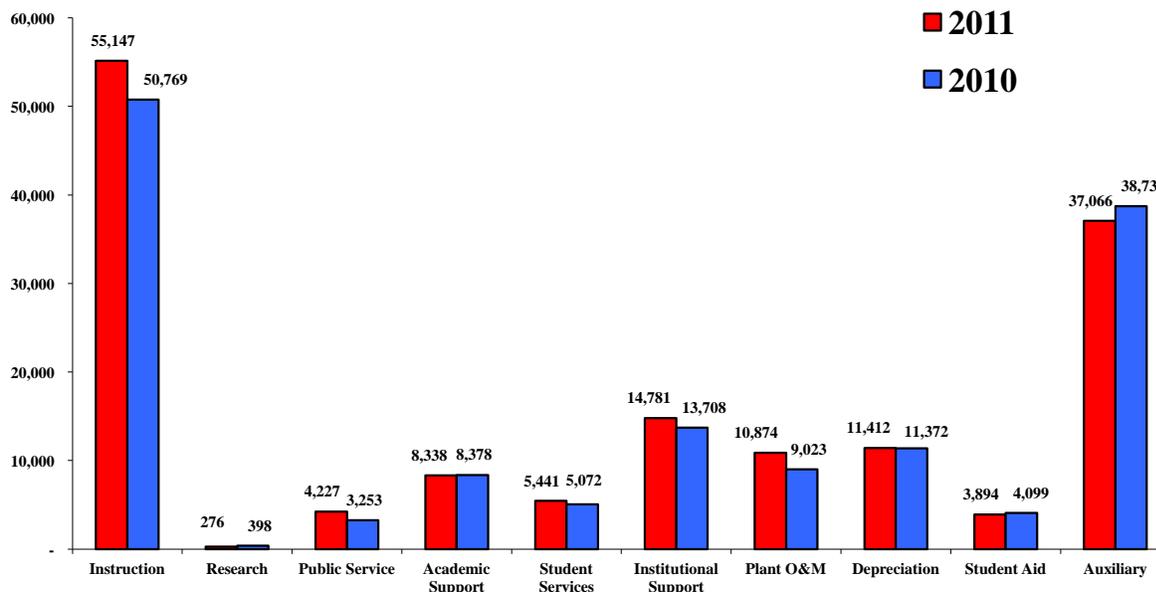


Operating revenues of the university consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in total for fiscal year 2011 increased by 8.8 percent as compared to fiscal year 2010. This increase was primarily due to growth in tuition and fee and auxiliary revenues, net of scholarship allowances, which reflected an increase of 12.1 percent and 6.1 percent respectively. The growth in these revenues was due to tuition and fee rate increases and enrollment growth. Due to pressures created by declining state appropriations, tuition rate increases ranged from 11.3 to 14.0 percent and auxiliary fee rate increases ranged from 3.0 to 5.0 percent for fiscal year 2011.

Nonoperating revenues in fiscal year 2011 increased 12.3 percent over the previous year. This increase of \$6.7 million was due primarily from a change in funding source of the Heth Hall capital renovation project from auxiliary funds to state bonds in fiscal year 2010, which resulted in an \$8.1 million nonoperating transfer of auxiliary funds to the Commonwealth. Nonoperating transfers for fiscal year 2011 were \$0.6 million, a positive change of \$7.5 million. An increase of \$1.8 million in Pell funds received also contributed to the increase in nonoperating revenues. These two increases were offset by decreases in state appropriations, federal stabilization funds, and investment income.

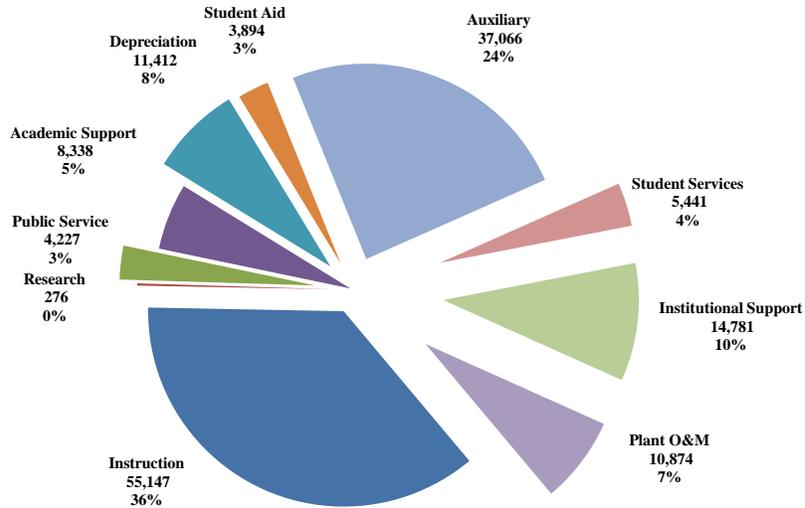
Expenses by Function Comparison
(\$ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2011 and 2010.



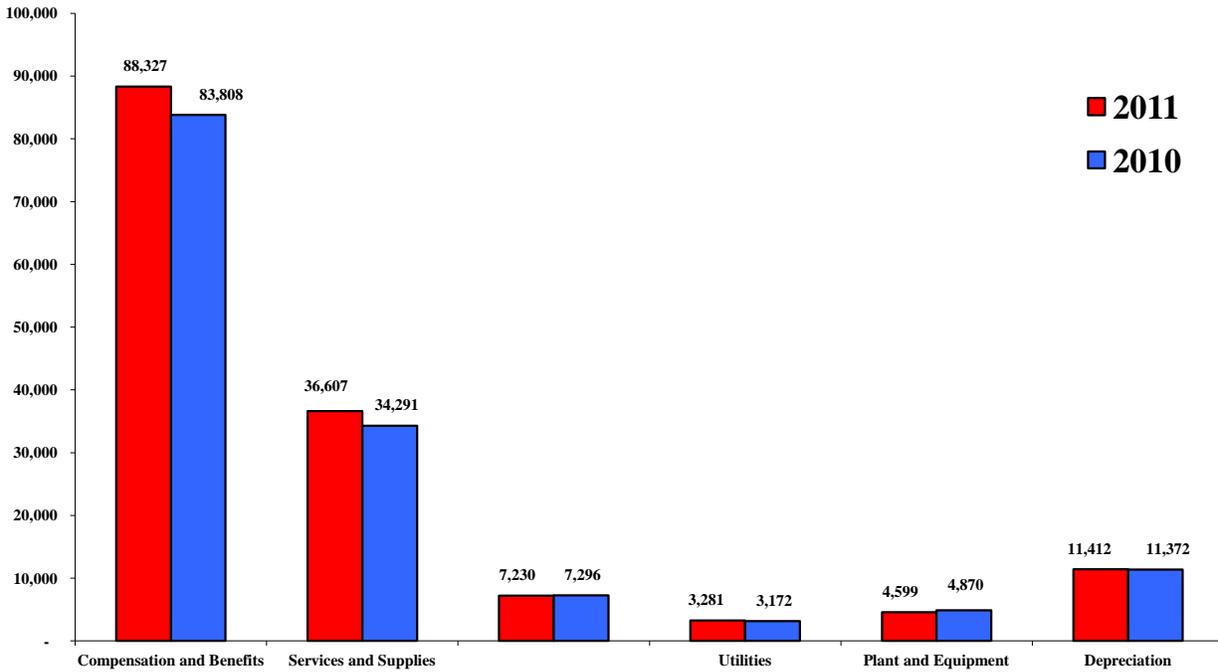
Expenses by Function
(\$ shown in thousands)

The following graphic illustration present total expenses by function for fiscal year 2011.



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

The following chart compares expenses by function for the years ended June 30, 2011 and 2010.



Operating expenses for fiscal year 2011 increased \$6.6 million (4.6 percent) over fiscal year 2010. From a natural expense standpoint, compensation and benefits comprises 58.3 percent of the university's operating expenses and services and supplies, comprises 24.2 percent. These two categories contributed to the majority of the increase in operating expenses for 2011. Compensation and benefits increased 5.4 percent, which was primarily due to the one-time state bonus provided to all state employees, new faculty hires, filling of student services positions that were vacant in 2010, and additional funding for graduate assistants. Services and supplies increased 6.7 percent over 2010. This increase was due to one-time facility infrastructure improvements and installations, increases in contractual payments for dining services, increases in travel and information technology costs related to instruction, and an overall increase in services and supplies related to the support of services to students.

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 Assets. This difference occurs because the Statement of Revenues, Expenses, and Changes in Net Assets 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 Assets 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 Assets for the fiscal year to net cash used by operating activities.

Statement of Cash Flows

(\$ shown in thousands)

	2011	2010	<u>Change</u>	
			Amount	Percent
Net cash used by operating activities	\$(45,957)	\$(47,673)	\$1,716	3.6
Net cash provided by noncapital financing activities	61,736	54,008	7,728	14.3
Net cash provided by capital and related financing activities	(8,833)	4,242	(13,075)	(308.2)
Net cash provided by investing activities	(10,178)	2,879	(13,057)	(453.5)
Net increase (decrease) in cash	(3,232)	13,456	(16,688)	(124.0)
Cash and cash equivalents - beginning of year	81,958	68,502	13,456	19.6
Cash and cash equivalents – end of year	\$78,726	\$81,958	(3,232)	(3.9)

Overall, the university had a net decrease in cash of \$3.2 million from fiscal year 2010. The primary sources of cash for the university were state appropriations (\$50.6 million), student tuition and fees (\$43.1 million), auxiliary enterprise revenues (\$46.9 million), and receipts for student loans (\$36.9 million). The major uses of cash were employee compensation and benefits (\$87.9 million), services and supplies (\$39.9 million), student loan disbursements (\$36.8 million), and the purchase of capital assets (\$21.5 million). Net cash provided by capital and related financing activities reflected a decreased cash flow of \$13.1 million from the prior year as a result of mainly an increase in spending of \$8.4 million for the purchase of capital assets and construction. The decrease in cash flow related to cash flow from investing activities is a result of not recording the auxiliary portion of securities lending as previously reported per the change as noted in Chapter 874, Section 3-3.03, 2011 Acts of Assembly.

Economic Outlook

The 2011-12 operating budget was developed considering projected enrollment levels, actions taken by the Governor and General Assembly during the 2011 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 positioned the university to implement the requirements of 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 incentives for higher education as well as identifies the required submission of a Six-Year Plan.

Radford University has remained committed to providing a quality, affordable educational experience represented by the fact that among Virginia's four-year public institutions, the university offers one of the lowest total costs for tuition, fees, room and board. Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first generation students. As of fall 2010, more than 94 percent of the university's students were residents of Virginia representing all geographic regions of the Commonwealth and 26 percent of all undergraduate students were the first in their family to attend college.

As a result of placing a particular emphasis on enrollment planning and management and implementing new master's and doctoral programs, the university has witnessed and is projecting further growth in enrollment. For fall 2011, enrollment totaled 9,370 students which reflects an increase of three percent over the prior fall and included 2,035 new freshmen and 815 transfer students. Recently added advanced degrees in nursing, physical therapy and occupational therapy have also bolstered graduate enrollments. As Radford University seeks to educate an additional 1,400 in-state undergraduates over the next six years, the university will be instrumental in supporting the Governor's "Top Jobs for the 21st Century" legislation designed to produce 100,000 more in-state undergraduate degrees by 2025.

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 2012, state general fund support for the E&G program will account for 39.7 percent of the total projected program revenues representing a 3.6 percent decrease from fiscal year 2011. Factoring in the decrease in general fund appropriation and the anticipated slow economic recovery, the university made a strategic decision to split stimulus funds received as part of the American Recovery and Reinvestment Act (ARRA) between fiscal years 2011 and 2012 to lessen the financial impact and moderate the need for additional tuition increases. However, as one-time stimulus funding ends in fiscal year 2012, the university will continue to evaluate and implement strategies to address financial needs as it strives to provide quality educational opportunities for students.

During fiscal year 2012, the university anticipates auxiliary revenues to increase \$5.7 million over the prior year. These funds will be used to provide necessary funding to continue ongoing operations for student services and debt service for the Student Fitness and Wellness Center. The projected increase in revenue will also be used for auxiliary maintenance efforts, future capital projects, and adhering to state reserve requirements.

The university will move forward with several exciting capital projects. Construction will continue on a state-of-the-art facility which will house the College of Business and Economics with completion expected during summer 2012. Recent renovations to modernize Jefferson and Madison Residence Halls were completed providing students access to improved housing facilities for the fall 2011 semester. Similar renovations to modernize Moffett Hall were initiated in spring of 2011 with the facility scheduled to reopen to students during the fall 2012 semester. Plans for new

construction include a technologically advanced Student Fitness and Wellness Center and Center for the Sciences buildings.

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 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.

Audited Financial Statements

RADFORD UNIVERSITY

Statement of Net Assets

As of June 30, 2011

	Radford University	Component Unit Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 75,156,390	\$ 2,176,134
Restricted cash and cash equivalents (Note 3)	3,570,075	-
Short-term investments (Notes 3, 17C)	122,400	38,275,013
Appropriation available	37,725	-
Accounts receivable (Net of allowance for doubtful accounts of \$397,154) (Note 4)	1,878,512	-
Contributions receivable (Net of allowance for doubtful contributions and discount of \$20,162) (Note 17B)	-	645,659
Due from the Commonwealth (Note 8)	3,885,220	-
Due from the Federal Government	73,810	-
Inventory	467,336	-
Notes receivable (Net of allowance for doubtful accounts of \$9,472) (Note 4)	55,312	-
Prepaid expenses	2,025,696	6,279
Other assets	-	130,213
Other receivables	-	53,983
Total current assets	87,272,476	41,287,281
Noncurrent assets		
Restricted cash and cash equivalents	-	521,746
Other long-term investments (Note 3, 17C)	663,512	4,044,376
Contributions receivable (Net of allowance for doubtful contributions and discount of \$131,386) (Note 17B)	-	734,981
Other assets	-	198,853
Notes receivable (Net of allowance for doubtful accounts of \$559,024) (Note 4)	3,097,585	-
Depreciable capital assets, net (Notes 5, 17D)	139,594,879	10,303,330
Non-depreciable capital assets (Notes 5, 17D)	32,469,102	3,523,822
Total noncurrent assets	175,825,078	19,327,108
Total assets	263,097,554	60,614,389
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	16,846,313	93,273
Deferred revenue	3,864,587	164,650
Obligations under securities lending	521,564	-
Deposits held in custody for others	249,731	-
Line of Credit (Note 17E)	-	582,043
Long-term liabilities - current portion (Notes 7, 8 and 17F)	1,983,164	88,496
Advance from the Treasurer of Virginia	20,000	-
Other liabilities	663,512	-
Trust and annuity obligations	-	100,931
Total current liabilities	24,148,871	1,029,393
Noncurrent liabilities (Notes 7, 8 and 17F)	9,109,233	686,948
Trust and annuity obligations	-	767,859
Total noncurrent liabilities	9,109,233	1,454,807
Total liabilities	33,258,104	2,484,200
NET ASSETS		
Invested in capital assets, net of related debt	170,599,728	12,469,665
Restricted for:		
Expendable:		
Scholarships and fellowships	-	9,437,400
Instruction and research	1,714,965	1,585,489
Loans	197,867	-
Debt Service	515,922	-
Other	-	7,886,091
Nonexpendable:		
Scholarships and fellowships	-	17,016,411
Instruction and research	-	1,858,908
Other	-	3,588,797
Unrestricted	56,810,968	4,287,428
Total net assets	\$ 229,839,450	\$ 58,130,189

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

RADFORD UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

	Radford University	Component Unit Radford University Foundation, Inc.
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$10,313,537)	\$ 42,999,455	\$ -
Gifts and contributions	-	2,773,878
Federal grants and contracts	5,690,900	-
State grants and contracts	1,145,831	-
Nongovernmental grants and contracts	225,574	-
Auxiliary enterprises (net of scholarship allowances of \$7,950,142) (Note 9)	46,997,743	-
Other operating revenues	961,344	666,833
Total operating revenues	<u>98,020,847</u>	<u>3,440,711</u>
EXPENSES		
Operating expenses (Note 10)		
Instruction	55,147,276	22,564
Research	275,516	-
Public service	4,227,197	-
Academic support	8,338,253	3,353,237
Student services	5,440,809	-
Institutional support	14,781,347	2,024,886
Operation and maintenance of plant	10,873,972	-
Depreciation	11,411,890	335,861
Student aid	3,893,823	1,102,440
Auxiliary activities (Note 9)	37,066,234	-
Total operating expenses	<u>151,456,317</u>	<u>6,838,988</u>
Operating loss	<u>(53,435,470)</u>	<u>(3,398,277)</u>
Nonoperating revenues (expenses)		
State appropriations (Note 11)	50,641,211	-
Federal stabilization funds (ARRA)	2,560,300	-
Federal student financial aid (Pell)	9,025,016	-
Investment income	156,627	7,543,156
Interest on capital asset-related debt	(224,142)	(33,814)
Loss on disposal of assets	(536,860)	-
Nonoperating transfers to the Commonwealth	(605,116)	-
Net nonoperating revenues	<u>61,017,036</u>	<u>7,509,342</u>
Income before other revenues, expenses, gains or losses	7,581,566	4,111,065
Capital appropriations	11,846,784	-
Capital gifts	2,312,997	483,738
Additions to permanent endowments	-	595,265
Additions to term endowments	-	49,600
Net other revenues	<u>14,159,781</u>	<u>1,128,603</u>
Increase in net assets	21,741,347	5,239,668
Net assets - beginning of year, as restated	208,098,103	52,890,521
Net assets - end of year	<u>\$ 229,839,450</u>	<u>\$ 58,130,189</u>

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

RADFORD UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash flows from operating activities:	
Student tuition and fees	\$ 43,050,900
Grants and contracts	7,324,526
Auxiliary enterprises	46,886,378
Other receipts	956,220
Payments for salaries, wages and fringe benefits	(87,893,857)
Payments for services and supplies	(3,987,1015)
Payments for utilities	(3,280,741)
Payments for scholarships and fellowships	(7,230,281)
Payments for noncapitalized plant improvements and equipment	(5,766,516)
Loans issued to students and employees	(958,289)
Collections of loans from students and employees	825,717
Net cash used by operating activities	<u>(45,956,958)</u>
Cash flows from nonoperating financing activities:	
State appropriations	50,641,211
Non-general fund appropriations	(605,116)
Gifts and grants for other than capital purposes	9,025,016
Federal stabilization funds (ARRA)	2,560,300
Federal Loan Contribution	3,658
Federal Family Education Loans - receipts	36,919,594
Federal Family Education Loans - disbursements	(36,810,877)
Student organization agency transactions	2,601
Net cash provided by noncapital financing activities	<u>61,736,387</u>
Cash flows from capital financing activities:	
Proceeds from capital appropriations available and investments	1,238
Capital appropriations	11,846,784
Capital gifts	1,279,305
Purchase of capital assets	(21,524,133)
Principal paid on capital debt, leases and installments	(212,210)
Interest paid on capital debt, leases and installments	(224,115)
Net cash provided by capital financing activities	<u>(8,833,131)</u>
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	(10,334,272)
Interest on investments	156,627
Net cash provided by investing activities	<u>(10,177,645)</u>
Net increase in cash	(3,231,347)
Cash and cash equivalents - beginning of the year	81,957,812
Cash and cash equivalents - end of the year	<u>\$ 78,726,465</u>

RADFORD UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2011

Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$ (53,435,470)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	11,411,890
Changes in assets and liabilities:	
Long-term investments	(221,135)
Receivables, net	(287,189)
Due from the Commonwealth	(1,167,141)
Prepaid expenses	(118,354)
Inventory	30,759
Notes receivable, net	4,879
Accounts payable and accrued expenses	(2,623,277)
Deferred revenue	(346,915)
Accrued compensated absences	(97,788)
Accrued retirement plan	(20,747)
Noncurrent liabilities	2197,00
Net cash used by operating activities	<u>\$ (45,956,958)</u>
 Non-cash capital and related financing transactions:	
Gift of Capital Assets	1,033,692
Amortization of bond premium	(17,810)
Loss on disposal of capital assets	(536,860)

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

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Notes to Financial Statements

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

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 39 standards, 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, 2011, the Foundation made distributions of \$1,990,563 to or on behalf of the University for both restricted and unrestricted purposes.

The Radford University Property Acquisition Corporation (RUPAC) began operations during the year ended June 30, 2008. RUPAC is also a legally separate, tax-exempt organization, and its purpose is to acquire real property for use by the University. The three member board is appointed by the Radford University Board of Visitors in consultation with the President of the University. Because of the nature of its relationship with the University, under GASB Statement 39 standards, RUPAC is considered part of the reporting entity and is presented in the University’s financial statements as a blended component unit. The following summarizes the unaudited financial position of the RUPAC at December 31, 2010, its fiscal year end:

Assets	\$ <u>1,185,210</u>
Liabilities	\$ 1,018,219
Net assets	<u>166,991</u>
Liabilities and net assets	<u>\$ 1,185,210</u>

The total unaudited receipts and disbursements of the RUPAC were \$75,633 and \$49,924, respectively, for the year ended December 31, 2010.

Complete financial statements for the Foundation and RUPAC can be obtained from: Radford University Foundation Administrative Office, PO Box 6915, Radford, Virginia 24142.

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 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. 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 College and Universities*.

The Foundation and RUPAC are non-profit organizations that report 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 or RUPAC'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 assets 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*, 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 Assets.

Accounts Receivable

Accounts receivable consists 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 is 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 assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. 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 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. 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	40 years
Building improvements	15 years
Other improvements and infrastructure	20 years
Equipment	2-25 years
Intangibles (Software)	3-10 years
Library materials	10 years

The Radford University Property Acquisition Corporation holds land and buildings for use by the University. These capital assets are valued at cost and buildings are depreciated using the straight-line method over a 20 year estimated useful life.

Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the period after June 30, 2011.

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, 2011, all unused vacation leave, sabbatical 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 payable and installment purchase obligations with maturities greater than one year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, 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 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 Assets

GASB Statement 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets. Net assets are classified as invested in capital assets, net of related debt; restricted (expendable or nonexpendable); and unrestricted. "Invested in capital assets, net of related debt" 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 assets are reported as "restricted" when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors; or imposed by law. Unrestricted net assets consist of net assets that do 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 Assets. 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 ASSETS

Certain net assets originally reported in the University's financial statements as of June 30, 2010, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2010	\$ 208,082,132
Capital asset prior year adjustments	(21,378)
Previously understated assets	<u>37,349</u>
Net Asset balance at July 1, 2010, as restated	<u><u>\$ 208,098,103</u></u>

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, 2011, in accordance with GASB 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 2011.

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.

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, 2011.

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 2011.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*. 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% 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, 2011:	<u>Market Value</u>
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	\$ 6,055,290
Cash with the Treasurer of Virginia	68,701,936
Collateral held for Securities Lending	399,164
Cash equivalents (State Nonarbitrage Program)	<u>3,570,075</u>
Total	<u>\$78,726,465</u>
 Investments:	
Collateral held for Securities Lending (short-term)	\$122,400
Investments not with the Treasurer of Virginia (long-term)	663,512
Total	<u><u>\$785,912</u></u>

Investments not with the Treasurer of Virginia consist primarily of funds received from the Radford University Foundation to fund specific deferred compensation arrangements.

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, 2011:

	<u>2011</u>
Student tuition and fees	\$482,026
Auxiliary enterprises	560,704
Federal, state, and nongovernmental grants and contracts	938,263
Other activities	294,673
	<u>2,275,666</u>
Less allowance for doubtful accounts	(397,154)
Net accounts receivable	<u>\$ 1,878,512</u>

Notes receivable consisted of the following at June 30, 2011:

	<u>2011</u>
Current portion:	
Federal student loans	\$62,149
Institutional student loans	2,635
Less allowance for doubtful accounts	(9,472)
Total current portion	<u>\$ 55,312</u>
Non-current portion:	
Federal student loans	\$ 3,424,486
Institutional student loans	232,123
Less allowance for doubtful accounts	(559,024)
Total non-current portion	<u>\$ 3,097,585</u>

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance (restated)	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	\$8,505,469	-	-	\$8,505,469
Construction in progress	4,289,585	20,672,849	998,801	23,963,633
Total nondepreciable capital assets	12,795,054	20,672,849	998,801	32,469,102
Depreciable capital assets:				
Buildings	192,891,723	551,394	816,487	192,626,630
Infrastructure	22,349,228	-	-	22,349,228
Equipment	26,931,584	2,230,217	305,799	28,856,002
Software	7,368,696	562,900	-	7,931,596
Other improvements	8,048,193	1,033,662	-	9,081,855
Library materials	20,371,860	1,729,978	787,742	21,314,096
Total depreciable capital assets	277,961,284	6,108,151	1,910,028	282,159,407
Less accumulated depreciation for:				
Buildings	78,849,725	6,588,298	294,933	85,143,090
Infrastructure	19,051,409	391,911	-	19,443,320
Equipment	16,004,745	2,675,969	290,493	18,390,221
Software	978,125	260,026	-	1,238,151
Other improvements	5,001,439	256,652	-	5,258,091
Library materials	12,640,363	1,239,034	787,742	13,091,655
Total accumulated depreciation	132,525,806	11,411,890	1,373,168	142,564,528
Depreciable capital assets, net	145,435,478	(5,303,739)	536,860	139,594,879
Total capital assets, net	\$158,230,532	15,369,110	1,535,661	\$172,063,981

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2011
Employee salaries, wages and fringe benefits payable	\$9,622,090
Vendors and suppliers accounts payable	3,065,092
Capital projects accounts payable	4,098,898
Accrued interest payable	60,233
Net accounts payable and accrued expenses	<u>\$16,846,313</u>

NOTE 7: NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ending June 30, 2011, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Notes payable - Pooled bonds	\$ 4,061,360	\$ -	\$ 132,810	\$ 3,928,550	\$ 137,811
Notes payable - RUPAC	1,038,191	-	52,289	985,902	64,372
Installment purchase obligations	137,640	-	27,111	110,529	27,806
Total long-term debt	5,237,191	-	212,210	5,024,981	229,989
Other liabilities:					
Accrued compensated absences	2,722,325	3,948,918	4,046,706	2,624,537	1,753,175
Federal loan program contributions	3,439,221	3,658	-	3,442,879	-
Total other liabilities	6,161,546	3,952,576	4,046,706	6,067,416	1,753,175
Total long-term liabilities	\$11,398,737	\$3,952,576	\$4,258,916	\$11,092,397	\$1,983,164

NOTE 8: LONG-TERM DEBT**Notes Payable – Pooled bonds**

The notes payable for pooled bonds are debt obligations between Virginia College Building Authority (VCBA) and the University. The 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 Radford University portion of the 2009B issuance was \$3.72 million 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.

Notes Payable - RUPAC

The Radford University Property Acquisition Corporation, a blended component unit of the University as stated in Note 1, has a mortgage note payable to First National Bank for the purchase of a warehouse leased by the University. The mortgage carries a 5.53% interest rate and is payable in monthly installments of \$9,860 with a final payment of \$4,132 due on October 1, 2022.

Installment Purchase Obligations

The University has future obligations under installment purchase agreements. The book value of the assets purchased under these installment purchase agreements is \$163,760 and the repayment terms range from 3 to 10 years at interest rates of 2.087% to 2.85%.

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

Fiscal Year Ending	Notes payable Pooled bonds	Notes payable RUPAC	Installment purchase
June 30, 2012	\$ 120,000	\$ 64,372	\$ 27,806
June 30, 2013	125,000	68,386	11,094
June 30, 2014	130,000	72,320	11,327
June 30, 2015	135,000	76,481	11,565
June 30, 2016	145,000	80,780	11,807
2017 - 2021	830,000	479,714	36,930
2022 – 2026	1,060,000	143,849	-
2027 - 2031	1,060,000	-	-
Unamortized Premium	323,550	-	-
Total	\$3,928,550	\$985,902	\$110,529

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

<u>Fiscal Year Ending</u>	<u>Notes payable</u>	<u>Notes payable</u>	<u>Installment</u>
	<u>Pooled bonds</u>	<u>RUPAC</u>	<u>purchase</u>
June 30, 2012	\$ 174,100	\$ 53,948	\$ 2,260
June 30, 2013	169,175	49,934	1,669
June 30, 2014	162,800	46,000	1,436
June 30, 2015	156,175	41,839	1,199
June 30, 2016	149,175	37,540	956
2017 – 2021	628,500	111,886	1,361
2022 – 2026	393,500	5,495	-
2027 – 2031	106,325	-	-
Total	<u>\$1,939,750</u>	<u>\$346,642</u>	<u>\$8,881</u>

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. For fiscal years prior to 1999, the VCBA purchased the equipment and leased it to the University. For fiscal years 1999 and following, financing agreements for ETF were changed so that the University now owns the equipment from the date of purchase.

At June 30, 2011, equipment purchased by the University that was not reimbursed by the VCBA totaling \$1,062,002 was included in the Statement of Net Assets line “Due from the Commonwealth.”

NOTE 9: AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following at June 30, 2011:

Revenues	2011
Room contracts, net of scholarship allowances of \$1,863,373	\$ 8,938,778
Dining service contracts, net of scholarship allowances of \$1,981,371	10,116,356
Comprehensive fee, net of scholarship allowances of \$4,105,398	19,451,081
Other student fees and sales and services	8,491,528
Auxiliary enterprises revenues	<u>\$46,997,743</u>
Expenses	2011
Residential facilities	7,272,904
Dining operations	13,116,543
Athletics	8,066,606
Other auxiliary activities	8,610,181
Auxiliary activities expenses	<u>\$37,066,234</u>

NOTE 10: EXPENSES BY NATURAL CLASSIFICATION

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	\$ 47,069,417	\$ 3,511,200	\$ 2,415,883	\$ -	\$ 2,150,776	\$ -	\$ 55,147,276
Research	258,278	-	17,238	-	-	-	\$ 275,516
Public service	1,843,056	2,214,283	-	-	169,858	-	\$ 4,227,197
Academic support	7,029,206	861,710	134,674	-	312,663	-	\$ 8,338,253
Student services	3,875,757	1,477,263	-	-	87,789	-	\$ 5,440,809
Institutional support	12,097,999	2,067,873	-	-	615,475	-	\$ 14,781,347
Operation and maintenance of plant	4,462,705	3,606,675	-	1,835,685	968,907	-	\$ 10,873,972
Depreciation	-	-	-	-	-	11,411,890	\$ 11,411,890
Scholarship and related expenses	-	-	3,893,823	-	-	-	\$ 3,893,823
Auxiliary activities	11,690,543	22,868,065	768,663	1,445,056	293,907	-	\$ 37,066,234
Total	\$ 88,326,961	\$ 36,607,069	\$ 7,230,281	\$ 3,280,741	\$ 4,599,375	\$ 11,411,890	\$ 151,456,317

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, 2011, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2011, except as may be specifically provided otherwise by the General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

The following is a summary of state appropriations received by the University during the year-ended June 30, 2011, including all supplemental appropriations and reversions:

Original legislative appropriation:	
Educational and general programs	\$42,386,924
Student financial assistance	7,013,650
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	11,085
Eminent scholar	12,364
Prior year general fund carryforward	2,093
College Scholarship Assistance Program (CSAP)	171,265
Virginia Military Survivors and Dependents Education Program	25,315
Two-Year College Transfer Grant Program	52,000
Central Appropriation Transfers:	
Workers compensation premium	(31,028)
Health insurance	130,948
Retirement contribution	(55,301)
State employee bonus	993,959
Other transfers	(72,060)
Reversion to the General Fund of the Commonwealth	(3)
Adjusted appropriation	<u>\$ 50,641,211</u>

NOTE 12: COMMITMENTS

At June 30, 2011, the University was a party to construction and other contracts totaling approximately \$56,132,045 of which \$26,916,325 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 \$793,323 for the year ended June 30, 2011.

The University has, as of June 30, 2011, future minimum rental payments due under the above leases of \$405,050 for the year ending June 30, 2012.

The University is the lessee of land and a building under a lease agreement with the RUPAC expiring in 2013. As the RUPAC is included in the University's financial statements as a blended component unit, the land and building is included in the University's capital assets at cost. However, in accordance with generally accepted accounting principles, the corresponding revenue and expense related to this lease agreement have been eliminated from the financial statements. Rental expense was approximately \$149,490 for the year ended June 30, 2011.

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

Year Ending June 30	Lease Obligation
2012	156,005
2013	39,241
Total	\$195,246

NOTE 13: 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 an agent 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, 2011. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled \$3,683,390 for the year ended June 30, 2011.

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 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 \$2,350,338 for year ended June 30, 2011. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$22,343,574 for fiscal year 2011.

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 \$10 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the deferred Compensation Plan were approximately \$169,925 for the fiscal year 2011.

NOTE 14: POST-EMPLOYMENT BENEFITS

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

NOTE 15: CONTINGENCIES

Grants and Contracts

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2011, the University estimates that no material liabilities will result from such audits or questions.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft 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 17: COMPONENT UNIT FINANCIAL INFORMATION

(A) Restatement of Net Assets

Certain net assets originally reported in the Radford University Foundation Inc.'s financial statements as of June 30, 2010, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2010	\$ 51,941,731
Previously understated assets	<u>948,790</u>
Net Asset balance at July 1, 2010, as restated	<u><u>\$ 52,890,521</u></u>

(B) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2011:

Current receivables:

Receivable in less than one year, net of discount \$0	\$665,821	
Less allowance for doubtful accounts	<u>(20,162)</u>	
Net current contributions receivable		\$645,659

Non-current receivables:

Receivable in one to five years, net of discount \$75,160	\$601,207	
Receivable in one to five years, net of discount \$56,226	<u>133,774</u>	
Net non-current contributions receivable		<u>734,981</u>
Total contributions receivable		<u><u>\$1,380,640</u></u>

The various discount rates were used in 2011. As of June 30, 2011, there were no conditional promises to give.

(C) Investments

Investments are comprised of the following as of June 30, 2011:

Short-term:

Cash and cash equivalents	\$621,049
Equities	556,364
Corporate bonds	350,000
Mutual funds	2,741
Investment company	<u>36,744,859</u>
Total short-term	<u><u>\$38,275,013</u></u>

Long-term:

Cash and cash equivalents	\$29,088
Mutual funds	703,818
Investment company	<u>3,311,470</u>
Total long-term	<u>4,044,376</u>
Total investments	<u><u>\$42,319,389</u></u>

(D) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2011 is presented as follows:

Depreciable capital assets:	
Buildings	\$12,922,800
Furniture and equipment	501,544
Vehicles	44,982
Land improvements	179,460
Total depreciable capital assets, at cost	<u>13,648,786</u>
Less accumulated depreciation	<u>(3,345,456)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>\$10,303,330</u>
Non-depreciable capital assets:	
Land	1,564,027
Collections of art	1,959,795
Total non-depreciable capital assets	<u>3,523,822</u>
Total capital assets, net of accumulated depreciation	<u><u>\$13,827,152</u></u>

(E) Line of Credit

The following is a summary of outstanding line of credit at June 30, 2011:

Line of credit agreement up to a principal amount of \$1,250,000, interest payable monthly at LIBOR plus 2.25%, with a minimum rate of 3% (3% at June 30, 2011), outstanding principal due upon maturity on April 26, 2012, secured by real estate and substantially all accounts held by Radford University Foundation, Inc. with the bank	<u><u>\$582,043</u></u>
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(F) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2011:

Note payable to a bank due in semi-annual installments of \$40,000 through April 2016, with interest payable at LIBOR plus 2.25%, with a minimum rate of 3% (3% at June 30, 2011), outstanding principal due upon maturity, collateralized by virtually all accounts held by Radford University Foundation, Inc. with the bank	\$759,867
Note payable to GMAC in monthly installments of \$708 including interest at 0.0% beginning January 1, 2007, secured by vehicle	<u>15,577</u>
Total long-term debt	<u><u>\$775,444</u></u>

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2011 are as follows:

2012	\$88,496
2013	87,081
2014	80,000
2015	80,000
2016	<u>439,867</u>
Total notes payable	<u><u>\$775,444</u></u>

NOTE 18: SUBSEQUENT EVENTS

On October 18, 2011, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Bonds, Series 2011A, 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 \$4,563,954.75, and will be used for the construction of a Student Fitness and Wellness Center.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Radford 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 unit of **Radford University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University, which are discussed in Note 17. 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 unit 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 unit 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 unit of the University as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 10 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

RADFORD UNIVERSITY
Radford, Virginia

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