LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2010

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2009 – 2010

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Longwood University
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

INTRODUCTION

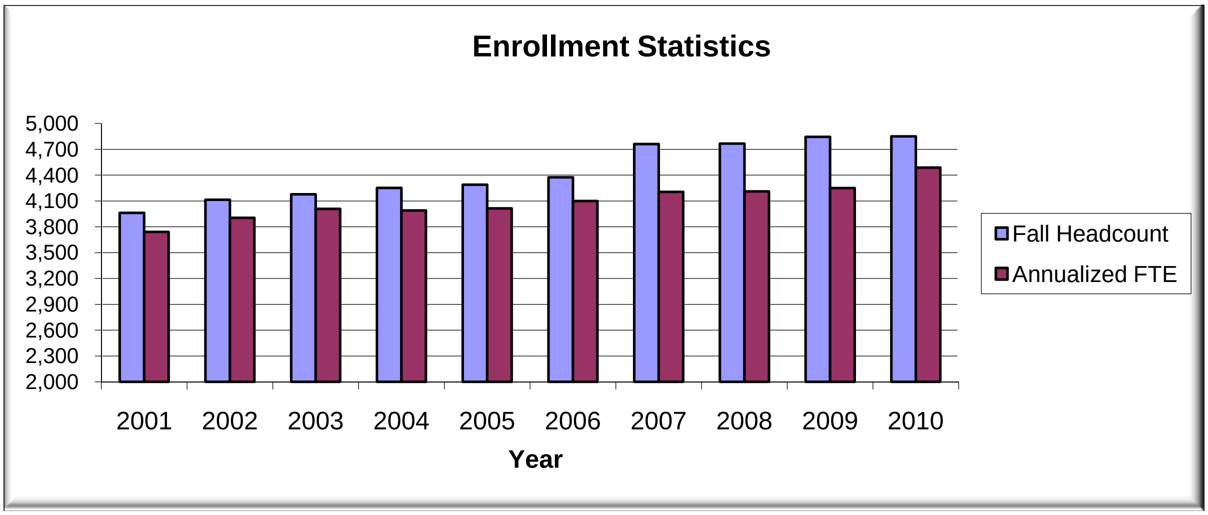
Longwood University, located in Farmville and founded in 1839, is a coeducational, state-assisted university offering 100 undergraduate majors, minors and concentrations and numerous graduate programs for 4,800 students from over 25 states and 14 foreign countries. It is one of the few public universities to require an undergraduate internship research project for graduation. International opportunities are encouraged, from three-week study abroad programs led by Longwood University professors to semester or year-long experiences at partner universities. The University has been recognized by US News/World Report as one of the top public universities-masters in the south, and is cited as a "Best Southeastern College" by Princeton Review.

Longwood's current enrollment of undergraduate students is approximately 95% Virginians. The University prides itself on being a public institution with a "private" feel, its student/faculty ratio of 22 to 1 and the vast educational and social opportunities afforded its students. The Longwood University experience provides numerous opportunities for students to be involved and develop their leadership skills.

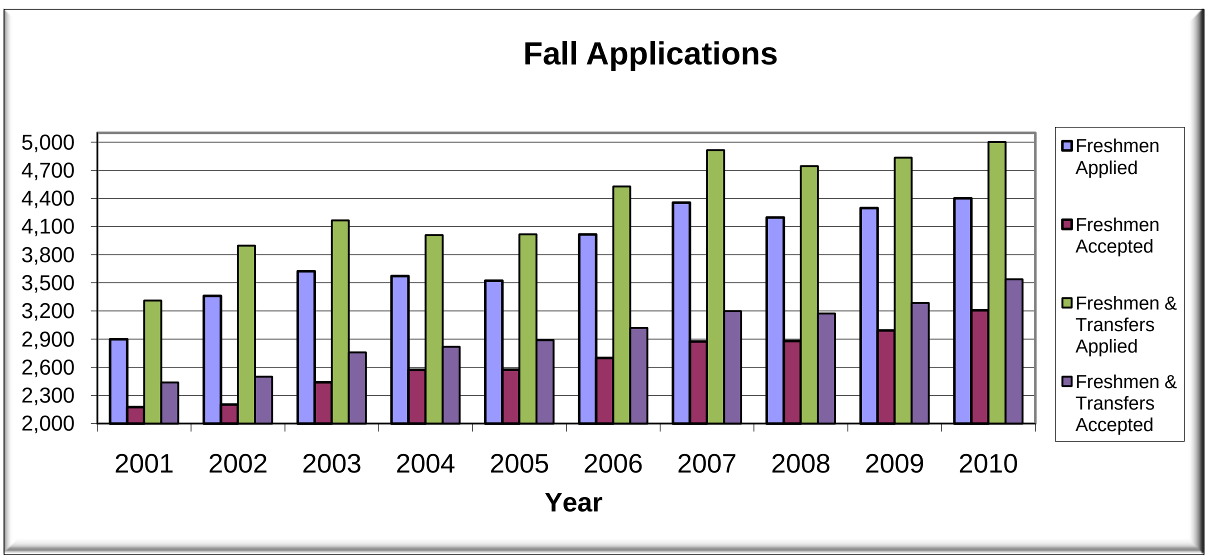
The Management's Discussion and Analysis (MD&A) provides a discussion and analysis of the financial performance during the fiscal year ended June 30, 2010, with comparative information presented for the fiscal year ended June 30, 2009. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education and public service. Net assets are accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of management. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

ENROLLMENT AND ADMISSIONS

A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Headcount enrollment increased from 3,961 in fall 2001 to 4,850 in fall 2010. The University is projecting a headcount of 4,870 for fall 2011.



The strategic plan states that the student body will be of high quality. The fall 2010 entering freshmen class remained competitive with a grade-point average of 3.4, an average SAT score of 1095, and an average ACT score of 23. Total freshmen applications have increased from 4,298 in fall 2009 to 4,402 in fall 2010.



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an overview of the financial position and performance during the fiscal year ended June 30, 2010. This overview has been prepared by management and should be read in conjunction with the financial statements and footnotes that follow this section. Comparative information for the fiscal year ended June 30, 2009, has been provided where applicable. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) principles establish standards for external reporting for colleges and universities.

The University's financial report includes three basic financial statements and related notes:

1. The Statement of Net Assets
2. The Statement of Revenues, Expenses, and Changes in Net Assets
3. The Statement of Cash Flows

Summary of the Change in Net Assets

	Year Ended June 30,		Increase/(Decrease)	
	2010	**2009**	**Amount**	**Percent**
Total Operating Revenues	$ 67,901,899	$ 66,017,456	$ 1,884,443	2.85%
Total Operating Expenses	95,365,246	100,370,642	(5,005,396)	-4.99%
Operating Loss	(27,463,347)	(34,353,186)	6,889,839	-20.06%
Nonoperating Revenues	29,204,452	31,843,921	(2,639,469)	-8.29%
Other Revenue	18,206,476	(7,471,309)	25,677,785	343.69%
Total Increase/(Decrease)	$ 19,947,581	$ (9,980,574)	$ 29,928,155	299.86%

On a summary basis, operating revenues increased by $1.8 million or 2.85% from fiscal year 2009 to fiscal year 2010. Operating expenses decreased $5.0 million or 5% due to the budget reductions made during fiscal year 2010. This resulted in a reduction of the University's operating loss from $34.4 million in fiscal year 2009 to $27.5 million in fiscal year 2010.

The operating loss was offset by $29.2 million in non-operating revenues ($26.5 million state appropriations and $2.2 million ARRA stimulus revenue) and $18.2 million in other revenues ($17.9 million capital appropriations).

Other revenue increased $25.7 million from fiscal year 2009 to fiscal year 2010. This is due to the severe fiscal year 2009 decrease in capital appropriation revenue of $20.3. The fiscal year 2009 decrease was due to Department of Accounts (DOA) reverting the general fund appropriation and supplanting it with VCBA 21st Century funds. There was no such decrease in fiscal year 2010.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities is net assets, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2010. 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.

Net assets are divided into three major categories. The first category, "Invested in capital assets, net of debt," provides the University's equity in property, plant, and equipment owned by the University, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The next category is "Restricted Net Assets", which is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third major category is 'Unrestricted Net Assets" which is available to the University for any lawful purpose of the University.

SUMMARY OF THE STATEMENT OF NET ASSETS

	Year Ended June 30,		Increase/(Decrease)	
	2010	**2009**	**Amount**	**Percent**
Assets:				
Current assets	$ 54,331,220	$ 48,112,497	$ 6,218,723	12.93%
Noncurrent assets:				
Restricted cash and cash equivalents	11,560,183	15,393,825	(3,833,642)	-24.90%
State Appropriations	16,756	52,328	(35,572)	-67.98%
Capital Assets, net	194,442,053	179,581,422	14,860,631	8.28%
Other	1,093,526	1,247,094	(153,568)	-12.31%
Total assets	261,443,738	244,387,166	17,056,572	6.98%
Liabilities:				
Current liabilities	28,477,145	27,341,247	1,135,898	4.15%
Noncurrent liabilities	65,545,497	69,572,404	(4,026,907)	-5.79%
Total liabilities	94,022,642	96,913,651	(2,891,009)	-2.98%
Net assets:				
Invested in capital assets, net of related debt	131,576,429	117,242,094	14,334,335	12.23%
Restricted Expendable	1,516,517	1,505,014	11,503	0.76%
Unrestricted	34,328,150	28,726,407	5,601,743	19.50%
Total net assets	$ 167,421,096	$ 147,473,515	$ 19,947,581	13.53%

EVALUATION OF STATEMENT OF NET ASSETS FOR FISCAL YEARS 2009 TO 2010

The University's total assets increased by $17.1 million between fiscal years 2009 and 2010 due primarily to an increase in capital projects. Construction in progress increased by $19.5 million due to expenditures for capital projects, including Bedford Addition/Renovation, Steam Plant Phase II, Blackwell, Athletic Offices, and Jarman. Depreciable capital assets decreased due to depreciation and amortization of $9.1 million partially offset by capitalized expenses for buildings $796,214, equipment $1,232,680, infrastructure $484,555, and Library Materials $563,935. Prepaid expenses increased $1.2 million.

Noncurrent liabilities decreased by $4.0 million due to debt service payments made during the fiscal year. Current liabilities increased $1.8 million due to an increase in accounts payable of $2.6 million partially offset by a decrease in securities lending obligations of $853,238.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) presents the operating results as well as the non-operating revenues and expenses of the University. State Appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University’s state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,		Increase/(Decrease)	
	2010	2009	Amount	Percent
Operating revenues	$ 67,901,899	$ 66,017,456	$ 1,884,443	2.85%
Operating expenses	95,365,246	100,370,642	(5,005,396)	-4.99%
Operating loss	(27,463,347)	(34,353,186)	6,889,839	-20.06%
Nonoperating revenues/(expenses)				
State appropriations	26,502,233	31,495,060	(4,992,827)	-15.85%
Higher education stabilization revenue	2,221,989	-	2,221,989	100.00%
Pell grant revenue	3,230,945	2,028,576	1,202,369	59.27%
Other operating and nonoperating revenues/expenses	(2,750,715)	(1,679,715)	(1,071,000)	63.76%
Net nonoperating revenues and expenses	29,204,452	31,843,921	(2,639,469)	-8.29%
Income/(loss) before other revenues and reductions	1,741,105	(2,509,265)	4,250,370	-169.39%
Capital appropriations	17,948,296	(7,535,402)	25,483,698	-338.19%
Other gifts	258,180	64,093	194,087	302.82%
Total other revenues	18,206,476	(7,471,309)	25,677,785	-343.69%
Total increase/(decrease) in net assets	19,947,581	(9,980,574)	29,928,155	-299.86%
Net assets, beginning of year with restatement	147,473,515	159,741,916	(12,268,401)	-7.68%
Net assets, end of year	$ 167,421,096	$ 149,761,342	$ 17,659,754	11.79%
Net assets, end of year FY 2009 restated		$ 147,473,515		

EVALUATION OF STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR FISCAL YEARS 2009 TO 2010

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was an increase of $1.9 million from fiscal year 2009 to fiscal year 2010 due to an increase in student tuition and fee charges.

Overall, total operating expenses decreased approximately $5.0 million in fiscal year 2010 compared to the previous fiscal year. This represents a 5.0% decrease which is primarily due to the decreased spending associated with the budget reductions made.

Net non-operating revenues decreased $2.6 million. This decrease is primarily due to the decrease in interest earnings because the cash balances were lower in fiscal year 2010 and interest on the auxiliary balances was received only on one quarter due to the Commonwealth’s budget shortfalls.

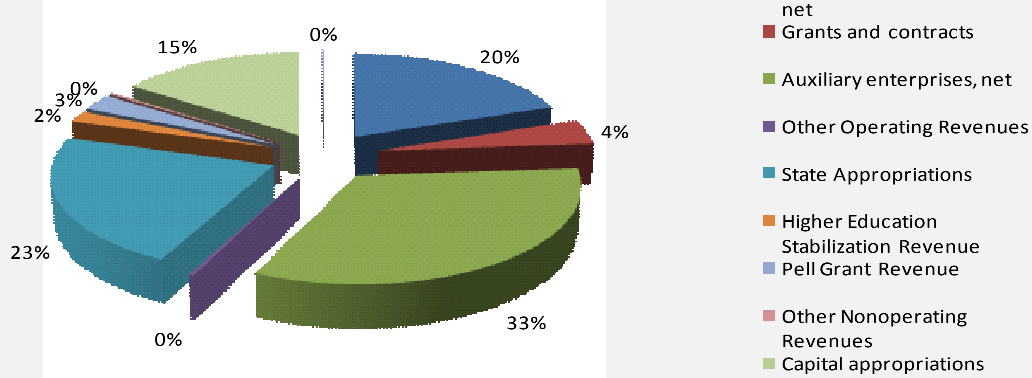
Other revenues increased by $25.7 million due to the dramatic fiscal year 2009 decrease in capital appropriation revenue of $20.3 million. The decrease was due to Department of Accounts

(DOA) reverting the general fund appropriation and supplanting it with VCBA 21st Century funds. There was no such decrease in fiscal year 2010.

A restatement of fiscal year 2009 ending net assets from $149,761,342 to $147,473,515 was made in fiscal year 2010. This restatement was due to adjustments made that decreased capital assets by $1,621,474. These capital asset adjustments were made due to additional analysis of the fixed asset system and are shown in Note 5: Capital Assets. An adjustment was also made to account for a prior year interest payable accrual for $673,505.

SUMMARY OF REVENUES

For the year ended June 30, 2010



Summary of Revenues
Increase (Decrease) in Revenues
For the years ended June 30, 2010 and 2009

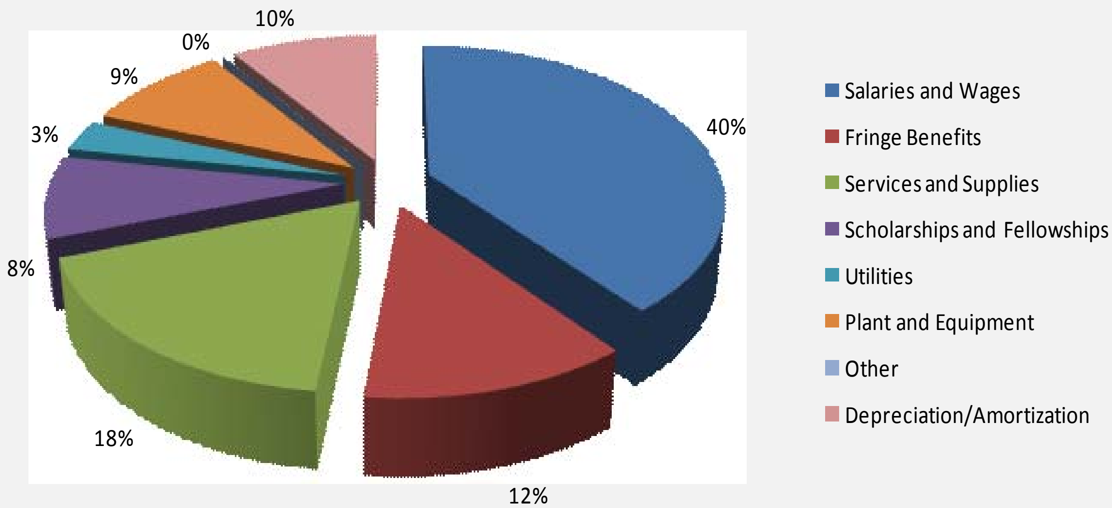
	2010	2009	Amount	Percent
Operating Revenues:				
Student tuition and fees, net	$ 23,177,781	$ 21,614,508	$ 1,563,273	7.23%
Grants and contracts	5,003,773	6,934,993	(1,931,220)	-27.85%
Auxiliary enterprises, net	39,328,510	37,088,482	2,240,028	6.04%
Other Operating Revenues	391,835	379,473	12,362	3.26%
Total Operating Revenues	67,901,899	66,017,456	1,884,443	2.85%
Nonoperating revenues:				
State Appropriations	26,502,233	31,495,060	(4,992,827)	-15.85%
Higher Education Stabilization Revenue	2,221,989	-	2,221,989	100.00%
Pell Grant Revenue	3,230,945	2,028,576	1,202,369	59.27%
Other Nonoperating Revenues	402,505	1,543,122	(1,140,617)	-73.92%
Total Nonoperating Revenues	32,357,672	35,066,758	(2,709,086)	-7.73%
Other Revenues				
Capital appropriations	17,948,296	(7,535,402)	25,483,698	-338.19%
Other Revenues	258,180	64,093	194,087	302.82%
Total Other Revenues	18,206,476	(7,471,309)	25,677,785	-343.69%
Total Revenues	$ 118,466,047	$ 93,612,905	$ 24,853,142	26.55%

SUMMARY OF EXPENSES

A summary of the University's operating expenses for the years ended June 30, 2010 and 2009 is shown below. Overall, total operating expenses decreased approximately $5.0 million in fiscal year 2010 compared to the previous fiscal year. This represents a 5.0% decrease.

SUMMARY OF OPERATING EXPENSES BY NATURAL CLASSIFICATION

For the year ended June 30, 2010

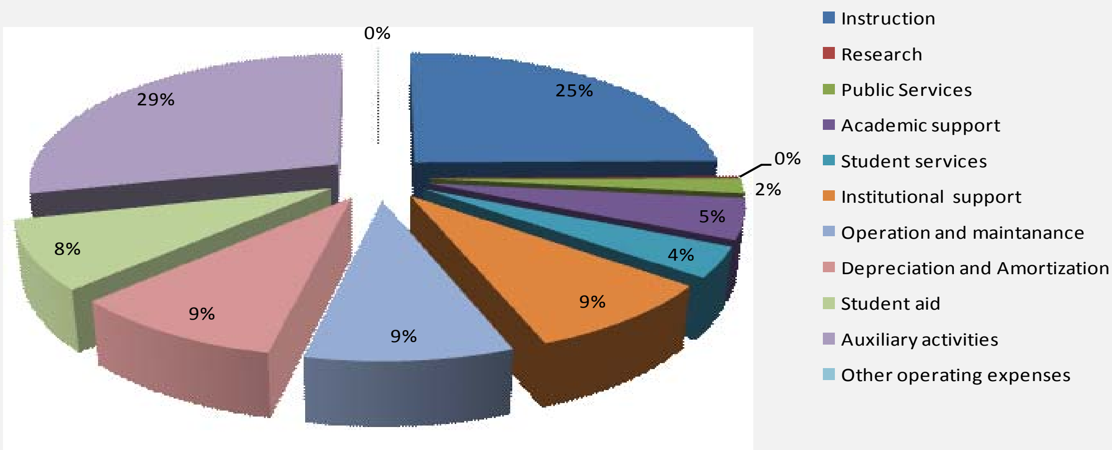


Operating Expenses by Natural Classification
For the years ended June 30, 2010 and 2009

			Variance	
	2010	2009	Amount	Percent
Salaries and Wages	$ 37,593,323	$ 37,522,909	$ 70,414	0.19%
Fringe Benefits	11,726,214	12,557,202	(830,988)	-6.62%
Services and Supplies	16,931,866	17,386,900	(455,034)	-2.62%
Scholarships and Fellowships	8,028,954	10,262,762	(2,233,808)	-21.77%
Utilities	3,052,704	2,842,379	210,325	7.40%
Plant and Equipment	8,914,572	10,074,397	(1,159,825)	-11.51%
Other	17,136	25,314	(8,178)	-32.31%
Depreciation/Amortization	9,100,477	9,698,779	(598,302)	-6.17%
Total Operating Expenses	$ 95,365,246	$ 100,370,642	$ (5,005,396)	-4.99%

SUMMARY OF OPERATING EXPENSES BY FUNCTION

For the year ended June 30, 2010



Operating Expenses by Function
For the years ended June 30, 2010 and 2009

	2010	2009	Variance Amount	Variance Percent
Operating expenses:				
Instruction	$ 23,661,118	$ 23,826,353	$ (165,235)	-0.7%
Research	120,316	18,440	101,876	552.0%
Public Services	1,713,376	1,912,894	(199,518)	-10.4%
Academic support	4,687,292	6,312,792	(1,625,500)	-25.7%
Student services	3,534,110	3,650,173	(116,063)	-3.2%
Institutional support	8,489,439	11,032,978	(2,543,539)	-23.0%
Operation and maintanance	8,740,198	8,868,223	(128,025)	-1.4%
Depreciation and Amortization	9,100,477	9,698,779	(598,299)	-6.2%
Student aid	8,028,954	7,030,278	998,676	14.2%
Auxiliary activities	27,272,830	27,994,418	(721,588)	-2.6%
Other operating expenses	17,136	25,314	(8,178)	-32.3%
Total operating expenses	$ 95,365,246	$ 100,370,642	$ (5,005,396)	-5%

STATEMENT OF CASH FLOWS

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows. The Statement of Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations, stimulus, and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets to the cash used by operating activities.

CONDENSED STATEMENT OF CASH FLOWS

	2010	2009	Increase/ (Decrease)
Cash Provided (used) by:			
Operating activities	(18,488,787)	(24,876,041)	6,387,254
Noncapital financing activities	31,909,621	33,531,292	(1,621,671)
Capital financing activities	(14,510,078)	(7,089,883)	(7,420,195)
Investing activities	(118,354)	339,775	(458,129)
Net increase/(decrease) in cash	(1,207,598)	1,905,143	(3,112,741)
Cash - Beginning of year	46,766,232	44,861,089	1,905,143
Cash - End of year	$ 45,558,634	$ 46,766,232	$ (1,207,598)

EVALUATION OF STATEMENT OF CASH FLOWS FOR FISCAL YEARS 2009 TO 2010

For fiscal year 2010, significant sources of operating cash include student tuition and fees of $22.8 million, auxiliary enterprise receipts of $39.5 million, and grants and contracts of $5.0 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $49.0 million and payments to suppliers and utilities of $20.7 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $26.5 million.

CAPITAL AND DEBT ACTIVITIES

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 5 of the Notes to Financial Statements, describes the University's significant investment in capital assets. During fiscal year 2010 total capital assets increased by $13,239,157. This is due to expenses for various ongoing capital projects such as the Bedford Addition/Renovation, Steam Plant Phase II, Blackwell, Athletic Offices, and Jarman.

Long term debt decreased from $71,054,019 in 2009, to $67,093,233 in 2010 as a result of debt payments made during the fiscal year. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 6.74 percent at the end of fiscal year 2009 and 7.38 percent at the end of fiscal year 2010.

ECONOMIC OUTLOOK

As one of Virginia's comprehensive higher education institutions, Longwood is dependent upon ongoing financial and political support from State government. Thus, the University's economic outlook is closely tied to that of the Commonwealth.

Since FY 2008, revenues for the Commonwealth have fallen far short of projections. Given recent economic conditions and the resulting decline in State revenues, agencies have experienced significant budget reductions over the past three fiscal years. Longwood's budget cuts have been $1,669,511 (6%) in FY 2008, $1,356,876 (5%) in FY 2009, and $3,550,551 (14%) in FY 2010. Approximately 25% of Longwood University's general fund budget has been cut between FY 2008 and FY 2011. Proposed cuts for FY 2012 are $2,688,843 (11%), which would bring the total reduction to $9,265,781 or 36%. Additionally, the Commonwealth once provided funds to operate new facilities; currently no support is provided for building operations.

The dramatic decline in State general fund resources has significantly impacted services and increases the challenges facing Longwood as it strives to provide quality educational opportunities for students. The University is taking a variety of measures to address the reduced State funding, including tuition increases, enhanced fundraising efforts, and the consideration of possible new revenue generating activities. Longwood is sensitive to the issue of affordability, and the need to recruit and retain quality students during a period of rising costs and extremely difficult economic conditions is a profound concern.

The General Assembly's appropriated 2011 budget includes American Recovery and Reinvestment Act (ARRA) funds which are one-time funds made available as part of President Obama's stimulus package. Longwood's ARRA allocation is $2,221,989 in 2010 and $3,305,208 in 2011. One of the purposes of the State Fiscal Stabilization Fund program is to help mitigate the need for increases in tuition and fees that in-state students pay to attend public institutions of higher education.

At June 30, 2010, the Commonwealth posted its first revenue surplus since June 30, 2008. Thus far, fiscal year 2011 revenue collections have outperformed projections. A portion of the surplus is dedicated to fund a one-time non-recurring 3% December 2010 bonus for Virginia's state employees. State employees have worked without any increase in pay for four years.

These are positive signs for the Commonwealth's economic recovery and an important indicator that activity is returning to our economy. This remains a tough fiscal environment overall and we cannot yet truly say we've turned the corner on one of the worst economic downturns in our nation's history. Despite the tremendous challenges Longwood has faced, management believes the University will maintain its solid financial foundation and continue to deliver the educational experience for which Longwood is known, contributing to the University's mission of educating citizen leaders.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

June 8, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Longwood 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 **Longwood University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2010, 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 2. 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, 2010, 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 14 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 June 8, 2011on our consideration of Longwood 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

FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

As of June 30, 2010

ASSETS	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Current assets:			
Cash and cash equivalents (Note 3)	$ 33,998,451	$ 9,869,305	$ 224,398
Securities lending - Cash and cash equivalents (Note 3)	7,205,711	-	-
Short-term investments (Note 3)	3,883,578	-	-
Accounts receivable, net of allowance for doubtful accounts of $467,037 (Note 4)	1,402,532	-	238,727
Notes receivable, net (note 4)	173,487	18,208	3,752
Contributions receivable, net (Note 4)	-	234,219	-
Due from the Commonwealth (Note 4)	4,651,672	-	-
Inventory	542,155	-	-
Prepaid expenses	2,473,634	-	9,926
Total current assets	$ 54,331,220	$ 10,121,732	$ 476,803
Noncurrent assets:			
Restricted cash and cash equivalents (Note 3)	11,560,183	28,402,833	-
Restricted appropriations available/Due from Commonwealth (Note 3)	16,756	-	-
Restricted investments	-	1,172,678	-
Restricted deposits	-	-	2,065,068
Other non-current assets	-	2,206,180	2,283,120
Notes receivable, net of allowance for doubtful accounts of $118,915 (Note 4)	1,093,526	-	-
Contributions receivable, net (Note 4)	-	3,447,989	-
Non-depreciable capital assets, net (Note 5)	45,015,335	4,063,534	11,121,274
Depreciable capital assets, net (Note 5)	149,426,718	1,300,070	34,419,318
Total noncurrent assets	207,112,518	40,593,284	49,888,780
Total assets	$ 261,443,738	$ 50,715,016	$ 50,365,583
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses (Note 6)	11,031,999	164,128	709,210
Line of credit	-	-	4,911,424
Deferred revenue	1,248,183	-	-
Obligations under securities lending (Note 3)	11,089,289	-	-
Deposits held in custody for others	556,003	-	-
Long-term liabilities - current portion net of deferred loss of $46,711 (Note 7)	4,516,671	475,721	616,668
Advance from the Treasurer of Virginia	35,000	-	-
Total current liabilities	28,477,145	639,849	6,237,302
Noncurrent liabilities - net of deferred loss of $414,758 (Note 7)	65,545,497	1,006,392	49,305,898
Total liabilities	$ 94,022,642	$ 1,646,241	$ 55,543,200
NET ASSETS			
Invested in capital assets, net of related debt	131,576,429	5,293,288	407,089
Restricted:			
Nonexpendable:			
Permanently restricted	-	29,279,704	-
Expendable:			
Loans	229,122	-	-
Temporarily restricted	-	8,964,108	-
Other	1,287,395	-	-
Unrestricted	34,328,150	5,531,675	(5,584,706)
Total net assets	$ 167,421,096	$ 49,068,775	$ (5,177,617)

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Operating revenues:			
Student tuition and fees, net of scholarship allowances of $2,311,596	$ 23,177,781	$ -	$ -
Gifts and contributions	-	414,560	221,747
Federal grants and contracts	2,022,454	-	-
State grants and contracts	598,230	-	-
Nongovernmental grants and contracts	2,383,089	-	-
Auxiliary enterprises, net of scholarship allowances of $3,514,799 (Note 10)	39,328,510	-	-
Other operating revenues	391,835	-	5,224,669
Total operating revenues	67,901,899	414,560	5,446,416
Operating expenses (Note 13)			
Instruction	23,661,118	-	-
Research	120,316	-	-
Public service	1,713,376	-	-
Academic support	4,687,292	-	-
Student services	3,534,110	-	-
Institutional support	8,489,439	2,252,059	2,554,280
Operation and maintenance - Plant	8,740,198	-	-
Depreciation	8,052,549	-	1,484,724
Amortization	1,047,928	-	-
Student aid	8,028,954	616,608	-
Auxiliary activities (Note 10)	27,272,830	-	-
Administrative and fundraising	-	828,612	34,041
Other expenditures	17,136	-	1,615
Total operating expenses	95,365,246	3,697,279	4,074,660
Operating gain (loss)	(27,463,347)	(3,282,719)	1,371,756
Nonoperating revenues (expenses):			
State appropriations (Note 12)	26,502,233	-	-
Higher Education Stabilization Revenue	2,221,989	-	-
Pell Grant revenue	3,230,945	-	-
Other	-	154,815	-
Insurance Revenue	73,950	-	-
Investment revenue (loss)	328,555	4,566,851	7,490
Interest on capital asset-related debt	(3,153,220)	-	(2,055,466)
Unrealized gain on swap	-	-	6,565,667
Donation of capital assets	-	-	(16,168)
Net nonoperating revenues	29,204,452	4,721,666	4,501,523
Income before other revenues, expenses, gains or losses	1,741,105	1,438,947	5,873,279
Contributions to permanent endowments	-	2,393,173	-
Contributions to term endowments	-	1,503,005	-
Capital appropriations	17,948,296	-	-
Other Gifts	258,180	-	-
Net other revenues	18,206,476	3,896,178	-
Increase (decrease) in net assets	19,947,581	5,335,125	5,873,279
Net assets - Beginning of year (Note 18)	147,473,515	43,733,650	(11,050,896)
Net assets - End of year	$ 167,421,096	$ 49,068,775	$ (5,177,617)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Student tuition and fees	$ 22,811,325
Grants and contracts	5,005,540
Auxiliary enterprises	39,519,733
Payments to employees	(49,008,184)
Payments to suppliers and utilities	(20,721,266)
Payments for scholarships and fellowships	(8,028,954)
Payments for noncapitalized plant improvements and equipment	(8,578,791)
Change in loans to students	137,079
Other operating receipts	391,835
Payments for other expenses	(17,104)
Net cash provided (used) by operating activities	(18,488,787)
Cash flows from noncapital financing activities:	
State appropriations	26,502,233
Other non-operating	5,445,152
Change in agency balances	(37,764)
Net cash provided (used) by noncapital financing activities	31,909,621
Cash flows from capital financing activities:	
Capital appropriations	13,567,779
Acquisition and construction of capital assets	(21,161,880)
Principal paid on capital debt, leases, and installments	(3,847,408)
Interest paid on capital debt, leases, and installments	(3,142,519)
Insurance payments	73,950
Net cash provided (used) by capital financing activities	(14,510,078)
Cash flows from investing activities:	
Interest on investments	(118,354)
Net cash provided (used) by investing activities	(118,354)
Net increase (decrease) in cash	(1,207,598)
Cash and cash equivalents - Beginning of the year	46,766,232
Cash and cash equivalents - End of the year	$ 45,558,634

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

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

Operating gain (loss)	$ (27,463,347)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	9,100,477
Changes in assets and liabilities:	
Receivables, net	(153,923)
Inventory	115,261
Prepaid expenses	(1,255,100)
Notes receivable, net	137,079
Accounts payable and accrued expenses	1,051,564
Deferred revenue	1,223
Deposits payable	(6,911)
Accrued compensated absences	(15,110)
Net cash provided (used) by operating activities	$ (18,488,787)

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

NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

   A. Reporting Entity

   Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

   A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, 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.

   The University has two component units as defined by the Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14, *The Financial Reporting Entity*. These organizations are described in Note 2.

   B. Basis of Presentation

   The University's accounting policies conform with generally accepted accounting principles as prescribed by 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 Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities* and GASB Statement 39, *Determining Whether Certain Organizations Are Component Units.*

   C. 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.

D. Cash and Cash Equivalents

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

E. 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 non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

F. Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method.

G. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment 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. Library materials are valued using actual costs for acquisitions and published average prices for disposals. 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. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. 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	50 years
Other improvements and infrastructure	20 years
Equipment	5-15 years
Library materials	10 years

H. Non-current Cash and Investments

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

I. 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, 2010.

	2010
Student tuition and related fees	$ 1,245,683
Auxiliary enterprise fees	2,500
Total	$ 1,248,183

J. Accrued Compensated Absences

The amount of leave earned but not taken by classified salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's leave pay-out policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

K. 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, *Audits of States, Local Governments and Non-Profit Organizations*, and Compliance Supplement.

L. Net Assets

GASB Statement 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets, not fund balances. Net assets are classified as Invested in capital assets, net of related debt;

Restricted; and Unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and is 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 of restricted or invested in capital assets.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purpose established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

The University's restricted net assets are expendable. Expendable restricted net assets are resources, that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets are resources derived primarily from state appropriations, sales and services of educational departments, student tuition and fees, and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

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

M. Revenue and Expense Classifications

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

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

Non-operating expenses 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.

N. 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 Revenue, 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 that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating 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.

O. Long-term Liabilities

Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amortization of bond premiums and issuance costs are reported as debt service expenditures. The debt as shown in the Statement of Net Assets is divided between current and non-current liabilities (see Note 7). The Statement of Revenues, Expenses, and Changes in Net Assets shows the interest expense which is recognized as a non-operating expense when paid.

2. COMPONENT UNITS

The Financial reporting entity is defined by GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations are Component Units*. The reporting entity consists of the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion could cause the financial statements to be misleading or incomplete. These statements address the conditions under which institutions should include associated fund-raising foundations as component units in their basic financial statements and how such component units should be displayed in the basic financial statements.

The University has two component units as defined by GASB Statement 39. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the University. As a result, the University includes Longwood University Foundation, Inc.

and Longwood Real Estate Foundation in the body of the financial statements as component units.

The Longwood University Foundation assists the University in raising, investing, and distributing funds to support various University operating and endowment programs. The thirty-two 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 the resources, or income from the resources, that 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 benefits of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

The Longwood University Foundation's financial statements are audited by Cherry, Bekaert, & Holland, LLP. Complete financial statements can be obtained from the Longwood University Foundation at 201 High Street, Farmville, Virginia 23909.

The Longwood Real Estate Foundation is operated to receive, maintain, and administer assets in perpetuity exclusively for charitable and educational purposes and assists the University in real property acquisition, management, and maintenance. The Foundation's board of directors consists of nine members; six directors appointed by the Longwood University Board of Visitors and three ex-officio directors consisting of the University Vice President for Administration and Finance, the University's Real Property Manager, and the Vice President for Facilities Management. The University does not control the day-to-day activities of the Real Estate Foundation; however, the majority of Real Estate Foundation activity is for the benefit of the University.

The Longwood University Real Estate Foundation's financial statements are audited by Goodman and Company, LLP. Complete financial statements can be obtained from the Longwood University Real Estate Foundation at 515 Main Street, Farmville, VA 23909.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. In accordance with GASB Statement 9 definition of cash and cash equivalents, cash represents cash with the Treasurer, cash on hand, and cash deposits including certificates of deposits, and temporary investments with original maturities of three months or less.

At June 30, 2010, the carrying amount of cash with the Treasurer of Virginia was $33,870,108. The carrying amount of cash not held by the Treasurer of Virginia is $1,415,738. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2010, in the amount of $1,500,858 adjusted for reconciling items, petty cash items, and change funds. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Appropriations Available

Appropriations available are no longer included in our cash amounts. We have listed them separately on the line item "Restricted Appropriations Available/Due from Commonwealth". At June 30, 2010, the amount of appropriations available was $16,756.

Investments

The University does not invest in funds outside of those funds held by the Treasurer of Virginia and thus does not have a separate investment policy.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2010, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP) and the Local Government Investment Pool (LGIP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2010, the carrying amount of the cash equivalents held in the SNAP program with the Bank of New York was $8,114,642 and with the Treasurer of Virginia was $2,158,463.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

Securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Assets, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's 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 and losses are realized, the actual gains and losses are recorded by the affected agencies.

Securities Lending Balances as of June 30, 2010:

Unrestricted cash equivalents	$ 7,205,711
Short term investment	3,883,578
Total Securities Lending	$ 11,089,289

Investments of the Longwood Foundation

Investments and the beneficial interest in the perpetual trust portfolio are composed of the following at June 30, 2010:

	2010	
	Cost	Market Value
Cash and cash equivalents	$ 38,272,138	$ 38,272,138
Investments:		
Government and corporate obligations	136,699	143,359
Corporate stocks	677,330	626,164
Hedge Funds	721,233	403,155
Total investments	1,535,262	1,172,678
Beneficial interest in perpetual trust:		
Cash and cash equivalents	48,967	48,967
Government bonds and corporate obligations	776,254	821,654
Corporate stocks	1,201,117	1,089,107
	2,026,338	1,959,728
Total	$ 41,833,738	$ 41,404,544

Investment fees netted against investment income for the years ended June 30, 2010, and 2009 were $198,797 and $276,888 respectively.

The Foundation has invested in "hedge funds," which include various financial instruments such as puts, calls, options, and futures contracts. The Foundation is not liable for losses greater than the invested amount. Realized and unrealized gains and losses of these funds are included with investment gains and losses in the statement of activities, with net unrealized gains of approximately $21,554 and ($471,028) recognized for the years ended June 30, 2010 and 2009 respectively.

Longwood University Foundation Beneficial Interest in Perpetual Trust

The Longwood University Foundation is the beneficiary of the annual income earned from the Nelly Ward Nance Trust (Nance Trust) held by Wells Fargo. The assets of the Nance Trust are not in the possession or under control of the Foundation. At June 30, 2010 and 2009 the Nance Trust had market value of $1,959,728 and $1,829,874, respectively, which is recorded in the consolidated statement of financial position. Income and unrealized gains on the Nance Trust for the year ended June 30, 2010, were $75,111 and $129,855; and $140,321 and ($472,478) for the year ended June 30, 2009.

Investments of the Longwood Real Estate Foundation

Investments in real estate include the following properties:

	Acquisition Cost	Holding Cost	Total
Watson house	$ 522,476	$ 117,927	$ 640,403

The University plans to purchase the Watson house from the Real Estate Foundation at some unspecified future date. The property is recorded at cost. All cost associated with holding the property are being accumulated during the holding period. The intent of the University is to reimburse the Foundation for all associated costs.

4. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2010:

Student tuition and fees	$ 1,382,931
Library	2,184
Auxiliary enterprises	249,093
Federal, state, and nongovernmental grants and contracts	235,361
Due from Foundations	-
Total	$ 1,869,569
Less: Allowance for doubtful accounts	(467,037)
Net accounts receivable	$ 1,402,532

B. Notes Receivable consisted of the following at June 30, 2010:

Current portion:	
Federal student loans	$ 173,487
Non-current portion:	
Federal student loans	1,212,441
Less allowance for doubtful accounts	(118,915)
Net non-current notes receivable	$ 1,093,526

C. Due from the Commonwealth of Virginia consisted of the following at June 30, 2010:

Small Purchase Charge Card Rebate	$ 49,936
Interest Earnings on Tuition & Fees	221,219
21st Century Bonds	2,846,172
General Obligation Bonds	1,534,345
Total Due from Commonwealth of Virginia	$ 4,651,672

D. Longwood University Foundation contributions receivable consisted of the following at June 30, 2010:

	2010
Cash pledges expected to be collected in:	
Less than one year	$ 266,244
One year to five years	1,355,551
Over five years	4,907,587
	6,529,382
Less:	
Discount to net present value at 6% for current year pledge	(2,847,174)
3-6% net present value for prior year pledges	
Net Contributions Receivable	$ 3,682,208

The ownership of contributions receivable for each class of net assets as of June 30, 2010 is as follows:

Temporarily Restricted	$ 1,549,395
Permanently Restricted	2,132,813
Total	$ 3,682,208

At June 30, 2010 and 2009, the Foundation had received bequests and other intentions to give of approximately $7,752,422 and $7,762,422 respectively. These intentions to give are conditional and, therefore, are not recognized as assets. If they are received, they will generally be restricted for specific purposes as stipulated by the donors. The Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charges to operation when that determination is made.

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2010, is presented as follows:

	Beginning Balance 6/30/2009	Adjustments	Additions	Reductions	Ending Balance 6/30/2010
Non-Depreciable Capital Assets					
Land	$ 4,894,782	$ (165,504)	$ 117,537	$ -	$ 4,846,815
CIP	20,641,385	(1,240,949)	22,914,760	(2,146,676)	40,168,520
Total Non-Depreciable Capital Assets	25,536,167	(1,406,453)	23,032,297	(2,146,676)	45,015,335
Depreciable Capital Assets					
Buildings	177,411,415	(616,906)	796,215	-	177,590,724
Equipment	12,211,403	217,605	1,232,676	(23,615)	13,638,069
Infrastructure	37,623,860	-	484,552	-	38,108,412
Library Materials	12,261,704	(60,519)	563,935	(205,100)	12,560,020
Intangible Assets	-	522,272	-	-	522,272
Software Projects	5,089,904	-	-	-	5,089,904
Total Depreciable Capital Assets, Cost	244,598,286	62,452	3,077,378	(228,715)	247,509,401
Accumulated Depreciation					
Buildings	51,214,353	(16,525)	4,591,087	-	55,788,915
Equipment	7,491,393	(107,603)	1,228,492	(21,721)	8,590,561
Infrastructure	19,331,410	-	1,712,855	-	21,044,265
Library Materials	9,621,924	(28,477)	520,115	(205,100)	9,908,462
Intangible Assets	-	430,076	29,947	-	460,023
Software Projects	1,272,476	-	1,017,981	-	2,290,457
Total Accumulated Depreciation	88,931,556	277,471	9,100,477	(226,821)	98,082,683
Depreciable Capital Assets, Net	155,666,730	(215,019)	(6,023,099)	(1,894)	149,426,718
All Capital Assets, Net	$181,202,897	($1,621,472)	$17,009,198	($2,148,570)	$194,442,053

Longwood University Foundation

Land	$ 1,383,185
Longwood Center for Visual Arts Collection	2,680,349
Buildings	1,441,071
Property and Equipment	36,498
Vehicles	138,275
Total cost of capital assets	5,679,378
Less: accumulated depreciation	(315,775)
Total capital asset, net	$ 5,363,603

Longwood University Real Estate Foundation:

Land	$7,242,636
Land Improvements	5,703,755
Buildings	30,868,783
Furniture and Equipment	2,110,302
Leasehold Improvements	448,999
Construction in Progress	3,878,638
Total cost of capital assets	50,253,113
Less: accumulated depreciation	(4,712,521)
Total capital assets, net	$45,540,592

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2010:

Employee salaries, wages, and fringe benefits payable	$ 3,389,884
Vendors and suppliers accounts payable	5,714,789
Retainage payable	1,193,017
Interest payable	734,309
Total accounts payable and accrued liabilities	$ 11,031,999

7. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 8), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2010, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
General Obligation Bonds 9C	$ 26,095,218	$ 2,995,000	$ 4,679,207	$ 24,411,011	$ 1,727,244
Deferred Loss	(24,533)	(403,252)	(40,044)	(387,741)	(38,519)
Unamortized Premium	842,912	409,378	77,237	1,175,053	97,231
Notes Payable SNAP	42,105,000	-	1,799,882	40,305,118	1,850,000
Deferred loss	(81,920)	-	(8,192)	(73,728)	(8,192)
Unamortized Premium	1,342,002	-	90,503	1,251,499	90,505
Installment Purchases/Capital Leases	743,556	-	341,433	402,123	318,608
Installment Purchase Interest	31,784	-	21,886	9,898	9,276
Total Long Term Debt	71,054,019	3,001,126	6,961,912	67,093,233	4,046,153
Accrued Compensated Absences	1,600,100	833,401	848,511	1,584,990	470,518
Federal Loan Program Contribution	1,383,944	-	-	1,383,944	-
Total Long Term Liabilities	$ 74,038,063	$ 3,834,527	$ 7,810,423	$ 70,062,167	$ 4,516,671

8. LONG-TERM INDEBTEDNESS

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

Bonds payable at June 30, 2010, consist of the following:

	Interest Rates	Maturity	Amount
General obligation revenue bonds:			
Residence halls:			
Residence hall improvements, 2004-B 1	2.50 - 5.50%	2019	$1,572,106
Renovate housing facilities, 2005-A 1	3.50 - 5.00%	2025	1,840,000
Renovate housing facilities, 2006-B 1	4.00 - 5.00%	2026	3,365,000
Renovate housing facilities, 2007-B 1	4.00 - 5.00%	2027	5,520,000
Renovate housing facilities, 2008-B 1	4.00 - 5.00%	2028	4,330,000
1998 Refunded Portion 92A, 2008, B 2	4.00 - 5.00%	2012	712,620
2005 Refunded Portion Fac. Renov, 2009, D 1	4.00 - 5.00%	2022	1,340,000
2006 Refunded Portion Fac. Renov, 2009, D 2	4.00 - 5.00%	2022	1,655,000
Dining hall:			
Dining hall, series 2002-R 1	4.00 - 5.00%	2016	2,395,165
Dining hall, series 2004-B 2	4.00 - 5.00%	2019	1,681,120
Total bonds payable			$24,411,011

A summary of future principal requirements of long-term debt as of June 30, 2010 follows:

Year ending June 30	Principal	Interest
2011	$1,727,244	$1,173,901
2012	1,820,102	1,082,963
2013	1,520,763	992,171
2014	1,598,139	916,133
2015	1,682,168	836,226
2016 - 2020	7,227,595	3,021,278
2021 - 2025	6,515,000	1,473,781
2026 - 2030	2,320,000	180,875
Total	24,411,011	9,677,328
Less: Deferred Loss	(387,741)	
Add: Unamortized Premium	1,175,053	
Total	$25,198,323	

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2009:

Variable Rate Educational Facilities Revenue Bonds Series 2007, thirty (30) year term. Interest is subject to a fixed-to-floating interest rate swap agreement which requires fixed rate payments of 4.065 percent on an initial notional amount of $40,745,000. The swap arrangement expires September 1, 2036, covering the life of the bonds	$ 41,200,000
Mark-to-market estimate of bank swap transactions related to above revenue bonds.	5,478,154
Deed of trust note payable, due in monthly payments of principal of $10,330 plus monthly interest payments of 2.25% plus LIBOR (2.48% at December 31, 2009), maturing 7/5/2014	2,427,452
Deed of trust note payable, 7.09%, due in monthly payments of principal and interest of $1,687, maturing 6/5/2014	77,805
Deed of trust note payable, 7.0 percent, due in monthly payments of principal and interest of $1,742, maturing 2/14/2013	56,132
Deed of trust note payable, 7.09 percent, due in monthly payments of principal and interest of $5,074, maturing 2/7/2032	683,023
	49,922,566
Less - current portion	(616,668)
	$ 49,305,898

During 2007, the Longwood University Real Estate Foundation received financing through the issuance of Educational Facilities Variable Rate Revenue Bonds (Longwood Student Housing Projects) Series 7 through the Industrial Development Authority of the town of Farmville. The 2007 bonds were issued in the amount of

$41,855,000 to refund $7,840,000 in Educational Facilities Variable Rate Demand Revenue Bonds, Series 2006A and $23,580,000 in Educational Facilities Variable Rate Demand Revenue Bonds, Series 2006B and to finance the acquisition, construction, and equipping of student housing and a pedestrian bridge between student housing and the University campus. The loan agreement is collateralized by a deed of trust which grants the credit institution a first priority lien on and a security interest in each of the property and equipment collateralized.

The bond agreements also require the establishment and maintenance of several reserve accounts for the collecting, holding and disbursement of funds related to the issuance of the bonds, payments of project costs, collection of project revenue, and repayment of principal and interest. Under the bond agreement the University will rent units in the projects only to students, faculty, and other persons under the same rental program it uses for its own student housing facilities.

The bond series is subject to a management agreement between the University and the Foundation. The agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents (referred to as Project Revenue) and providing all personnel resident advisory and education staffing. The University will be responsible for all maintenance. The Foundation will be required to furnish housekeeping, janitorial, utilities, and insurance.

The University will be charged with maintaining a Project Revenue account. Such funds are to be held by the University solely on behalf of the Foundation and are not to be commingled with general University funds. These funds are to be used to pay the expenses of the University related to the projects as well as any principal or interest payments on the bonds as directed by the Foundation.

The management agreements are effective for a five year period beginning at the settlement date of the bonds. Thereafter, they can be renewed for successive five year terms, unless terminated by either party.

Maturities under long-term debt are as follows:

2010	$616,668
2011	687,032
2012	805,231
2013	847,612
2014	2,721,857
Thereafter	44,244,166
Total	49,922,566
Less - current portion	(616,668)
	$49,305,898

Restricted Deposits and Funded Reserves

In accordance with the bond agreements, the Real Estate Foundation has the following restricted deposits and funded reserves which are held by a Trustee:

Debt service reserve account	$1,366,848
Repair and replacement account	319,848
Series 2007 Bond Fund	189,933
Interest account	129,012
Construction fund	33,982
Reserve sub account	15,777
Tax and insurance account	9,668
	$2,065,068

Notes Payable

The University received Virginia College Building Authority loans to cover construction expenses. These notes are due as shown below:

	Interest Rates	Maturity	Amount
Virginia College Building Authority/ Notes payable:			
Fitness center and parking garage 2002A	3.00 - 5.25%	9/2022	$2,105,000
Fitness center 2003A	2.00 - 5.00%	9/2023	3,780,000
Lacrosse/field hockey complex and phase II heating plant 2004A	3.00 - 5.00%	9/2024	4,520,000
Fitness center 2005A	3.00 - 5.00%	9/2025	6,105,000
Soccer fields, Lancer gym, and Blackwell 2005A	3.00 - 5.00%	9/2025	4,260,000
Fitness center, Blackwell, and heating plant III 2006A	3.00 - 5.00%	9/2026	5,450,000
Baseball/softball 2006A	3.00 - 5.00%	9/2027	1,080,000
Lacrosse/field hockey complex, baseball/ softball, heating plant phase II & III 2007A	3.00 - 5.00%	9/2027	6,730,000
Fitness center and parking garage 2007B	3.00 - 5.00%	9/2019	1,885,000
Athletic offices, heating plant phase III Student union 2009	3.00 - 5.00%	9/2028	4,390,000
Total notes payable			$40,305,000

A summary of future principal requirements of notes and loans payable as of June 30, 2010 follows:

Year ending June 30	Principal	Interest
2011	$1,850,000	$1,867,939
2012	1,930,000	1,778,876
2013	2,050,000	1,680,576
2014	2,130,000	1,578,023
2015	2,240,000	1,474,219
2016 - 2020	12,565,000	5,650,700
2021 - 2025	13,385,000	2,450,191
2026 - 2030	4,155,000	255,513
	40,305,000	16,736,037
Less: Deferred Loss	(73,728)	
Add: Unamortized Premium	1,251,499	
Total:	$41,482,771	

Installment Purchase Agreements

The University is committed under various installment purchase agreements. 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.

A summary of future obligations under installment purchase agreements as of June 30, 2010 follows:

Year ending June 30	Principal	Interest
2011	$318,608	$9,276
2012	83,516	621
	$402,124	$9,897

Longwood University Real Estate Foundation Line of Credit

The Longwood University Real Estate Foundation has a $3,000,000 commercial revolving line of credit with a bank. The line is to be used to purchase and improve real estate and is securitized by a first deed of trust on the property and improvements acquired. The line requires monthly interest only payments on any outstanding balance, with principal reductions made at the Foundation’s discretion or when specific collateral is released. Principal may be repaid monthly by a separate term note on improved properties up to 20 years and on unimproved properties up to ten years. Interest on the line is charged at a variable rate of the 30 day LIBOR plus 2.5 percent with a minimum rate of 5.5% (5.5% at December 31, 2009). The outstanding balance on this line was $2,661,424 at December 31, 2009. There is no expiration period in the agreement.

The Longwood University Real Estate Foundation entered into a credit line promissory note agreement dated December 30, 2009, with a bank in the amount of $2,000,000. This line was used to finance the acquisition of the Woodland Ponds Condominium units and land, and is collateralized by the deed of trust on the property and improvements. The term of the loan is 36 months and matures on December 30, 2011. Interest is fixed at 4.74%. The outstanding balance on this line was 2,000,000.

The Longwood Real Estate Foundation has a $500,000 uncollateralized commercial revolving line of credit with a bank. Interest on the line is charged at a variable rate of the 30-day LIBOR plus 2.00% (2.23% at December 31, 2009). The outstanding balance on this line was $250,000 at December 31, 2009.

The Longwood University Real Estate Foundation entered into a loan agreement dated May 22, 2008, for a commercial revolving line of credit with a bank in the amount of $5,300,000. The line was to be used to make improvements to property leased from the Longwood University Foundation, Inc. The balance on this line was $1,385,572 at December 31, 2008. On June 30, 2009, the line was converted to a 60 month term loan. The line is collateralized by the deed of trust on the property and improvements. The loan requires monthly principal payments of $10,330. The entire unpaid principal and accrued interest are due on July 5, 2014. Interest on the loan is payable monthly and is charged at a variable rate of the 30-day LIBOR plus 2.25% (2.48% at December 31, 2009). The outstanding balance on this line was $2,427,452 at December 31, 2009.

9. COMMITMENTS

At June 30, 2010, the University was committed to construction contracts totaling approximately $18,156,288. The University was also committed to pay Longwood University Real Estate Foundation $6,166,307 pursuant to a support agreement related to student housing (Lancer Park, Longwood Landings, and Longwood Village).

The University is committed under various operating lease agreements primarily for buildings and equipment. In general, the agreements are for a period of one year, and typically have renewal options. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2010, was $443,293. The University has, as of June 30, 2010, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2011	$ 353,646
2012	152,921
2013	122,201
2014	59,618
2015	59,618
2016 - 2020	44,713
Total	$ 792,717

Longwood University Foundation

In November 1998, the Foundation entered into an operating lease agreement for certain real estate for a term of six years. The Foundation leased the real estate to Longwood University for the same lease term. At June 30, 2004, an option to purchase the property for $555,000 was exercised by the Foundation, and the purchase transaction closed during the year ended June 30, 2005, with the issuance for a four-year non-interest bearing note for the balance of the purchase price (See Note 8 – Notes Payable). The Foundation continues to lease the property to Longwood University on a month-to-month basis, with $40,000 of rental income recognized in each of the years ended June 30, 2010 and 2009.

Longwood University Real Estate Foundation - Longwood Landings

The Longwood University Real Estate Foundation owns property known as Longwood Landings at Mid-Town Square. The property combines student housing and commercial space in a series of four buildings together with associated parking and improvements. The Real Estate Foundation owns the student housing on the property together with the associated parking and improvements. The first floor commercial space is owned by the developer of the property. The ownership of the property is in the form of a commercial condominium, whereby the Real Estate Foundation owns the top three floors of each building while the developer retains ownership of the first floor of each building. The Real Estate Foundation is a member in the Midtown Square Condominium Association, Inc. As a unit holder in the Association, the Real Estate Foundation pays association dues that are used to pay common costs of the property.

The Real Estate Foundation leases commercial space from the Association which is then subleased to the University for use as the University bookstore. The lease requires minimum guaranteed rental payments of $132,750 annually, payable in equal monthly installments. The minimum guaranteed rental shall be increased on the fourth anniversary of the commencement date and every year thereafter. The lease also requires additional rent defined as the tenant’s proportionate share of operating costs, insurance, taxes, and other charges. The initial term of the lease is for ten years, with two ten year optional renewal periods. The commencement date of the lease is 30 days after the build out is complete and the premises are ready for occupancy. The University has been paying this lease commitment directly to the Association.

The Real Estate Foundation also leases commercial space from the Association for use as a student commons area. The lease requires minimum guaranteed rental payments of $82,840 annually, payable in equal monthly installments. The minimum guaranteed rental shall be increased on the first anniversary of the commencement date and every year thereafter. The lease also requires additional rent defined as the tenant's proportionate share of operating costs, insurance, taxes, and other charges. The initial term of the lease is for ten years with two ten year renewal option terms.

The Real Estate Foundation leases parking space from an unrelated entity for the Longwood Landings property. The lease requires monthly payments of $5,000 during the initial term ending May 21, 2008. The lease can be extended for one year renewal with a 5 percent increase in rent per year.

The future minimum rental payments required under these leases are as follows:

2010	$ 246,940
2011	227,782
2012	232,337
2013	236,984
2014	241,724
Thereafter	498,047
Total	$ 1,683,814

10. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expense are distributed as shown in the following table for the year ended June 30, 2010.

Revenues:	
Room contracts, net of scholarship allowance of $1,403,755	$14,258,789
Food service contracts, net of scholarship allowance of $714,269	7,184,213
Athletic fee, net of scholarship allowance of $698,497	7,442,219
Other student fees and sales & services, net of scholarship allowance of $698,278	10,443,289
Total auxiliary enterprise revenues	$39,328,510

Expenses:	
Residential facilities	$11,218,449
Dining operations	6,696,878
Athletics	4,422,105
Other auxiliary services	4,935,398
Total auxiliary enterprise expenses	$27,272,830

11. PRIOR YEAR DEFEASANCE OF DEBT

On October 21, 2009, the Commonwealth, on behalf of the University, issued $2,995,000 in General Obligation bonds, Series 2009-D with a true interest cost (TIC) of 3.170902% to advance refund $1,340,000 of an outstanding Series 2005 and $1,655,000 of an outstanding Series 2006-B. The bonds were issued to provide funds to provide debt service savings for the Commonwealth. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The debt defeasance resulted in an accounting loss of $403,252 for the University. The defeasance will reduce the University's total debt service payments for these bonds by $58,286 over the next 12 years.

In addition to the 2009-A, certain 2008B, 2006A, 2004B, 1996, 1993, and 1992 Higher Education Bonds were defeased by the University. As with the 2009-D Higher Education Bonds noted above, the net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. As of June 30, 2010 $9,356,011 of the defeased bonds are outstanding.

12. STATE APPROPRIATIONS

During the year ended June 30, 2010, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 879.

Original appropriation:	
Educational and general programs	$24,887,746
Student financial assistance	3,523,147
Supplemental adjustments:	
FY 09 Budget Reduction	(836,798)
Central Fund appropriation transfers	(1,217,875)
VIVA	8,860
Military Survivors	13,500
Carryforward	11,009
SVRTC	62,370
2 - Year Transfer Grant	15,000
CSAP	163,727
Eminent Scholars	4,513
HEETF Lease Payment	(54,746)
Capital Out-of-State Fee	(76,210)
FY 2010 Reversion	(2,010)
Adjusted appropriations	$26,502,233

13. 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 and Wages	Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	$ 16,781,029	$ 4,661,081	$ 1,236,470	$ -	$ 4,482	$ 978,056	$ -	$ -	$ 23,661,118
Research	25,218	18,229	60,487	-		16,382	-	-	120,316
Public service	1,031,695	296,147	309,502	-	2,944	73,088	-	-	1,713,376
Academic support	2,801,405	874,029	433,891	-	319	577,648	-	-	4,687,292
Student services	2,262,204	774,244	459,392	-	2,387	35,883	-	-	3,534,110
Student aid	-	-	-	8,028,954	-	-	-	-	8,028,954
Institutional Support	4,727,573	2,507,403	757,129	-	84,130	413,204	-	-	8,489,439
Operation & Maintenance of Plant	1,765,866	861,511	2,400,514	-	2,692,933	1,019,374	-	-	8,740,198
Depreciation	-	-	-	-	-	-	-	8,052,549	8,052,549
Amortization	-	-	-	-	-	-	-	1,047,928	1,047,928
Auxiliary activities	8,198,333	1,733,570	11,274,481	-	265,509	5,800,937	-	-	27,272,830
Other Expenses	-	-	-	-	-	-	17,136	-	17,136
Total	$ 37,593,323	$ 11,726,214	$ 16,931,866	$ 8,028,954	$ 3,052,704	$ 8,914,572	$ 17,136	$ 9,100,477	$ 95,365,246

14. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

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 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 CAFR discloses the unfunded pension benefit obligation at June 30th, as well as the ten-year 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 $1,777,903 for the year ended June 30, 2010. These contributions included the employee contribution assumed by the employer. For fiscal year 2010 the rate was 11.26 percent. Contributions to the VRS were calculated using a base salary amount of approximately $15,789,550 for the fiscal year ended June 30, 2010. The University's total payroll was approximately $37,443,330 for the year ended June 30, 2010.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in two optional retirement plans, which include: Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Variable Annuity Life Insurance (VALIC). These are fixed-contribution programs where the retirement benefits received are based upon the employer and employee contributions totaling 10.4 percent contribution, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these plans were approximately $1,407,908 for the year ended June 30, 2010. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $13,537,576.

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 $176,143 for the fiscal year ended June 30, 2010.

15. 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 service and participate in the state's health plan. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

16. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2010, Longwood University estimates that no material liabilities will result from such audits.

17. RISK MANAGEMENT

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 workers' 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 of Virginia's Comprehensive Annual Financial Report.

Longwood University Foundation

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The risks are managed through the purchase of commercial insurance and self retention of certain risks. The Foundation's affairs are conducted in part by the employees of Longwood University and exposure to loss resulting from this arrangement are managed by the University through a combination of methods, including participation in various risk pools administered by the State of Virginia, purchase of commercial insurance and self retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

18. BEGINNING NET ASSET RESTATEMENT

Beginning net assets have been restated from the prior year's ending net asset balance of $149,761,342 to $147,473,515. Adjustments netting $1,614,322 were made that decreased total capital assets. These adjustments were made due to additional analysis of the fixed asset system and are shown in Note 5: Capital Assets. A beginning net asset adjustment of $673,505 was made due to a prior year interest payable not accrued.

19. RELATED PARTY

Longwood University Foundation

The Foundation received contribution revenue from Board members in the amount of $97,018 for the year ending June 30, 2010. The amount of pledge receivable due from the Board members amounted to $710,827 at June 30, 2010.

In conjunction with its mission to support the activities and operations of Longwood University, the Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased to the

University is $2,618,719 and $2,415,746 at June 30, 2010 and June 30, 2009 respectively, including land on the consolidated statement of financial position.

On March 1, 2004, the Foundation entered into a capital lease agreement with Longwood University to lease a parking lot. The Foundation was given the parking lot as a contribution, which at the time was recorded as its appraised value of $51,000. The lease expires February 28, 2013. The University has the option to purchase the parking lot for $1 at the end of the lease term.

Longwood University Real Estate Foundation

The Foundation receives rent from the University for use of various buildings and parking facilities. The total amount earned for 2009 from these rental arrangements was $5,224,669. Outstanding receivables at December 31, 2009 were $148,526.

The Foundation pays the University fees under management agreements related to facilities covered by tax-exempt bond issuances. These fees are based on costs to manage the specific properties. Total fees paid for 2009 were $347,851. In addition, the Foundation reimburses the University for operational costs paid directly by the University related to the housing projects. At December 31, 2009, the Foundation had a payable to the University of $198,644, which is included in accounts payable and accrued expenses on the consolidated statement of financial position.

The Foundation received a contribution from the University of $221,747 during 2009 to install a new roof on a warehouse owned by the Foundation.

The Foundation has an agreement with the University to manage the Alumni House. The University is billed for all expenses and the Foundation receives no fees for its services. The Foundation had an outstanding receivable at December 31, 2009 of $32,525 for expenses not yet reimbursed.

During 2009, the Foundation loaned $54,000 to the Longwood University Foundation to purchase a piece of property in Westmoreland County known as the Yeatman property. This amount is included in receivables at December 31, 2009.

During 2009, the Foundation sold two properties to the University that had been held as property and equipment. The total proceeds from these sales were $90,300, and resulted in a loss of $117,443, which is classified as contributions to Longwood University on the statement of activities. Also included in that account are fees of $6,250 paid to rent storage on behalf of the University.

During 2009, the Foundation sold three properties to the University that had been held as investments. The total proceeds from these sales were $331,847, and resulted in a loss of 47,225, which is classified as contributions to Longwood University on the statement of activities. Also included in that account are fees of $9,000 paid to rent storage space on behalf of the University.

LONGWOOD UNIVERSITY

Farmville, Virginia

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