

OLD DOMINION UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Old Dominion University for the year ended June 30, 2004, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- no instances of noncompliance or other matters required to be reported.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2004. Comparative numbers, where presented, are for the fiscal year ended June 30, 2003. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

Institutional Profile

Old Dominion University is a selective admission institution. The University strives to serve those students in the immediate geographical area as well as attract students from the national and international communities. Additionally, the University seeks to attract and serve a culturally and ethnically diverse student body. The University pays particular attention to identifying and admitting students who are academically gifted. As a major metropolitan university, Old Dominion University has a special commitment to serve those students who have been academically, socially, or economically disadvantaged, but who have the potential for academic success.

In addition to the main campus in Norfolk, instruction is offered at 4 Higher Education Centers in Hampton, Portsmouth, Sterling and Virginia Beach, 26 Virginia Community College campuses, 13 military installations within Virginia, 9 sites throughout the remainder of the United States and the Bahamas, and on multiple U.S. Naval vessels worldwide. The current enrollment of 20,802 consists of 14,209 undergraduate and 6,593 graduate students. This number includes 1,400 international students from 108 countries.

The prominence of the University has increased as its number of Alumni has grown to 94,619. The alumni of the University are spread across all 50 of the United States and 72 countries.

Statement of Net Assets

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

	<u>2004</u>	<u>2003</u>
<u>Assets:</u>		
Current	\$ 42,380,600	\$ 37,373,506
Capital, net of accumulated depreciation	230,096,492	222,542,300
Other non-current	<u>32,849,865</u>	<u>31,885,706</u>
Total assets	<u>305,326,957</u>	<u>291,801,512</u>

<u>Liabilities:</u>		
Current	39,251,836	33,269,350
Non-current	<u>74,647,175</u>	<u>76,903,200</u>
Total liabilities	<u>113,899,011</u>	<u>110,172,550</u>
<u>Net Assets:</u>		
Invested in capital assets, net of related debt	154,551,694	143,311,842
Restricted	19,926,003	17,439,861
Unrestricted	<u>16,950,249</u>	<u>20,877,259</u>
Total net assets	<u>\$191,427,946</u>	<u>\$181,628,962</u>

The University's total assets increased \$13,525,445. This increase is mainly due to an increase in investments and capital assets. The investments increased due to securities lending transactions. These transactions reported on the financial statements represent the University's allocated share of securities received for securities lending transactions held in the general account of the Commonwealth of Virginia. In addition, capital assets increased due to completion of various capital projects. Total liabilities increased \$3,726,461. The increase is primarily due to the obligation under securities lending and new issuance of debt for capital projects.

Statement of Revenues, Expenses, and Changes in Net Assets

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

Generally speaking, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission.

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

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$11,548,733 and \$10,389,872	\$ 55,731,283	\$ 48,835,394
Federal grants and contracts	14,469,688	11,936,420
State, local and nongovernmental grants	4,387,518	4,369,823
Auxiliary enterprises, net of scholarship allowances of \$4,409,405 and \$4,342,482	39,636,918	37,449,385
Other operating revenues	<u>3,585,855</u>	<u>2,450,726</u>
Total operating revenues	<u>117,811,262</u>	<u>105,041,748</u>

Operating expenses:		
Instruction	86,438,389	84,125,647
Research	2,380,967	1,246,309
Public service	704,265	678,956
Academic support	23,519,439	21,560,662
Student services	7,039,866	6,956,907
Institutional support	16,560,228	16,210,940
Operation and maintenance	12,907,244	11,911,666
Depreciation	14,282,992	14,897,721
Scholarships and fellowships	6,631,832	6,337,663
Auxiliary enterprises	<u>29,685,894</u>	<u>28,464,803</u>
Total operating expenses	<u>200,151,116</u>	<u>192,391,274</u>
Operating loss	(82,339,854)	(87,349,526)
Net nonoperating revenues and expenses	<u>80,092,919</u>	<u>82,048,729</u>
Income before other revenues, expenses, gains or losses	(2,246,935)	(5,300,797)
Other revenues	<u>12,045,919</u>	<u>7,719,990</u>
Increase in net assets	9,798,984	2,419,193
Net assets - beginning of year	<u>181,628,962</u>	<u>179,209,769</u>
Net assets - end of year	<u>\$ 191,427,946</u>	<u>\$ 181,628,962</u>

The University's operating revenues consist mostly of tuition and fees, auxiliary enterprises, and federal, state, and private grants and contracts. Operating revenues increased \$12,769,514. The increase was primarily due to increases in tuition and fees and auxiliary enterprise charges. In addition, federal and state grants increased due to several new grants. Investment income non-operating revenue increased due to a better performance in the market.

Overall, the University's financial position is stable. While considering the reductions in state support for the University's budget and selective increases in tuition and fees, management continually evaluates budget balancing measures to preserve the academic and fiscal integrity of operations.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is presented in four defined categories: operations, non-capital financing, capital financing, and investing activities.

Cash flow from operating reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees (\$61.7 million) and auxiliary enterprises (\$47.7 million). The primary uses are payments to employees, including salaries, wages and fringe benefits (\$124.6 million), and payments to vendors (\$39.9 million).

Cash flow from non-capital financing reflects non-operating sources and uses of cash. The primary sources are state appropriations (\$78.5 million) and gifts and grants (\$6.1 million). The primary use is to support cash requirements of operations.

Cash flow from capital financing activities reflects the activities related with the acquisition and construction of capital assets including related debt payments. The primary source is capital appropriations and investments (\$10.3 million). The primary uses are purchases of capital assets (\$18.5 million) and principal and interest paid on capital debt (\$9.1 million).

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities	\$ (65,976,315)	\$ (72,349,048)
Cash flows from non-capital financing activities	82,718,294	84,001,320
Cash flows from capital financing activities	(15,160,440)	(12,549,382)
Cash flows from investing activities	<u>(575,224)</u>	<u>1,029,897</u>
Net change in cash	<u>\$ 1,006,315</u>	<u>\$ 132,787</u>

Capital Asset and Debt Administration

Overall, funds invested in capital assets reflect the ongoing campus construction. Major capital projects include Housing Renovation, Parking Structure, Technology, and Chemistry and Physical Science Renovations.

Major additions to capitalized assets include buildings (\$17,629,562) and library books (\$3,273,161). Construction for the Engineering Computer Science Building was completed by June 30, 2004.

The University's long-term debt decreased (\$2,665,997). This decrease is primarily the result of the payment of existing debt. As calculated, the debt service to expenditures ratio is 2.00.

Overall, uncompleted construction and other related contractual commitments decreased from \$5,683,921 at June 30, 2003 to \$308,328 at June 30, 2004. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statements.

Economic Outlook

Higher education agencies, like local governments and local school boards, are faced with the realities of establishing revenue policies in order to address constituent needs and requirements. Students and parents need to know projected tuition and fees for the upcoming year as they evaluate admission offers for the upcoming semester. The state budget deliberations represented an enormous variable for higher education agencies and all Virginia public entities. Nonetheless, the University has developed a budget plan, which responds to the current fiscal environment, priority needs for our students and faculty/staff, and the strategic investment needs of the University. The University's budget process for the future was designed to maintain the base budget, to sustain specific budget initiatives/programs consistent with the Commonwealth's funding policy recognition of the need for "base adequacy funding" and to build a tuition and fee increase model which would address operating budget priorities and unavoidable costs.

As a result of the actions taken by the Governor and the General Assembly in the 2004 session, the University's educational and general appropriation increased from \$138.6 million in 2003-2004 to \$151 million in 2004-2005. The operating budget allocation recognizes the long-standing funding issue of base adequacy and hopefully future-funding appropriations will continue to promote the base adequacy goal. The

state budget provides the University with \$7 million in fiscal year 2005 for base operating and enrollment growth. These state general funds together with the University budget planning and tuition setting for the upcoming fiscal year enables the University to respond positively to a long-standing list of institutional needs.

The State Council for Higher Education in Virginia (SCHEV) has articulated strategic goals in its “Advancing Virginia Through Higher Education – The Systemwide Plan for Higher Education in Virginia.” SCHEV’s strategic goals focus on accommodating student demand, research, and instructional quality. The Plan’s three specific strategic goals include:

- Accommodate at least 38,000 additional students
- Increase Virginia’s national standing in sponsored research
- Enhance the Commonwealth’s commitment to instructional quality

Recognizing the statewide challenge for managing enrollment demand across the Commonwealth, Old Dominion University has proposed a strategy which can accommodate a third of the projected students entering higher education by 2010. The University has committed itself to enroll 10,000 additional students over the next five years with a \$25 million state investment. Old Dominion University would accomplish this strategic initiative by converting summer school into a regular semester as well as through collaborative distance learning courses at community colleges and through a major initiative in asynchronous design program delivery, which could lead to creation of “e-Dominion University.” Old Dominion University has creatively crafted this proposal in the spirit of providing a viable strategy for Commonwealth policymakers.

The University has established a separate Office of Research and charged the Vice President for Research with the responsibility to increase current sponsored research efforts and to focus efforts in areas where the University can advance major research contributions with economic growth potential. The University has a long track record of success in research and will continue to promote a greater research agenda and the collaborative models that enhance knowledge growth and promote economic development.

FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2004

	Old Dominion University	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 29,632,807	\$ 21,627,796
Accounts receivable (Net of allowance for doubtful accounts of \$277,747) (Notes 4 and 12)	10,217,888	9,532,931
Contributions receivable (Net of allowance for doubtful collections of \$655,466) (Note 12)	-	4,744,030
Due from the Commonwealth (Note 8)	1,137,265	-
Travel advances	-	46,369
Prepaid expenses	144,085	199,384
Inventory	419,071	-
Notes receivable (Net of allowance for doubtful accounts of \$48,176)	829,484	-
Other assets	-	136,826
Total current assets	42,380,600	36,287,336
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	4,295,771	1,237,173
Endowment investments (Note 2)	9,555,777	-
Investments (Note 12)	-	2,915,825
Other long term investments (Notes 2 and 12)	16,605,009	116,273,185
Contributions receivable (Net of allowance for doubtful collections of \$397,321) (Note 12)	-	2,648,556
Notes receivable (Net of allowance for doubtful accounts of \$165,559)	2,393,308	-
Nondepreciable capital assets (Notes 5 and 12)	30,984,125	16,542,097
Depreciable capital assets, net (Notes 5 and 12)	199,112,367	27,889,397
Total noncurrent assets	262,946,357	167,506,233
Total assets	305,326,957	203,793,569
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Notes 6 and 12)	19,433,509	5,872,625
Deferred revenue	5,668,998	3,159,499
Obligations under securities lending	5,747,370	-
Deposits held in custody for others	681,956	122,779
Assets held in trust for others	-	16,050,148
Short-term debt	-	9,369,185
Long-term liabilities - current portion (Notes 7 and 12)	7,720,003	180,667
Total current liabilities	39,251,836	34,754,903
Noncurrent liabilities (Notes 7 and 12)	74,647,175	33,593,948
Total liabilities	113,899,011	68,348,851

OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2004

	Old Dominion University	Component Units
NET ASSETS		
Invested in capital assets, net of related debt	154,551,694	9,884,580
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,489,040	-
Permanently restricted	-	68,374,130
Expendable:		
Scholarships and fellowships	4,400,897	-
Research	1,408,298	-
Loans	3,458,792	-
Capital projects	989,795	-
Temporarily restricted	-	51,433,391
Departmental uses	5,179,181	-
Unrestricted	16,950,249	5,752,617
	<u>16,950,249</u>	<u>5,752,617</u>
Total net assets	<u>\$ 191,427,946</u>	<u>\$ 135,444,718</u>

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

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$11,548,733)	\$ 55,731,283	\$ -
Gifts and contributions	-	17,743,848
Federal grants and contracts	14,469,688	-
State grants and contracts	1,926,664	-
Indirect cost	-	6,090,231
Sponsored research	-	29,152,232
Nongovernmental grants and contracts	2,460,854	-
Auxiliary enterprises (Net of scholarship allowances of \$4,409,405) (Note 9)	39,636,918	-
Other operating revenues	3,585,855	5,307,844
	<hr/>	<hr/>
Total operating revenues	117,811,262	58,294,155
Operating expenses:		
Instruction	86,438,389	802,384
Research	2,380,967	33,084,616
Public service	704,265	-
Academic support	23,519,439	1,494,806
Student services	7,039,866	-
Institutional support	16,560,228	11,086,068
Operation and maintenance of plant	12,907,244	357,863
Depreciation	14,282,992	579,106
Student aid	6,631,832	897,467
Auxiliary enterprises (Note 9)	29,685,894	-
	<hr/>	<hr/>
Total operating expenses	200,151,116	48,302,310
Operating income (loss)	<hr/> (82,339,854)	<hr/> 9,991,845
Nonoperating revenues (expenses):		
State appropriations (Note 11)	78,484,400	-
Gifts	4,603,304	-
Investment income (Net of investment expenses of \$169,682)	1,655,218	13,362,784
Other	344,129	-
Interest of capital asset-related debt	(4,125,914)	-
Payments to the Commonwealth	(828,526)	-
Payments to grantors	(39,692)	-
	<hr/>	<hr/>
Net nonoperating revenue	80,092,919	13,362,784
Income (loss) before other revenues and gains	<hr/> (2,246,935)	<hr/> 23,354,629

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Old Dominion University	Component Units
Capital appropriations	10,441,605	-
Bond premium	84,111	-
Capital gifts	1,520,203	-
Contributions to permanent endowments	-	23,783,675
	<hr/>	<hr/>
Total other revenues	12,045,919	23,783,675
	<hr/>	<hr/>
Increase in net assets	9,798,984	47,138,304
	<hr/>	<hr/>
Net assets - Beginning of Year	181,628,962	88,306,414
	<hr/>	<hr/>
Net assets - End of Year	\$ 191,427,946	\$ 135,444,718
	<hr/>	<hr/>

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

OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

Cash flows from operating activities:	
Student tuition and fees	\$ 61,738,174
Grants and contracts	18,108,515
Sales and services of auxilliary enterprises	47,702,882
Other receipts	3,465,841
Payments to employees	(100,464,445)
Payments for fringe benefits	(24,120,692)
Payments for services and supplies	(39,853,990)
Payments for travel	(2,473,590)
Payments for scholarships and fellowships	(24,542,054)
Payments for noncapitalized improvements and equipment	(5,103,156)
Loans issued to students	(984,158)
Collections of loans from students	550,358
	<hr/>
Net cash used by operating activities	(65,976,315)
Cash flows from noncapital financing activities:	
State appropriations	78,484,400
Payments to Commonwealth from state appropriations	(828,526)
Gifts and grants for other than capital purposes	6,108,024
William D. Ford direct lending receipts	49,962,808
William D. Ford direct lending disbursements	(49,962,808)
PLUS loans receipts	4,171,271
PLUS loans disbursements	(4,171,271)
Refund to the federal government	(39,692)
Agency receipts	669,570
Agency payments	(1,675,482)
	<hr/>
Net cash provided by noncapital financing activities	82,718,294
Cash flows from capital financing activities:	
Proceeds from capital appropriations and investments	10,261,293
Proceeds from issuance of bonds	1,935,000
Capital gifts	322,000
Purchase of capital assets	(18,546,835)
Principal paid on capital debt, leases, and installments	(4,945,054)
Interest paid on capital debt, leases, and installments	(4,186,844)
	<hr/>
Net cash used by capital financing activities	(15,160,440)
Cash flows from investing activities:	
Purchase of investments	(2,167,374)
Interest on investments and cash management	1,592,150
	<hr/>
Net cash used by investing activities	(575,224)
Net increase in cash	1,006,315
Cash and cash equivalents - Beginning of Year	32,922,263
	<hr/>
Cash and cash equivalents - End of Year	\$ 33,928,578
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OLD DOMINION UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

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

Operating loss	\$ (82,339,854)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	14,282,992
Changes in assets and liabilities:	
Receivables, net	481,092
Prepaid expenses	181,497
Inventory	84,104
Accounts payable and accrued expenses	1,285,805
Deferred revenue	48,049
	<hr/>
Net cash used by operating activities	<u><u>\$ (65,976,315)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

OLD DOMINION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Old Dominion University (the University) is a modern 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 basic financial statements of the Commonwealth.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement 14, *The Financial 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 exclusion could cause the financial statements to be misleading or incomplete. Effective for the fiscal year ended June 30, 2004, the University implemented GASB Statement 39, *Determining Whether Certain Organizations are Component Units*. This statement addresses the conditions under which institutions should include associated fund-raising and research foundations as component units in their basic financial statements and how such component units should be displayed in the financial statements.

The University did not have any component units, as defined by GASB Statement 14 prior to fiscal year 2004. However, under GASB Statement 39 standards, the Old Dominion University Educational and Real Estate Foundation, the Intercollegiate Foundation, and the Research Foundation meet the criteria qualifying them as component units of the University. These foundations are legally separate and tax-exempt organizations formed to promote the achievements and further the aims and purposes of the University. Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations hold and invest are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of the University, the Foundations are considered component units of the University and are discretely presented in the financial statements.

The Educational and Real Estate Foundation receives, administers, and distributes gifts for the furtherance of educational activities and objectives of the University. The Intercollegiate Foundation receives, administers, and distributes gifts for the furtherance of educational and athletic activities of the University. For additional information on these two foundations, contact Foundation Offices at 129 Koch Hall, Norfolk, Virginia 23529. The Educational and Real Estate and

Intercollegiate Foundations have adopted December 31 as the Foundations' year-end. All amounts reflected are as of December 31, 2003. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information contact the Research Foundation at 2019 Hughes Hall, Norfolk, Virginia 23529.

Basis of Presentation

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

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

The Foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (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. No modifications have been made to the Foundations' financial information in the University's financial statements for these differences.

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years including assets acquired under the Higher Education Trust Fund. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using purchase price for library acquisitions. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. Interest expense of \$126,475 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2004. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

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

Buildings	5-50 years
Other improvements and infrastructure	15-30 years
Equipment	2-15 years
Library materials	5 years

Inventories

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

Noncurrent Cash and Investments

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

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, 2004 and certain grants that have received advance funding but have not met their restriction prior to year end.

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2004. The amount reflects all earned vacation leave, sick, and compensatory leave payable under the Commonwealth of Virginia's sick leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Noncurrent Liabilities

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

Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study and Perkins Loans, Stafford Loans, and Parent Loans for Undergraduate Students (PLUS). 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 differences between asset and liabilities as net assets rather than fund balance. Accordingly, the University's net assets are classified as follows:

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

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

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

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

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

Classification of Revenues and Expenses

The University presents its revenues and expenses as operating or non-operating based on the following criteria:

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.

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

Nonoperating expenses 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.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from charges to students, is reported net of scholarship allowances in the Statements of Revenue, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the actual charge for goods and services provided by the University and the amount that is paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Student financial assistance grants and other federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship allowance.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash with the Treasurer of Virginia

The Treasurer of Virginia pursuant to Section 2.2-1800, et seq., Code of Virginia, is responsible for the collection, disbursement, custody, and investment of state funds and holds all state funds of the University. Each fund's equity in pooled state funds is reported as "Cash" on the accompanying Statement of Net Assets and is not categorized as to credit risk. The University also holds certain deposits. Deposits with banks and savings institutions are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Under the Act, banks holding public deposits in excess of the 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 the 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.

Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard & Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the University.

Deposits

At June 30, 2004, the carrying value of the University's deposits with banks was \$4,784,843 per the books, and the bank balance was \$367,564. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Investments

The University's investments are categorized below to give an indication of the level of credit risk assumed by the University at June 30, 2004. Credit risk is the risk that the University may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the University or its safekeeping agent in the University's name. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent in the University's name. The University does not have any category 1 or 2 investments. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the University's name. The composition and categorization of investments held by the University at June 30, 2004, follows:

Investments

Category 3:

U.S. Government Securities and U. S. Government Agent Securities	\$ 2,356,879
Common and Preferred Stock	1,351,701
Corporate Bonds	129,333
Municipal Securities	<u>155,620</u>
Subtotal	<u>3,993,533</u>

Noncategorized:

Securities Lending	5,747,370
Equity Interest in Land	1,064,765
Money Market	5,038,531
Other - Maintained by ODU Educational Foundation	<u>10,316,587</u>
Subtotal	<u>22,167,253</u>

Total Investments \$ 26,160,786

3. DONOR RESTRICTED ENDOWMENTS

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

The Uniform Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2004, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2004, net appreciation of \$3,097,852 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Non-Expendable Scholarship and Fellowships.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2004:

Student tuition and fees	\$ 5,177,561
Auxiliary enterprises	2,436,534
Federal, state, and nongovernmental grants and contracts	2,209,470
Other activities	<u>672,070</u>
Gross receivables	10,495,635
Less: allowance for doubtful accounts	<u>(277,747)</u>
Net accounts receivable	<u>\$ 10,217,888</u>

5. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2004 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 27,562,210	\$ -	\$ 4,391	\$ 27,557,819
Construction in progress	<u>6,968,836</u>	<u>14,607,758</u>	<u>18,150,288</u>	<u>3,426,306</u>
Total nondepreciable capital assets	<u>34,531,046</u>	<u>14,607,758</u>	<u>18,154,679</u>	<u>30,984,125</u>
Depreciable Capital Assets:				
Buildings	271,588,515	18,150,288	520,726	289,218,077
Infrastructure	1,312,561	-	-	1,312,561
Equipment	47,034,334	3,844,734	5,318,581	45,560,487
Improvements other than building	6,547,865	520,726	-	7,068,591
Library materials	<u>39,108,462</u>	<u>3,305,384</u>	<u>32,223</u>	<u>42,381,623</u>
Total depreciable capital assets	<u>365,591,737</u>	<u>25,821,132</u>	<u>5,871,530</u>	<u>385,541,339</u>
Less Accumulated Depreciation for:				
Buildings	104,298,925	8,154,892	241,943	112,211,874
Infrastructure	1,312,561	-	-	1,312,561
Equipment	32,950,772	2,987,431	5,121,677	30,816,526
Improvements other than buildings	5,443,569	298,394	38,660	5,703,303
Library materials	<u>33,574,656</u>	<u>2,842,275</u>	<u>32,223</u>	<u>36,384,708</u>
Total accumulated depreciation	<u>177,580,483</u>	<u>14,282,992</u>	<u>5,434,503</u>	<u>186,428,972</u>
Depreciable capital assets, net	<u>188,011,254</u>	<u>11,538,140</u>	<u>437,027</u>	<u>199,112,367</u>
Total capital assets, net	<u>\$ 222,542,300</u>	<u>\$ 26,145,898</u>	<u>\$ 18,591,706</u>	<u>\$ 230,096,492</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2004:

Employee salaries, wages, and fringe benefits payable	\$ 6,611,382
Vendors and suppliers accounts payable	<u>12,822,127</u>
Accounts payable and accrued expenses	<u>\$19,433,509</u>

7. NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8), and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2004 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
General obligation bonds	\$ 15,295,410	\$ -	\$ 2,057,304	\$ 13,238,106	\$ 1,490,190
Revenue bonds	62,105,000	1,935,000	2,390,000	61,650,000	2,540,000
Capital leases	<u>957,688</u>	<u>183,518</u>	<u>337,211</u>	<u>803,995</u>	<u>383,631</u>
Total Long-term Debt	<u>78,358,098</u>	<u>2,118,518</u>	<u>4,784,515</u>	<u>75,692,101</u>	<u>4,413,821</u>
Accrued compensated absences	5,230,746	4,084,187	3,870,585	5,444,348	3,306,182
Federal loan program contributions	569,614	-	399,828	169,786	-
Capital projects retainage payable	360,219	348,869	64,146	644,942	-
Deferred gain on early retirement of debt	<u>512,141</u>	<u>-</u>	<u>96,140</u>	<u>416,001</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 85,030,818</u>	<u>\$ 6,551,574</u>	<u>\$ 9,215,214</u>	<u>\$ 82,367,178</u>	<u>\$ 7,720,003</u>

8. LONG-TERM DEBT

The University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth of Virginia, legally, morally, or otherwise. Pledged general fund revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University issued 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College

Building Authority (VCBA) also issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue, not otherwise obligated, also secures these notes.

The University has also entered into various capital lease agreements to finance the purchase of equipment. The outstanding principal represents the net present value of the remaining lease payments.

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance</u>
General obligation [9(c)]bonds:			
Dormitory, Series 1983A	3.00%	2013	\$ 1,455,000
Dormitory, Series 1983B	3.00%	2013	1,390,000
Recreation, Series 2003A	2.50% - 5.50%	2010	2,593,609
Smalls, Series 2003A	2.50% - 5.50%	2008	120,968
Parking, Series 2003A	2.50% - 5.50%	2010	2,035,844
Student Center, Series 2003A	2.50% - 5.50%	2011	3,282,685
Dormitory, Series 2002	2.50%-5.00%	2022	<u>2,360,000</u>
Total general obligation bonds			<u>13,238,106</u>
Revenue [9(d)] bonds:			
Classrooms, Series 1997A	3.75% - 5.00%	2018	8,275,000
Classrooms, Series 1999A	4.75% - 6.00%	2020	775,000
Recreation, Series 1997A	3.75% - 5.00%	2018	4,310,000
Recreation, Series 1999A	4.75% - 6.00%	2020	865,000
Recreation, Series 2000A	4.25% - 5.75%	2021	4,530,000
Recreation, Series 2001A	3.00% - 5.00%	2022	23,080,000
Parking, Series 1997A	3.75% - 5.00%	2018	1,550,000
Parking, Series 1999A	4.75% - 6.00%	2020	1,280,000
Parking, Series 2000A	4.25% - 5.75%	2021	7,980,000
Parking, Series 2001A	3.00% - 5.00%	2022	7,070,000
Parking, Series 2003A	2.00% - 5.00%	2024	<u>1,935,000</u>
Total revenue bonds			<u>61,650,000</u>
Capital leases	Various	2005-07	<u>803,995</u>
Total long-term debt			<u>\$ 75,692,101</u>

Long-term debt matures as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,413,821	\$ 3,508,792
2006	4,572,467	3,323,414
2007	4,445,535	3,133,510
2008	4,567,024	2,934,464
2009	4,723,557	2,720,869
2010-2014	<u>21,204,697</u>	<u>10,302,612</u>

2015-2019	21,365,000	5,170,613
2020-2024	<u>10,400,000</u>	<u>749,803</u>
Total	<u>\$ 75,692,101</u>	<u>\$ 31,844,077</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. Financing agreements for ETF state that the University owns the equipment from the date of purchase.

The Statement of Net Assets line “Due from the Commonwealth” includes \$1,137,265 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

Defeasance of Debt

During fiscal year 2003, certain 1990B and 1993R General Obligation Bonds were defeased by the University. The net proceeds from the sale of those bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University’s financial statements. At June 30, 2004, the following amounts of the defeased bonds were outstanding:

1990 Series B	\$ 2,144,838
1993 Series R	<u>6,342,361</u>
Total outstanding	<u>\$ 8,487,199</u>

Subsequent Event

On October 7, 2004, the University issued 2004A, 9(d) revenue bonds through the Virginia College Building Authority’s (VCBA) Public Higher Education Financing Pooled Bond Program in the amount of \$9,405,000. Proceeds from the bonds will be used for an athletics facilities expansion, indoor tennis center, parking structure, and health and physical education building renovations.

9. AUXILIARY ENTERPRISE ACTIVITIES

Auxiliary operating revenues and expenses are distributed as shown in the following table for the year ending June 30, 2004. Additionally, the University used auxiliary revenues to pay debt service of \$8,813,571. This amount is not included in the auxiliary operating expenses.

Revenues:

Room contracts (net of \$ 1,481,111 scholarship allowances)	\$ 7,088,354
Food service contracts (net of \$121,063 scholarship allowances)	584,222
Comprehensive fees (net of \$2,376,280 scholarship allowances)	17,953,677
Other student fees and sales and services (net of \$430,951 scholarship allowances)	<u>14,010,665</u>
 Total auxiliary enterprises revenues	 <u>\$ 39,636,918</u>

Expenses:

Residential facilities	\$ 6,890,222
Dining operations	172,866
Athletics	10,017,136
Other auxiliary activities	<u>12,605,670</u>
 Total auxiliary enterprises expenses	 <u>\$ 29,685,894</u>

10. EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, wages, and <u>fringe benefits</u>	Non-personal services/ <u>supplies</u>	Scholarships and <u>fellowships</u>	Plant and <u>equipment</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 73,960,775	\$ 10,736,853	\$ -	\$ 1,740,761	\$ -	\$ 86,438,389
Research	1,481,834	891,666	-	7,467	-	2,380,967
Public service	492,217	189,007	-	23,041	-	704,265
Academic support	15,647,690	6,977,241	-	894,508	-	23,519,439
Student services	5,506,963	1,427,869	-	105,034	-	7,039,866
Institutional support	13,443,171	2,931,696	-	185,361	-	16,560,228
Operation and maintenance of plant	5,729,084	6,161,923	-	1,016,237	-	12,907,244
Depreciation expense	-	-	-	-	14,282,992	14,282,992
Scholarship and related expenses	-	94,627	6,537,205	-	-	6,631,832
Auxiliary enterprises	<u>11,673,639</u>	<u>13,943,411</u>	<u>2,308,629</u>	<u>1,760,215</u>	<u>-</u>	<u>29,685,894</u>
 Total	 <u>\$ 127,935,373</u>	 <u>\$ 43,354,293</u>	 <u>\$ 8,845,834</u>	 <u>\$ 5,732,624</u>	 <u>\$14,282,992</u>	 <u>\$200,151,116</u>

11. STATE APPROPRIATIONS

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

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

Original legislative appropriation:	
Educational and general programs	\$ 67,650,858
Student financial assistance	8,781,735
Supplemental adjustments:	
Central fund appropriation transfers	1,501,169
Eminent scholars	285,604
Higher Education Equipment Trust Fund	253,142
VITA	(4,947)
General fund transfers	3,872
Library grant	<u>12,967</u>
Adjusted appropriation	<u>\$ 78,484,400</u>

12. COMPONENT UNIT FINANCIAL INFORMATION

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

Statement Of Net Assets

	<u>Old Dominion University Intercollegiate Foundation</u>	<u>Old Dominion University Educational and Real Estate Foundation</u>	<u>Old Dominion University Research Foundation</u>	<u>TOTAL</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,291,367	\$ 15,720,422	\$ 3,616,007	\$ 21,627,796
Accounts receivable	20,506	140,285	9,372,140	9,532,931
Contributions receivable, net	603,187	4,140,843	-	4,744,030
Travel advances	-	-	46,369	46,369
Prepaid expenses	-	-	199,384	199,384
Other assets	<u>39,055</u>	<u>87,606</u>	<u>10,165</u>	<u>136,826</u>
Total current assets	<u>2,954,115</u>	<u>20,089,156</u>	<u>13,244,065</u>	<u>36,287,336</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,237,173	-	1,237,173
Investments	4,666,509	111,606,676	2,915,825	119,189,010
Contributions receivable, net	340,147	2,308,409	-	2,648,556
Nondepreciable capital assets	-	16,487,295	54,802	16,542,097
Depreciable capital assets	<u>255,189</u>	<u>23,552,765</u>	<u>4,081,443</u>	<u>27,889,397</u>
Total noncurrent assets	<u>5,261,845</u>	<u>155,192,318</u>	<u>7,052,070</u>	<u>167,506,233</u>
Total assets	<u>8,215,960</u>	<u>175,281,474</u>	<u>20,296,135</u>	<u>203,793,569</u>
LIABILITIES				
Current liabilities:				
Accounts payable	431,735	1,111,544	4,329,346	5,872,625
Deferred revenue	-	131,296	3,028,203	3,159,499
Deposits held for others	-	122,779	-	122,779
Agency related payables	-	16,050,148	-	16,050,148
Short-term debt	-	9,369,185	-	9,369,185
Long-term liabilities – current portion	<u>-</u>	<u>180,667</u>	<u>-</u>	<u>180,667</u>
Total current liabilities	<u>431,735</u>	<u>26,965,619</u>	<u>7,357,549</u>	<u>34,754,903</u>
Noncurrent liabilities	<u>465,200</u>	<u>33,128,748</u>	<u>-</u>	<u>33,593,948</u>
Total liabilities	<u>896,935</u>	<u>60,094,367</u>	<u>7,357,549</u>	<u>68,348,851</u>
NET ASSETS				
Net assets:				
Invested in capital assets, net of related debt	255,189	5,493,146	4,136,245	9,884,580
Permanently restricted	4,188,413	64,185,717	-	68,374,130
Temporarily restricted	2,393,845	42,071,727	6,967,819	51,433,391
Unrestricted	<u>481,578</u>	<u>3,436,517</u>	<u>1,834,522</u>	<u>5,752,617</u>
Total net assets	<u>\$ 7,319,025</u>	<u>\$ 115,187,107</u>	<u>\$ 12,938,586</u>	<u>\$135,444,718</u>

Statement of Revenues, Expenses, and Changes in Net Assets

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	<u>TOTAL</u>
Operating revenues:				
Gifts and contributions	\$ 1,075,954	\$ 16,318,132	\$ 349,762	\$ 17,743,848
Indirect cost	-	-	6,090,231	6,090,231
Sponsored research	-	-	29,152,232	29,152,232
Other operating revenues	<u>200,708</u>	<u>2,488,843</u>	<u>2,618,293</u>	<u>5,307,844</u>
Total operating revenue	<u>1,276,662</u>	<u>18,806,975</u>	<u>38,210,518</u>	<u>58,294,155</u>
Operating expenses:				
Instruction	-	802,384	-	802,384
Research	-	-	33,084,616	33,084,616
Academic support	88,972	1,405,834	-	1,494,806
Institutional support	697,723	6,243,276	4,145,069	11,086,068
Operation and maintenance of plant	-	357,863	-	357,863
Depreciation	111,036	468,070	-	579,106
Student aid	<u>440,207</u>	<u>457,260</u>	<u>-</u>	<u>897,467</u>
Total operating expenses	<u>1,337,938</u>	<u>9,734,687</u>	<u>37,229,685</u>	<u>48,302,310</u>
Operating gain/(loss)	<u>(61,276)</u>	<u>9,072,288</u>	<u>980,833</u>	<u>9,991,845</u>
Nonoperating revenues:				
Investment income	<u>773,476</u>	<u>12,428,650</u>	<u>160,658</u>	<u>13,362,784</u>
Contributions to permanent endowments	<u>585,828</u>	<u>23,197,847</u>	<u>-</u>	<u>23,783,675</u>
Increase in net assets	<u>1,298,028</u>	<u>44,698,785</u>	<u>1,141,491</u>	<u>47,138,304</u>
Beginning net assets	<u>6,020,997</u>	<u>70,488,322</u>	<u>11,797,095</u>	<u>88,306,414</u>
Ending net assets	<u>\$ 7,319,025</u>	<u>\$ 115,187,107</u>	<u>\$ 12,938,586</u>	<u>\$ 135,444,718</u>

Contributions Receivable

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundations	Total
<u>Current Contributions Receivable</u>			
Receivable due in less than one year,	\$ 918,543	\$ 4,480,953	\$ 5,399,496
Less allowance for doubtful accounts	<u>315,356</u>	<u>340,110</u>	<u>655,466</u>
Net Current Accounts Receivable	<u>603,187</u>	<u>4,140,843</u>	<u>4,744,030</u>
<u>Noncurrent Contributions Receivable</u>			
Receivable due in greater than 1 year, net of discount of \$728,402	475,510	2,570,367	3,045,877
Less allowance for doubtful accounts	<u>135,363</u>	<u>261,958</u>	<u>397,321</u>
Net noncurrent contributions receivable	<u>340,147</u>	<u>2,308,409</u>	<u>2,648,556</u>
Total contributions receivable	<u>\$ 943,334</u>	<u>\$ 6,449,252</u>	<u>\$ 7,392,586</u>

Investments

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

Summary Schedule of Investments

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
U.S. Treasury and Agency Securities	\$ 37,184	\$ 15,044,814	\$ 2,540,973	\$ 17,622,971
Common and Preferred Stocks	-	34,412,599	62,439	34,475,038
Corporate Bonds	1,977,869	-	-	1,977,869
Mutual and Money Market Funds	1,747,693	30,270,807	312,413	32,330,913
Real Estate	-	259,000	-	259,000
Foreign Government Obligations	7,500	12,500	-	20,000
Alternative Investments	896,263	15,556,808	-	16,453,071
Managed Investments	<u>-</u>	<u>16,050,148</u>	<u>-</u>	<u>16,050,148</u>
Total	<u>\$ 4,666,509</u>	<u>\$ 111,606,676</u>	<u>\$ 2,915,825</u>	<u>\$119,189,010</u>

Capital Assets

	Old Dominion University Intercollegiate Foundation	Old Dominion University Educational and Real Estate Foundation	Old Dominion University Research Foundation	Total
Nondepreciable capital assets:				
Land	\$ -	\$ 3,908,965	\$ 54,802	\$ 3,963,767
Construction in progress	<u>-</u>	<u>12,578,330</u>	<u>-</u>	<u>12,578,330</u>
Total	<u>-</u>	<u>16,487,295</u>	<u>54,802</u>	<u>16,542,097</u>
Depreciable capital assets:				
Buildings	-	23,601,212	988,640	24,589,852
Equipment	<u>528,392</u>	<u>1,292,149</u>	<u>11,518,911</u>	<u>13,339,452</u>
Total	<u>528,392</u>	<u>24,893,361</u>	<u>12,507,551</u>	<u>37,929,304</u>
Less accumulated depreciation for:				
Buildings	-	1,234,145	595,286	1,829,431
Equipment	<u>273,203</u>	<u>106,451</u>	<u>7,830,822</u>	<u>8,210,476</u>
Total accumulated depreciation	<u>273,203</u>	<u>1,340,596</u>	<u>8,426,108</u>	<u>10,039,907</u>
Net depreciable capital assets	<u>255,189</u>	<u>23,552,765</u>	<u>4,081,443</u>	<u>27,889,397</u>
Total capital assets, net	<u>\$ 255,189</u>	<u>\$ 40,040,060</u>	<u>\$ 4,136,245</u>	<u>\$ 44,431,494</u>

Long Term Liabilities

Educational and Real Estate Foundations

Description	Interest Rates	Maturity	2004
Bonds Payable:			
Norfolk Redevelopment and Housing Authority Revenue Bonds (Old Dominion University Real Estate Foundation University Village Student Housing Project) Series 2003A	Variable	2033	<u>\$ 21,445,000</u>
Notes Payable:			
Student Housing	6.597%	2011	3,631,533
Equipment		2004	<u>1,095</u>
Total Notes Payable			<u>3,632,628</u>
Capital Lease		2008	<u>100,100</u>
Other Long-Term Liabilities			<u>8,131,687</u>
Total Long-Term Debt			<u>\$ 33,309,415</u>

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

2004	\$ 159,218
2005	191,522
2006	199,804
2007	228,657
2008	240,371
Thereafter	<u>24,158,156</u>
Total	<u>\$ 25,177,728</u>

Intercollegiate Foundation

Other Long-term Liabilities:	<u>2004</u>
Deferred compensation agreements	<u>\$ 465,200</u>

Component Unit Subsequent Event

On January 15, 2004, the Norfolk Redevelopment and Housing Authority issued \$25,555,000 Series 2004B Tax-Exempt Revenue Bonds and Series 2004C \$5,785,000 Taxable Bonds for the purpose of constructing Phase II of the University Village Student Housing Project. The bonds, issued by the Norfolk Redevelopment and Housing Authority on behalf of the Real Estate Foundation, are secured by a letter of credit from Bank of America. Interest is payable in monthly installments at a variable rate beginning February 1, 2004 until August 2004 at which time the rate becomes fixed under a swap agreement. The non-taxable bonds mature on August 1, 2033 and the taxable bonds mature on August 1, 2013.

A portion of the bond proceeds was used to repay the outstanding balance on the lines of credit at December 31, 2003.

13. COMMITMENTS

At June 30, 2004, the University was a party to construction and other contracts totaling approximately \$23,637,954 of which \$23,329,626 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for three to four year terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense was approximately \$3,803,143 for the year ended June 30, 2004.

The University has, as of June 30, 2004, the following future minimum rental payments due under the above leases:

<u>Year Ending June 30</u>	<u>Operating Lease Obligations</u>
2005	\$ 344,988
2006	11,028
2007	9,192
2008	6,552
2009	6,552
2010-2014	<u>27,846</u>
Total	<u>\$ 406,158</u>

14. RETIREMENT PLANS

Substantially all full-time classified salaried employees of the University participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report (CAFR)*. The Commonwealth, not Old Dominion University, has overall responsibility for contributions to this plan.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.40 percent and employee contributions of 5 percent, and interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both University and employee contributions. Total pension costs under these plans were approximately \$3,590,841 for the year ended June 30, 2004. Contributions to other retirement plans were calculated using the base salary amount of approximately \$34,527,314.

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 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*.

16. CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the

expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2004, the University estimates that no material liabilities will result from such audits or questions.

17. 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*.

SUPPLEMENTARY INFORMATION

OLD DOMINION UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES
For the Year Ended June 30, 2004

	Residential Facilities	Dining Services	University Stores	Va Beach Development
Operating revenues:				
Student fees	\$ 59,111	\$ -	\$ -	\$ 506,214
Sales and services	8,569,465	705,285	1,829	504,556
Proceeds from Securities Lending Program	-	-	-	-
Rental and other income	-	-	544,395	-
	<hr/>			
Operating revenues	8,628,576	705,285	546,224	1,010,770
Operating expenditures:				
Personal services	2,360,025	14,170	-	-
Contractual services	3,780,611	9,475	4,063	-
Equipment	285,363	149,221	2,915	-
Supplies and materials	464,223	-	4,480	-
Scholarships	-	-	-	-
	<hr/>			
Total operating expenditures	6,890,222	172,866	11,458	-
Excess (deficiency) of revenues over (under) operating expenditures	1,738,354	532,419	534,766	1,010,770
Nonoperating revenue:				
Private gifts	-	-	-	-
<hr/>				
Mandatory transfers:				
Debt service	(629,948)	-	-	(1,006,415)
Nonmandatory transfers (to)/from other funds	(574,909)	(791,463)	(455,281)	(2,499,482)
	<hr/>			
Total transfers	(1,204,857)	(791,463)	(455,281)	(3,505,897)
Net increase (decrease) in fund balances	533,497	(259,044)	79,485	(2,495,127)
Fund balances (deficit) at beginning of year	6,678,599	1,985,480	163,663	2,533,600
	<hr/>			
Fund balances at end of year	\$ 7,212,096	\$ 1,726,436	\$ 243,148	\$ 38,473
	<hr/>			

Student Activities	Webb Center	Parking	East Side Development	Athletic Programs	Other Auxiliary	General Fee Reserve	Totals
\$ 1,795,541	\$ 2,345,650	\$ -	\$ 4,166,726	\$ 10,376,738	\$ 4,007,922	\$ 1,459,672	\$ 24,717,574
206,882	79,954	2,510,610	725,374	1,464,451	4,088,177	-	18,856,583
-	-	-	-	-	-	8,600	8,600
-	-	-	-	-	-	17,217	561,612
2,002,423	2,425,604	2,510,610	4,892,100	11,841,189	8,096,099	1,485,489	44,144,369
1,033,009	969,403	637,475	-	4,219,456	2,469,115	-	11,702,653
719,095	794,091	977,771	1,477,719	3,254,725	1,607,763	116,534	12,741,847
61,546	516,018	47,935	277	183,873	384,947	-	1,632,095
126,484	273,883	26,717	14,817	400,358	284,372	-	1,595,334
-	-	-	-	1,958,724	-	-	1,958,724
1,940,134	2,553,395	1,689,898	1,492,813	10,017,136	4,746,197	116,534	29,630,653
62,289	(127,791)	820,712	3,399,287	1,824,053	3,349,902	1,368,955	14,513,716
-	-	-	-	480,681	-	-	480,681
(5,416)	(593,827)	(645,804)	(4,986,029)	(944,758)	(1,374)	-	(8,813,571)
(1,044)	186,524	(65,288)	(281,510)	2,184,863	(1,742,385)	(1,060,088)	(5,100,063)
(6,460)	(407,303)	(711,092)	(5,267,539)	1,240,105	(1,743,759)	(1,060,088)	(13,913,634)
55,829	(535,094)	109,620	(1,868,252)	3,544,839	1,606,143	308,867	1,080,763
(28,865)	790,467	4,599,057	8,279,771	4,719,407	1,618,416	1,207,303	32,546,898
\$ 26,964	\$ 255,373	\$ 4,708,677	\$ 6,411,519	\$ 8,264,246	\$ 3,224,559	\$ 1,516,170	\$ 33,627,661



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

February 4, 2005

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of **Old Dominion University**, a component unit of the Commonwealth of Virginia, and its aggregate discretely presented component units as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the other auditors.

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

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 Old Dominion University and of its aggregate discretely presented component units as of June 30, 2004, 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.

As described in the notes to the financial statements, the University has implemented the provisions of Governmental Accounting Standards Board Statement 39, *Determining Whether Certain Organizations are Component Units*, which addresses the conditions under which institutions should include associated foundations as component units and how such component units should be displayed in the financial statements.

The management's discussion and analysis on pages 1 through 5 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University. The accompanying Schedule of Auxiliary Enterprises Revenues and Expenditures is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone,

other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on February 16, 2005.

AUDITOR OF PUBLIC ACCOUNTS

OLD DOMINION UNIVERSITY

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