*Old Dominion University*
*Financial Statements*

*June 30, 2011*

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# MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

## Introduction

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 Old Dominion University's (the University) financial activities based on currently known facts, decisions, and conditions.

## Institutional Profile

Old Dominion University is a comprehensive, multicultural, and student-centered university whose central purpose is to provide our students with the best education possible. The University is a residential university that enjoys advantages from its unique coastal location within a thriving metropolitan region adjacent to major maritime and military installations and within easy reach of the nation's capital. Metropolitan Hampton Roads' location provides a rich living laboratory for many of the University's academic and research pursuits, including environmental, marine, and natural sciences and engineering associated with the Chesapeake Bay and the Atlantic Ocean. The region is host to an extensive and comprehensive public education system and several community colleges and universities, with which the University has long-standing and strong collaborations. The University's co-location with an exceptional array of major local and federal government facilities and organizations presents opportunities for mutually beneficial partnerships, such as with the Jefferson National Laboratory, NASA Langley, Virginia Port Authority, and teaching hospitals such as Eastern Virginia Medical School and Sentara Norfolk General Hospital.

Old Dominion University's six colleges: Arts and Letters, Business and Public Administration, Education, Engineering and Technology, Health Sciences and Sciences offer 69 baccalaureate programs, 56 master's programs, two education specialist programs and 41 doctoral programs. Old Dominion University is committed to attracting top talent, nurturing investment and business start-ups, generating high-paying jobs and improving the quality of life for Hampton Roads and Virginia. We are seeding businesses and our own position of becoming the region's engine of economic development. Our local, regional and national impact will continue to grow. The University's business and research initiatives contribute nearly $1 billion annually to the economy, making the University one of the largest generators of new jobs in the region.

Old Dominion University's economic outreach includes a wide variety of regional projects which enhance the on-campus engineering and science curricula. The Reidy Research Center for Bioelectrics has grown over the past couple of years to over 40 researchers with expertise in engineering, physics, immunology, molecular biology and biology working in newly constructed state-of-art-laboratories. Research at the Center ranges from fundamental studies of electric field and plasma effects on biological cells to applied research including medical and commercial applications. The University operates the Mid-Atlantic Regional Spaceport located at Wallops Island on Virginia's Eastern Shore; has a significant presence in the Applied Research Center at the Department of Energy's Jefferson Laboratories in Newport News and the Virginia Modeling, Analysis, and Simulation Center on the Portsmouth-Suffolk border; and owns and manages the Blackwater Ecological Preserve in Zuni.

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2011. Comparative numbers, where presented, are for the fiscal year ended June 30, 2010. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying Financial Statements, Notes to Financial Statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

Statement of Net Assets

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

| | 2011 | 2010 | Difference | Percentage Difference |
|---|---|---|---|---|
| Assets: | | | | |
| Current | $ 87,765,284 | $ 75,858,954 | $ 11,906,330 | 15.7 % |
| Capital, net of accumulated depreciation | 566,164,618 | 556,237,754 | 9,926,864 | 1.8 % |
| Other noncurrent | 36,731,465 | 43,094,733 | (6,363,268) | (14.8)% |
| Total assets | 690,661,367 | 675,191,441 | 15,469,926 | 2.3 % |
| Liabilities: | | | | |
| Current | 61,422,423 | 70,354,205 | (8,931,782) | (12.7)% |
| Noncurrent | 273,286,799 | 281,535,133 | (8,248,334) | (2.9)% |
| Total liabilities | 334,709,222 | 351,889,338 | (17,180,116) | (4.9)% |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 287,439,347 | 268,008,543 | 19,430,804 | 7.3 % |
| Restricted | 27,368,442 | 26,137,759 | 1,230,683 | 4.7 % |
| Unrestricted | 41,144,356 | 29,155,801 | 11,988,555 | 41.1 % |
| Total net assets | $ 355,952,145 | $ 323,302,103 | $ 32,650,042 | 10.1 % |

Total University assets increased $15,469,926 or 2.3% during fiscal year 2011. The growth in current assets was primarily the result of an increase in cash in Auxiliary Enterprises which ties to the University's Strategic Plan for future expansion and improvements for student facilities. This will include additional housing, upgrading student dining facilities and a new Student Union. The University is increasing resources instead of acquiring new debt. Further, there was an increase in monies due from the Commonwealth for reimbursements for bond funds. The rise in capital assets of $9,926,864 was due to the purchase of equipment and capitalization of construction in progress for new and continued projects. The decrease in other noncurrent assets was a result of less cash and investments from the Security Lending Program. Total University liabilities decreased $17,180,116. The decrease in liabilities was a result of the normal payment of debt and the decrease in liabilities associated with the Securities Lending Program. The financial position of

the University has improved over the prior fiscal year as evidenced by the growth in net assets of $32,650,042 or 10.1%.

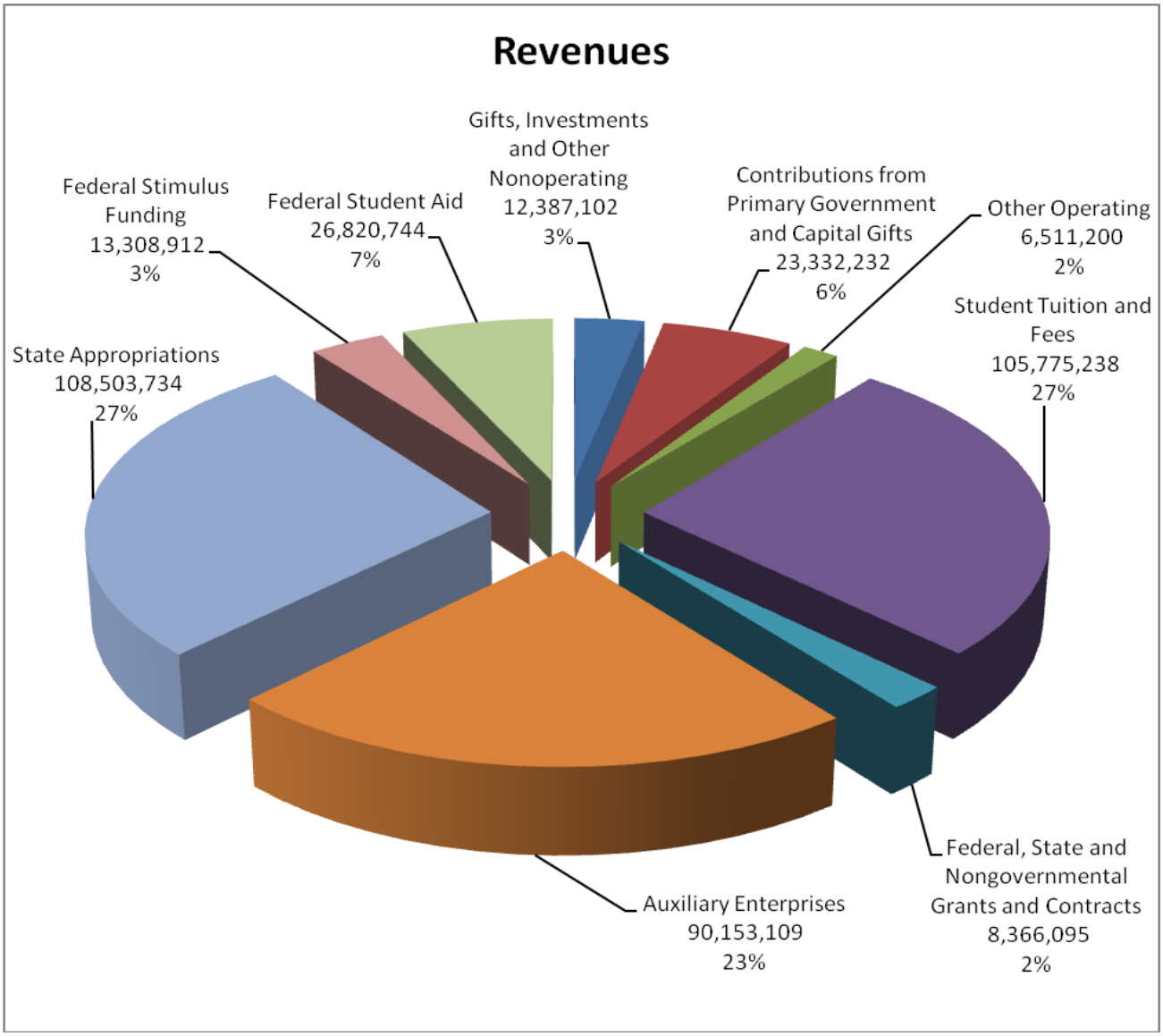
Statement of Revenues, Expenses and Changes in Net Assets

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

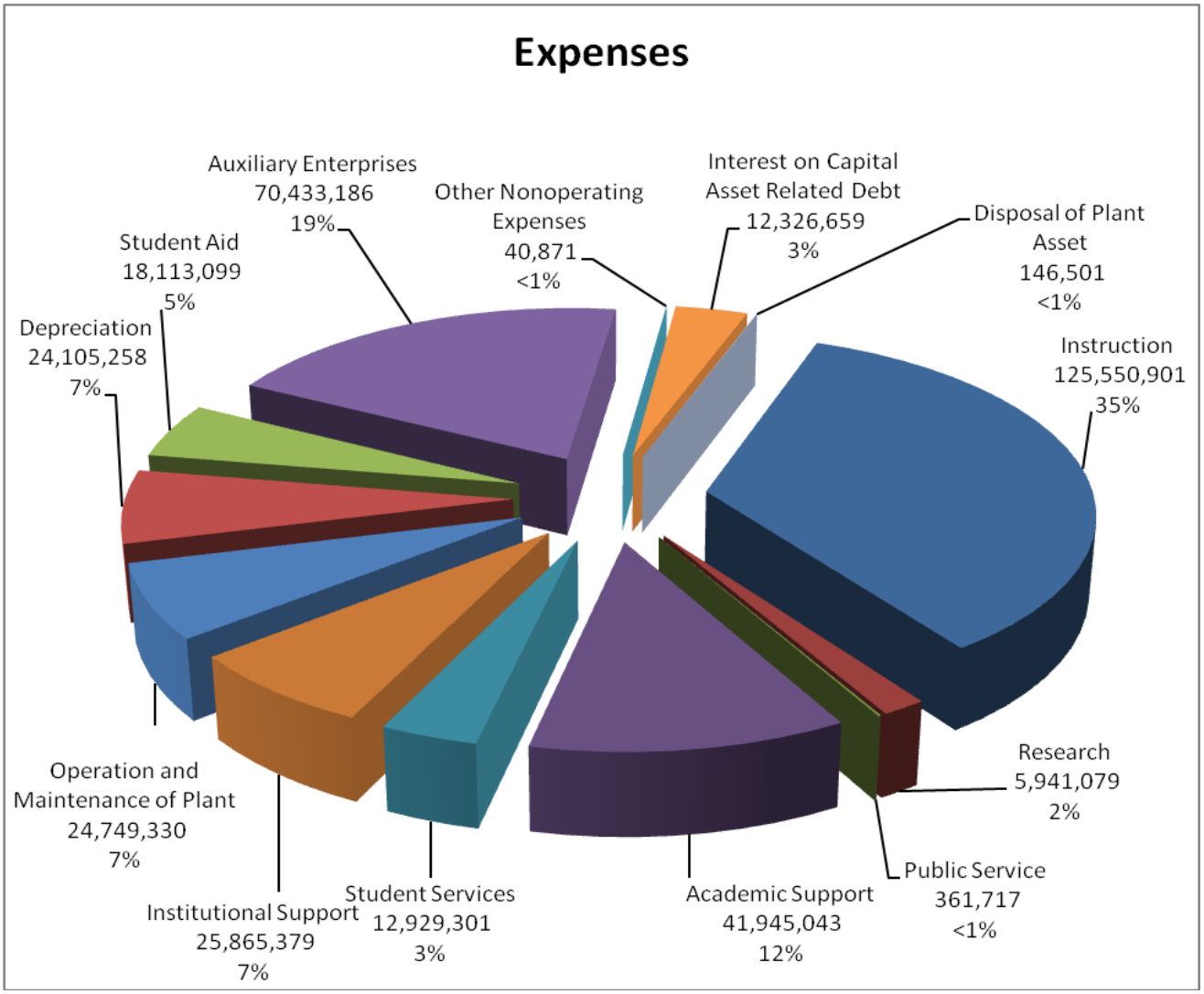
Generally, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's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

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

| | 2011 | 2010 | Difference | Percentage Difference |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student tuition and fees, net of scholarship allowances of $21,641,502 and $19,903,857 | $ 105,775,238 | $ 95,746,971 | $ 10,028,267 | 10.5 % |
| Federal grants and contracts | 5,596,121 | 5,459,708 | 136,413 | 2.5 % |
| State, local & nongovernmental grants | 2,769,974 | 1,839,229 | 930,745 | 50.6 % |
| Auxiliary enterprises, net of scholarship allowances of $13,722,740 and $12,894,779 | 90,153,109 | 89,339,660 | 813,449 | 0.9 % |
| Other operating revenues | 6,511,200 | 6,608,480 | (97,280) | (1.5)% |
| Total operating revenues | 210,805,642 | 198,994,048 | 11,811,594 | 5.9 % |
| Operating expenses: | | | | |
| Instruction | 125,550,901 | 117,541,221 | 8,009,680 | 6.8 % |
| Research | 5,941,079 | 6,110,044 | (168,965) | (2.8)% |
| Public service | 361,717 | 394,160 | (32,443) | (8.2)% |
| Academic support | 41,945,043 | 35,739,905 | 6,205,138 | 17.4 % |
| Student services | 12,929,301 | 12,125,772 | 803,529 | 6.6 % |
| Institutional support | 25,865,379 | 24,219,512 | 1,645,867 | 6.8 % |
| Operation and maintenance | 24,749,330 | 21,864,042 | 2,885,288 | 13.2 % |
| Depreciation | 24,105,258 | 24,017,117 | 88,141 | 0.4 % |
| Scholarships and fellowships | 18,113,099 | 17,055,761 | 1,057,338 | 6.2 % |
| Auxiliary activities | 70,433,186 | 68,834,206 | 1,598,980 | 2.3 % |
| Total operating expenses | 349,994,293 | 327,901,740 | 22,092,553 | 6.7 % |
| Operating loss | (139,188,651) | (128,907,692) | (10,280,959) | (8.0)% |
| Net nonoperating revenues and expenses | 148,635,988 | 133,231,000 | 15,404,988 | 11.6 % |
| Income before other revenues/ (expenses)/gains/(losses) | 9,447,337 | 4,323,308 | 5,124,029 | 118.5 % |
| Net other revenues and expenses | 23,202,705 | 13,205,678 | 9,997,027 | 75.7 % |
| Increase in net assets | 32,650,042 | 17,528,986 | 15,121,056 | 86.3 % |
| Net assets - beginning of year | 323,302,103 | 305,773,117 | 17,528,986 | 5.7 % |
| Net assets - end of year | $ 355,952,145 | $ 323,302,103 | $ 32,650,042 | 10.1 % |




Total operating revenue increased by $11,811,594 or 5.9% from the prior fiscal year. The growth in revenue was expected given the rise in both in-state and out-of-state tuition rates and an increase in enrollment. The increase in nonoperating revenue of $19,184,177 was primarily due to the increase in federal stimulus funding, appropriation revenue and an increase in Pell grant revenue as well as a growth in investment income related to improved market conditions. Other revenues increased as a result of additional funds from the Commonwealth for General Obligation and 21st Century Bond programs.




Operating expenses increased in response to various factors including the one time bonus for faculty and staff, establishment of 51 new full time positions, faculty promotions, benefit increases, and the expansion of policing and security staff. Student financial assistance expenses increased as a result of additional funding. Nonoperating expenses increased due to an increase in interest expense related to capital debt.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The primary sources are tuition and fees ($120.6 million) and auxiliary enterprises ($102.1 million). The primary uses are payments to employees, including salaries, wages, and fringe benefits ($199.6 million) and payments to vendors ($80.2 million).

The second section reflects the cash flow from non-capital financing activities and reflects nonoperating sources and uses of cash. The primary sources are state appropriations ($108.2 million) and gifts and grants ($49.2 million). The primary use is to support cash requirements of operations.

The third section represents cash flows from capital financing activities and details the activities related with the acquisition and construction of capital assets including related debt payments. The primary

source is proceeds from reimbursements from the Commonwealth ($19.4 million). The primary uses are purchases of capital assets ($32.9 million) and principal and interest paid on capital debt ($26.1 million).

The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments. The primary source was from the sale and maturity of investments ($3.9 million). The last section which is not included below reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

| | 2011 | 2010 |
|---|---|---|
| Cash flows from operating activities | $ (115,670,480) | $ (94,834,713) |
| Cash flows from non-capital financing activities | 157,663,517 | 138,536,281 |
| Cash flows from capital financing activities | (34,479,561) | (49,275,733) |
| Cash flows from investing activities | 1,817,855 | 2,023,180 |
| Net change in cash | $ 9,331,331 | $ (3,550,985) |

Capital Asset and Debt Administration

The University continues to maintain and upgrade current structures, as well as adding new facilities. Investment in the development and renewal of capital assets is one of the critical factors in sustaining the high quality of the University's academic, research, and residential life functions. Overall, funds invested in capital assets reflect the ongoing campus construction as indicated in Note 5. Capital asset additions for June 30, 2011 include increases of $24.5 million in buildings, $5.5 million in equipment and $2.5 million in library books. The building increase included the completion of Dragas Hall Renovations and Performing Arts Phase 2.

Several major ongoing capital projects were added and completed during the fiscal year which resulted in a slight increase in Construction in Progress of $.7 million. New additions to construction in progress of $23.9 million include Dragas Hall Renovation, Performing Arts Phase 2 which includes the Monarch Theater, Student Success Center, Student Housing Renovation Phase 1 and Powhatan Sports Center. Deductions in construction in progress were a result of the completed projects discussed above. Projects were financed through issuance of General Obligation and Revenue Bonds.

Financial stewardship requires effective management of resources, including the use of long-term debt to finance capital projects. The University's long-term debt decreased $8.4 million as reflected in Notes 7 and 8. The decrease is the result of normal payment of existing debt offset by only issuing new debt for $2.9 million for Student Housing Renovations Phase 1 and Powhatan Sports Center and the assumption of $2.2 million for the capital lease for the President's residence.

Uncompleted construction and other related contractual commitments decreased from $18,413,585 at June 30, 2010 to $1,581,184 at June 30, 2011 as reflected in Note 12. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. This large decrease is primarily the result of the completion of several major projects for the Dragas Hall Renovation, Monarch Theater, and Powhatan Sports Center.

Economic Outlook

Old Dominion University is a comprehensive, multicultural, and student-centered university whose central purpose is to provide our students with the best education possible. The University is a residential university that enjoys advantages from its unique coastal location within a thriving metropolitan region adjacent to major maritime and military installations and within easy reach of the nation's capital. Metropolitan Hampton Roads' location provides a rich living laboratory for many of the University's academic and research pursuits, including environmental, marine, and natural sciences and engineering associated with the Chesapeake Bay and the Atlantic Ocean. The region is host to an extensive and

comprehensive public education system and several community colleges and universities, with which the University has long-standing and strong collaborations. The University's co-location with an exceptional array of major local and federal government facilities and organizations presents opportunities for mutually beneficial partnerships, such as with the Jefferson National Laboratory, NASA Langley, Virginia Port Authority, and teaching hospitals such as Eastern Virginia Medical School and Sentara Norfolk General Hospital.

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OLD DOMINION UNIVERSITY
STATEMENT OF NET ASSETS
As of June 30, 2011

| | Old Dominion University | Component Units |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | $ 65,711,770 | $ 21,072,330 |
| Accounts receivable (Net of allowance for doubtful accounts $605,745) (Note 4) | 8,865,962 | 23,293,126 |
| Contributions receivable (Net of allowance for doubtful collections $164,979) (Note 11) | - | 2,156,346 |
| Due from the Commonwealth (Note 4) | 8,859,930 | - |
| Appropriations available | 612,558 | - |
| Travel advances | - | 54,265 |
| Prepaid expenses | 1,917,214 | 832,350 |
| Inventory | 666,284 | - |
| Notes receivable (Net of allowance for doubtful accounts $18,703) | 1,131,566 | - |
| Other assets | - | 154,013 |
| Total current assets | 87,765,284 | 47,562,430 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents (Note 2) | 11,779,182 | - |
| Endowment investments (Note 3) | 8,355,325 | - |
| Investments (Notes 2 and 11) | 13,884,113 | 172,147,867 |
| Accounts receivable | - | 60,870,093 |
| Contributions receivable (Net of allowance for doubtful collections $140,904) (Note 11) | - | 3,016,166 |
| Notes receivable (Net of allowance for doubtful accounts $56,689) | 2,002,268 | 3,405,000 |
| Unamortized bond issuance expense | 710,577 | - |
| Nondepreciable capital assets (Notes 5 and 11) | 50,631,515 | 14,573,171 |
| Capital assets (Notes 5 and 11) | 515,533,103 | 7,189,666 |
| Total noncurrent assets | 602,896,083 | 261,201,963 |
| Total assets | 690,661,367 | 308,764,393 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses (Note 6) | 32,719,256 | 10,983,573 |
| Due to affiliates | - | 7,534,138 |
| Deferred revenue | 8,475,082 | 3,657,354 |
| Obligations under securities lending (Note 2) | 53,759 | - |
| Deposits held in custody for others | 2,597,011 | 39,891 |
| Other liabilities | - | 10,568,796 |
| Line of credit | - | 2,018,946 |
| Long-term liabilities - current portion (Notes 7 and 11) | 17,577,315 | 5,395,917 |
| Total current liabilities | 61,422,423 | 40,198,615 |
| Noncurrent liabilities (Notes 7 and 11) | 273,286,799 | 86,187,214 |
| Total liabilities | 334,709,222 | 126,385,829 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | 287,439,347 | 13,139,967 |
| Restricted for: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | 4,708,151 | - |
| Permanently restricted | - | 109,955,133 |
| Expendable: | | |
| Scholarships and fellowships | 8,101,946 | - |
| Research | 1,293,382 | - |
| Loans | 3,359,476 | - |
| Capital projects | 151,565 | - |
| Temporarily restricted | - | 62,348,583 |
| Departmental uses | 9,753,922 | - |
| Unrestricted | 41,144,356 | (3,065,119) |
| Total net assets | $355,952,145 | $182,378,564 |

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, 2011

| | Old Dominion University | Component Units |
|---|---|---|
| Operating revenues: | | |
| Student tuition and fees (Net of scholarship allowances of $21,641,502) | $ 105,775,238 | $ - |
| Gifts and contributions | - | 5,103,933 |
| Federal grants and contracts | 5,596,121 | - |
| State grants and contracts | 104,777 | - |
| Indirect cost | - | 9,231,723 |
| Sponsored research | - | 37,026,733 |
| Nongovernmental grants and contracts | 2,665,197 | - |
| Auxiliary enterprises (Net of scholarship allowances of $13,722,740) | 90,153,109 | - |
| Other operating revenues | 6,511,200 | 11,305,020 |
| Total operating revenues | 210,805,642 | 62,667,409 |
| Operating expenses: | | |
| Instruction | 125,550,901 | 2,585,588 |
| Research | 5,941,079 | 43,360,528 |
| Public service | 361,717 | - |
| Academic support | 41,945,043 | 4,631,784 |
| Student services | 12,929,301 | - |
| Institutional support | 25,865,379 | 13,786,447 |
| Operation and maintenance | 24,749,330 | 39,690 |
| Depreciation | 24,105,258 | 235,417 |
| Student aid | 18,113,099 | 1,601,391 |
| Auxiliary activities | 70,433,186 | - |
| Total operating expenses | 349,994,293 | 66,240,845 |
| Operating income (loss) | (139,188,651) | (3,573,436) |
| Nonoperating revenues (expenses): | | |
| State appropriations (Note 10) | 110,054,755 | - |
| Pell grant revenue | 26,820,744 | - |
| ARRA state fiscal stabilization funds | 13,308,912 | - |
| Gifts | 9,106,859 | - |
| Investment income (Net of investment expenses of $156,991) | 3,263,269 | 14,823,204 |
| Other | (27,302) | - |
| Interest of capital asset - related debt | (12,326,659) | - |
| Payments to Commonwealth from state appropriations | (1,551,021) | - |
| Payments to grantors | (13,569) | - |
| Net nonoperating revenues (expenses) | 148,635,988 | 14,823,204 |
| Income before other revenues, (expenses), gains, and (losses) | 9,447,337 | 11,249,768 |
| Contributions from primary government | 21,197,952 | - |
| Capital gifts | 2,134,280 | - |
| Loss on disposal of plant assets | (146,501) | - |
| Build America bond interest | 16,974 | - |
| Contributions to permanent endowments | - | 748,798 |
| Total other revenues, (expenses), gains, and (losses) | 23,202,705 | 748,798 |
| Increase in net assets | 32,650,042 | 11,998,566 |
| Net assets - beginning of year | 323,302,103 | 170,379,998 |
| Net assets - end of year | $ 355,952,145 | $ 182,378,564 |

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, 2011

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Student tuition and fees | $ | 120,550,509 |
| Grants and contracts | | 8,587,578 |
| Auxiliary enterprises | | 102,125,355 |
| Other receipts | | 6,307,781 |
| Payments to employees | | (157,545,880) |
| Payments for fringe benefits | | (42,093,571) |
| Payments for services and supplies | | (75,085,603) |
| Payments for travel | | (5,130,807) |
| Payments for scholarships and fellowships | | (58,902,932) |
| Payments for noncapitalized improvements and equipment | | (14,552,556) |
| Loans issued to students | | (398,038) |
| Collections of loans from students | | 467,684 |
| Net cash used by operating activities | | (115,670,480) |
| Cash flows from noncapital financing activities: | | |
| State appropriations | | 108,191,246 |
| Pell grant revenue | | 27,019,283 |
| ARRA state fiscal stabilization funds | | 13,308,912 |
| Gifts and grants for other than capital purposes | | 9,186,830 |
| William D. Ford direct lending receipts | | 105,811,791 |
| William D. Ford direct lending disbursements | | (105,811,791) |
| PLUS loans receipts | | 12,030,150 |
| PLUS loans disbursements | | (12,030,150) |
| Refund to the federal government | | (13,569) |
| Agency receipts | | 2,105,515 |
| Agency payments | | (2,134,700) |
| Net cash provided by noncapital financing activities | | 157,663,517 |
| Cash flows from capital financing activities: | | |
| Proceeds from capital debt and investments | | 2,901,212 |
| Capital appropriations and appropriations available | | 49,828 |
| Contributions from primary government | | 19,392,187 |
| Bond premium | | 76,754 |
| Capital gifts | | 2,111,280 |
| Purchase of capital assets | | (32,888,421) |
| Bond issuance expense | | (25,824) |
| Principal paid on capital debt, leases and installments | | (13,198,178) |
| Interest paid on capital debt, leases and installments | | (12,898,399) |
| Net cash used by capital financing activities | | (34,479,561) |
| Cash flows from investing activities: | | |
| Interest on investment and cash management | | 1,392,646 |
| Purchase of investments | | (2,063,806) |
| Proceeds from sales and maturities of invesments | | 2,489,015 |
| Net cash provided by investing activities | | 1,817,855 |
| Net change in cash | | 9,331,331 |
| Cash and cash equivalents - beginning of the year | | 73,049,006 |
| Less: Securities lending - Treasurer of Virginia | | (4,930,528) |
| Cash and cash equivalents - beginning of the year | | 68,118,478 |
| Cash and cash equivalents - end of the year | $ | 77,449,809 |

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

| | | |
|---|---|---|
| Statement of Net Assets | | |
| Cash and cash equivalents | $ | 77,490,952 |
| Less: Securities lending - Treasurer of Virginia | | (41,143) |
| Net cash and cash equivalent | $ | 77,449,809 |

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

| | | |
|---|---|---|
| Operating (loss) | $ | (139,188,651) |
| Adjustments to reconcile net income/(loss) to net cash used by operating activities | | |
| Depreciation expense | | 24,105,258 |
| Changes in assets and liabilities: | | |
| Receivables, net | | (235,298) |
| Prepaid expenses | | 127,534 |
| Inventory | | (175,278) |
| Accounts payable and accrued expenses | | 720,769 |
| Deposits | | (44,416) |
| Deferred revenue | | (980,398) |
| Net cash used by operating activities | $ | (115,670,480) |

| | | |
|---|---|---|
| Non-cash investing, capital and financing activities | | |
| Security lending | $ | 41,143 |
| Capitalization of interest expense | $ | 47,058 |
| Amortization of bond premium | $ | 586,503 |
| Change in receivables related to nonoperating income | $ | (266,766) |

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

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

## NOTE 1: SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Educational and Real Estate Foundations receive, administer, and distribute gifts for the furtherance of educational activities and objectives of the University. The 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 4417 Monarch Way, 4th Floor, Norfolk, Virginia 23529. The Educational and Real Estate and Intercollegiate Foundations have adopted December 31 as their year-end. All amounts reflected are as of December 31, 2010. The Research Foundation coordinates and accounts for substantially all grants and contracts awarded for research at the University. For additional information contact the Research Foundation at 4111 Monarch Way, Suite 204, Norfolk, Virginia 23508.

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

Basis of Presentation

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

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Prepaid Expenses

The University's prepaid expenses include insurance premiums, lease payments, and satellite space for Teletechnet classes for fiscal year 2012 that were paid in advance as of June 30, 2011.

Inventories

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

Noncurrent Cash and Investments

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

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets are generally defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of 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, with the exception of intra-entity capital asset donations which, in accordance with GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements (construction in progress) are capitalized as projects are constructed. Interest expense of $47,058 relating to construction is capitalized net of interest income earned on resources set aside for this purpose for the year ended June 30, 2011. 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 | 7-30 years |
| Equipment | 2-25 years |
| Library materials | 5 years |
| Intangible assets | 4-10 years |

Accrued Compensated Absences

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned but not taken as of June 30, 2011. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the period after June 30, 2011 and certain grants that have received advance funding but have not met their restriction prior to year end.

Noncurrent Liabilities

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

Discounts, Premiums, and Bond Issuance Costs

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

Net Assets

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

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

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

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

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

Classification of Revenues and Expenses

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

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

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

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

Scholarship Allowances

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

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

Federal Financial Assistance Programs

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

## NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2011. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2011.

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

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

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

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign deposits but does have foreign investments for June 30, 2011. The foreign investments are traded in U.S. dollars and the risk is considered to be low. The University does not have a foreign currency risk policy.

The following information is provided with respect to the risks associated with the University's cash, cash equivalents, and investments at June 30, 2011.

Cash and Cash Equivalents

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

Deposits

At June 30, 2011, the carrying value of the University's deposit with banks was $44,243,622 and bank balance was $36,991,524. The carrying value of deposits differs from the bank balance because of reconciling items such as deposits in transit and outstanding checks. Deposits with banks are covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% excess deposits to a collateral pool in the name of the State Treasury Board. At June 30, 2011, the University's deposits were not exposed to custodial credit risk.

Investments

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

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

Security Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of $53,759 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

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

### *Credit & Concentration of Credit Risks*

| Type of Investment | Percentage of Investments | Fair Value | Standard & Poor's Credit Quality Rating |
|---|---|---|---|
| CASH EQUIVALENTS: | | | |
| Mutual/Money Market Funds | | | |
| Merrill Lynch | 6.12% | $ 1,598,082 | AAAm |
| ML Government Fund | 0.04% | 9,915 | AAAm |
| BB&T/Wachovia Securities | 0.17% | 44,591 | |
| SNAP | 8.33% | 2,176,006 | AAA |
| Securities Lending | 0.16% | 41,143 | |
| Total Cash Equivalents | | 3,869,737 | |
| INVESTMENTS: | | | |
| Mutual/Money Market | | | |
| Intermediate Term Fund | 22.84% | 5,963,361 | AA |
| U. S. Treasury & Agency Securities* | | | |
| U. S. Treasury Bond DTD | 0.74% | 194,359 | Unrated |
| U. S. Treasury Note DTD | 0.21% | 55,668 | Unrated |
| U. S. Treasury Bill DTD | 0.27% | 69,971 | |
| Corporate Bonds | | | |
| AFLAC Inc DTD | 0.07% | 18,345 | A- |
| ACE INA HLDG Inc DTD | 0.09% | 22,290 | A |
| Bear Stearns Company | 0.07% | 17,812 | A+ |
| Berkshire Hathaway Inc | 0.08% | 20,845 | AA+ |
| Bottling Group LLC DTD | 0.09% | 22,927 | A |
| Caterpillar Financial SE DTD | 0.09% | 24,676 | A |
| Conocophillips DTD | 0.09% | 23,001 | A |
| Deere & Co DTD | 0.09% | 23,184 | A |
| El Dupont DeNemour & Company DTD | 0.08% | 20,957 | A |
| General Electric Capital Corporation DTD | 0.08% | 20,811 | AA |
| Goldman Sachs Group Incorporated DTD | 0.06% | 16,186 | A |
| HSBC Finance Corporation DTD | 0.06% | 16,401 | A |
| Hewlett-Packard Company DTD | 0.08% | 21,825 | A |
| IBM Corporation DTD | 0.10% | 25,437 | A+ |
| Metlife Incorporated DTD | 0.09% | 23,279 | A- |
| Morgan Stanley DTD | 0.06% | 15,932 | A |
| PNC Funding Corporation DTD | 0.08% | 21,065 | A |
| Phillip Morris International Incorporated DTD | 0.09% | 22,493 | A |
| Shell International Fin DTD | 0.08% | 21,532 | AA |
| Target Corp DTD | 0.09% | 22,854 | A+ |
| TEVA Pharmacy Fin III LLC DTD | 0.08% | 20,188 | A- |
| Thermo Fisher Scientific Incorporated DTD | 0.08% | 20,596 | A |
| Cellco Part/Verizon Wireless DTD | 0.10% | 25,972 | A |
| Wachovia Corporation DTD | 0.06% | 16,284 | A+ |
| Municipal Securities | | | |
| Baltimore Maryland Ser B Go DTD | 0.17% | 43,967 | AA- |
| Easren Iowa Community College District | 0.11% | 27,463 | Unrated |
| Indiana Board Bank Rev | 0.08% | 20,021 | AA+ |
| Kentucky Housing Corporation Housing Rev | 0.04% | 10,469 | AAA |

| Type of Investment | Percentage of Investments | Fair Value | Standard & Poor's Credit Quality Rating |
|---|---|---|---|
| Agency Mortgage Backed | | | |
| Federal Home Loan Bank DTD | 0.31% | 80,048 | AAA |
| Federal Home Loan Mortgage Corporation DTD | 0.83% | 217,496 | AAA |
| Federal National Mortgage Association DTD | 0.33% | 87,290 | AAA |
| Foreign Bonds/Notes | | | |
| BHP Finance USA Ltd DTD | 0.09% | 23,932 | A+ |
| BP Capital Markets PLC DTD | 0.08% | 20,342 | A |
| Bank of Nova Scotia DTD | 0.08% | 20,429 | AA- |
| Barclays DTD | 0.06% | 15,276 | AA- |
| Credit Suisse New York DTD | 0.06% | 15,186 | A |
| Rio Tinto Fin USA LTD DTD | 0.10% | 26,501 | A- |
| Common & Preferred Stock** | 6.47% | 1,690,418 | |
| Other** | | | |
| Equity Interest in Land | 8.04% | 2,100,000 | |
| Mutual Funds Held by Foundations | 42.28% | 11,039,733 | Unrated |
| Securities Lending | 0.05% | 12,616 | |
| Total Investments | | 22,239,438 | |
| Total Cash Equivalents & Investments | 100.00% | $ 26,109,175 | |

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

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

***Interest Rate Risk: Maturities***

| Type of Investment | 0-3 Months | 4-12 Months | 1-5 Years | 6-10 Years |
|---|---|---|---|---|
| **Cash Equivalents:** | | | | |
| **Mutual/Money Market Funds** | | | | |
| Merrill Lynch (ML) | $ 1,598,082 | $ - | $ - | $ - |
| ML Government Fund | 9,915 | | | |
| BB&T/Wachovia Securities | 44,591 | | | |
| Cash Equivalents-Securities Lending held with Treasurer | 41,143 | | | |
| SNAP | 2,176,006 | | | |
| Total Cash Equivalents | 3,869,737 | | | |
| **Investments:** | | | | |
| **Mutual/Money Market** | | | | |
| Intermediate Term Fund | | | 5,963,361 | |
| **Investment - Securities Lending held with Treasurer** | 12,616 | | | |
| **U.S. Treasury & Agency Securities*** | | | | |
| U. S. Treasury Bill DTD | | 69,971 | | |
| U. S. Treasury Note DTD | | | 55,668 | |
| U. S. Treasury Bond DTD | | | 194,359 | |
| **Corporate Bonds** | | | | |
| AFLAC Inc DTD | | | | 18,345 |
| ACE INA HLDG Inc DTD | | | | 22,290 |
| Bear Stearns Company | | | | 17,812 |
| Berkshire Hathaway Inc | | | 20,845 | |
| Bottling Group LLC | | | 22,927 | |
| Caterpillar Financial SE DTD | | | | 24,676 |
| Conocophillips DTD | | | | 23,001 |
| Deere & Co DTD | | | 23,184 | |
| El Dupont DeNemour & Company DTD | | | 20,957 | |
| General Electric Capital Corporation DTD | | | | 20,811 |
| Goldman Sachs Group Incorporated DTD | | | 16,186 | |
| HSBC Finance Corporation DTD | | | 16,401 | |
| Hewlett-Packard Company DTD | | | 21,825 | |
| IBM Corporation DTD | | | | 25,437 |
| Metlife Incorporated DTD | | | 23,279 | |

| Type of Investment | 0-3 Months | 4-12 Months | 1-5 Years | 6-10 Years |
|---|---|---|---|---|
| Morgan Stanley DTD | | | | 15,932 |
| PNC Funding Corporation DTD | | | 21,065 | |
| Phillip Morris International Incorporated DTD | | | | 22,493 |
| Shell International Fin DTD | | | 21,532 | |
| Target Corp DTD | | | | 22,854 |
| TEVA Pharmacy Fin III LLC DTD | | 20,188 | | |
| Thermo Fisher Scientific Incorporated DTD | | | 20,596 | |
| Cellco Part/Verizon Wireless DTD | | | | 25,972 |
| Wachovia Corporation DTD | | | | 16,284 |
| **Municipal Securities** | | | | |
| Baltimore Maryland Ser B Go DTD | | | 43,967 | |
| Easren Iowa Community College District | | | 27,463 | |
| Indiana Board Bank Rev | 20,021 | | | |
| Kentucky Housing Corporation Housing | | | 10,469 | |
| **Agency Mortgage Backed** | | | | |
| Federal Home Loan Mortgage Corporation | | | 217,496 | |
| Federal Home Loan Bk | | | 80,048 | |
| Federal National Mortgage Association DTD | | | | 87,290 |
| **Foreign Bonds/Notes** | | | | |
| BHP Finance USA Ltd DTD | | | | 23,932 |
| BP Capital Markets PLC DTD | | | 20,342 | |
| Bank of Nova Scotia DTD | | | 20,429 | |
| Barclays DTD | | | 15,276 | |
| Credit Suisse New York DTD | | | | 15,186 |
| Rio Tinto Fin USA LTD DTD | | | | 26,501 |
| Total | $ 3,902,374 | $ 90,159 | $ 6,877,675 | $ 408,816 |

## NOTE 3: DONOR RESTRICTED ENDOWMENT

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

The Uniform Management of Institutional Funds Act, Code of Virginia Section 55-268.1 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2011, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2011, net appreciation of $389,862 is available to be spent, which is reported in the Statement of Net Assets as Restricted for Expendable Scholarship and Fellowships.

## NOTE 4: ACCOUNTS RECEIVABLE

A. Accounts receivable consisted of the following at June 30, 2011:

| | | |
|---|---|---|
| Student tuition and fees | $ | 5,510,546 |
| Auxiliary enterprises | | 1,136,640 |
| Federal, state, and nongovernmental grants and contracts | | 2,377,832 |
| Other activities | | 446,689 |
| Gross receivables | | 9,471,707 |
| Less allowance for doubtful accounts | | 605,745 |
| Net accounts receivable | $ | 8,865,962 |

B. Due from the Commonwealth consisted of the following at June 30, 2011:

| | | |
|---|---|---|
| Interest/rebate allocation | $ | 451,856 |
| Equipment trust fund reimbursement | | 3,279,476 |
| Virginia College Building Authority 21st Century Bonds | | 5,128,598 |
| Total Due from Commonwealth of Virginia | $ | 8,859,930 |

## NOTE 5: CAPITAL ASSETS

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

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | |
| Land | $ 30,342,197 | $ 522,227 | $ - | $ 30,864,424 |
| Construction in progress | 19,097,778 | 23,911,230 | 23,241,917 | 19,767,091 |
| Total nondepreciable capital assets | 49,439,975 | 24,433,457 | 23,241,917 | 50,631,515 |
| **Depreciable capital assets:** | | | | |
| Buildings | 642,028,390 | 24,471,400 | - | 666,499,790 |
| Infrastructure | 1,312,561 | 703,000 | - | 2,015,561 |
| Equipment | 77,288,781 | 5,524,196 | 7,916,727 | 74,896,250 |
| Improvements other than building | 10,111,562 | 22,535 | - | 10,134,097 |
| Library books | 64,998,999 | 2,470,684 | 247,562 | 67,222,121 |
| Intangible assets | 2,091,898 | 111,994 | 111,539 | 2,092,353 |
| Total depreciable capital assets | 797,832,191 | 33,303,809 | 8,275,828 | 822,860,172 |
| **Less accumulated depreciation for:** | | | | |
| Buildings | 176,778,577 | 13,513,312 | - | 190,291,889 |
| Infrastructure | 1,312,561 | 24,813 | - | 1,337,374 |
| Equipment | 48,495,912 | 6,275,842 | 7,450,536 | 47,321,218 |
| Improvements other than building | 6,455,088 | 246,825 | - | 6,701,913 |
| Library books | 56,175,637 | 3,966,945 | 247,562 | 59,895,020 |
| Intangible assets | 1,816,637 | 77,521 | 114,503 | 1,779,655 |
| Total accumulated depreciation | 291,034,412 | 24,105,258 | 7,812,601 | 307,327,069 |
| Depreciable capital assets, net | 506,797,779 | 9,198,551 | 463,227 | 515,533,103 |
| Total capital assets, net | $ 556,237,754 | $ 33,632,008 | $ 23,705,144 | $ 566,164,618 |

## NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

| | |
|---|---|
| Employee salaries, wages, and fringe benefits payable | $ 16,779,191 |
| Retainage payable | 1,037,642 |
| Vendors and suppliers accounts payable | 14,902,423 |
| Current liabilities - accounts payable and accrued expenses | $ 32,719,256 |

## NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2011 is presented as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| General obligations bonds | $ 68,891,386 | $ 2,010,753 | $ 3,585,791 | $ 67,316,348 | $ 3,060,000 |
| Revenue bonds | 148,503,974 | 17,682,309 | 24,028,808 | 142,157,475 | 7,395,000 |
| Installment purchases | 2,708,341 | - | 262,886 | 2,445,455 | 283,393 |
| Capital leases | 71,531,586 | 2,200,000 | 2,438,952 | 71,292,634 | 1,988,640 |
| Total long-term debt | 291,635,287 | 21,893,062 | 30,316,437 | 283,211,912 | 12,727,033 |
| Accrued compensated absences | 6,954,455 | 6,092,541 | 6,098,634 | 6,948,362 | 4,789,782 |
| Federal loan program contributions | 151,948 | 67,892 | - | 219,840 | - |
| Other liabilities | 544,500 | - | 60,500 | 484,000 | 60,500 |
| Total long-term liabilities | $ 299,286,190 | $ 28,053,495 | $ 36,475,571 | $ 290,864,114 | $ 17,577,315 |

## NOTE 8: LONG-TERM DEBT

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

| Description | Interest Rates | Maturity | 2011 |
|---|---|---|---|
| **General obligation bonds:** | | | |
| **Dormitory**, Series 1983A | 3.00% | 2013 | $ 370,000 |
| **Dormitory**, Series 1983B | 3.00% | 2013 | 340,000 |
| **Dormitory,** Series 2002 | 2.50% - 5.00% | 2022 | 245,000 |
| **Dormitory,** Series 2005 | 3.50% - 5.00% | 2025 | 2,035,000 |
| **Dormitory,** Series 2006B | 4.00% - 5.00% | 2026 | 4,695,000 |
| **Dormitory,** Series 2007B | 4.00% - 5.00% | 2027 | 13,680,000 |
| **Dormitory,** Series 2008B | 3.00% - 5.00% | 2028 | 36,095,000 |
| **Dormitory,** Series 2009C | 3.00% - 5.00% | 2022 | 1,319,293 |
| **Dormitory,** Series 2009D | 2.50% - 4.50% | 2022 | 1,625,000 |
| **Dormitory,** Series 2009D | 2.50% - 5.00% | 2022 | 2,465,000 |
| **Dormitory,** Series 2010A | 2.00% - 5.00% | 2030 | 1,930,000 |
| **Total general obligation bonds** | | | 64,799,293 |

| Description | Interest Rates | Maturity | 2011 |
|---|---|---|---|
| **Revenue bonds:** | | | |
| **Classrooms,** Series 2004B | 3.00% - 5.00% | 2017 | 3,895,000 |
| **Classrooms,** Series 2004B | 3.00% - 5.00% | 2020 | 520,000 |
| **Classrooms**, Series 2007B | 4.00% - 4.25% | 2018 | 802,998 |
| **Recreation**, Series 2001A | 3.00% - 5.00% | 2022 | 1,165,000 |
| **Recreation**, Series 2004B | 3.00% - 5.00% | 2017 | 4,585,000 |
| **Recreation**, Series 2004B | 3.00% - 5.00% | 2020 | 595,000 |
| **Recreation,** Series 2007B | 4.00% - 4.25% | 2018 | 416,823 |
| **Recreation,** Series 2007B | 4.00% - 4.50% | 2020 | 6,761,645 |
| **Recreation,** Series 2010B | 2.00% - 5.00% | 2020 | 1,015,000 |
| **Recreation,** Series 2010B | 2.00% - 5.00% | 2021 | 9,590,000 |
| **Parking,** Series 2001A | 3.00% - 5.00% | 2022 | 355,000 |
| **Parking,** Series 2003A | 2.00% - 5.00% | 2024 | 980,000 |
| **Parking,** Series 2004A | 3.00% - 5.00% | 2025 | 3,010,000 |
| **Parking,** Series 2004B | 3.00% - 5.00% | 2017 | 2,175,000 |
| **Parking,** Series 2004B | 3.00% - 5.00% | 2020 | 855,000 |
| **Parking,** Series 2007A | 4.50% - 5.00% | 2028 | 7,700,000 |
| **Parking,** Series 2007B | 4.00% - 4.25% | 2018 | 150,179 |
| **Parking,** Series 2007B | 4.00% - 4.50% | 2020 | 2,568,355 |
| **Parking,** Series 2009A | 2.10% - 5.00% | 2029 | 5,140,000 |
| **Parking,** Series 2010B | 2.00% - 5.00% | 2020 | 580,000 |
| **Parking,** Series 2010B | 2.00% - 5.00% | 2021 | 2,935,000 |
| **Parking,** Series 2010B | 2.00% - 5.00% | 2020 | 450,000 |
| **Athletic Fac. Exp.,** Series 2004A | 3.00% - 5.00% | 2025 | 1,790,000 |
| **Athletic Fac. Exp.,** Series 2005A | 3.50% - 5.00% | 2026 | 2,910,000 |
| **Athletic Fac. Exp.,** Series 2006A | 3.00% - 5.00% | 2027 | 850,000 |
| **Athletic Fac. Exp.,** Series 2007A | 4.50% - 5.00% | 2028 | 435,000 |
| **H&PE Renovation,** Series 2004A | 3.00% - 5.00% | 2025 | 1,495,000 |
| **H&PE Renovation,** Series 2005A | 3.50% - 5.00% | 2026 | 2,915,000 |
| **H&PE Renovation,** Series 2007A | 4.50% - 5.00% | 2028 | 14,230,000 |
| **Indoor Tennis Court,** Series 2004A | 3.00% - 5.00% | 2025 | 1,120,000 |
| **Indoor Tennis Court,** Series 2005A | 3.50% - 5.00% | 2026 | 2,220,000 |
| **Indoor Tennis Court,** Series 2006A | 3.00% - 5.00% | 2027 | 205,000 |
| **Indoor Tennis Court,** Series 2007A | 4.50% - 5.00% | 2028 | 230,000 |
| **Dormitory,** Series 2005A | 3.50% - 5.00% | 2026 | 18,830,000 |
| **Powhatan Sports Ctr,** Series 2007A | 4.50% - 5.00% | 2028 | 5,865,000 |
| **Powhatan Sports Ctr,** Series 2009A | 2.10% - 5.00% | 2029 | 26,100,000 |
| **Powhatan Sports Ctr,** Series 2010A | 2.00% - 5.50% | 2030 | 920,000 |
| **Webb Center Expansion,** Series 2009B | 2.00% - 5.00% | 2029 | 700,000 |
| **Total revenue bonds** | | | 137,060,000 |

| Description | Interest Rates | Maturity | 2011 |
|---|---|---|---|
| Installment purchases | 4.23% | 2023 | 2,445,455 |
| Capital leases | Various | 2011-41 | 71,292,634 |
| **Total bond, notes, installment purchases, and leases** | | | 275,597,382 |
| Amortize bond premium, general obligation bonds | | | 2,972,082 |
| Amortize bond premium, revenue bonds | | | 6,250,840 |
| Deferred loss on early retirement of debt | | | (1,608,392) |
| **Total bond, notes, installment purchases, leases, bond premium, and deferred loss** | | | $ 283,211,912 |

**Long-term debt matures as follows:**

| | Principal | Interest |
|---|---|---|
| 2012 | $ 12,727,033 | $ 12,240,585 |
| 2013 | 13,460,700 | 11,871,440 |
| 2014 | 13,626,847 | 11,220,050 |
| 2015 | 14,184,171 | 10,547,731 |
| 2016 | 14,728,087 | 9,867,625 |
| 2017-2021 | 80,210,096 | 38,588,793 |
| 2022-2026 | 76,951,008 | 20,418,447 |
| 2027-2031 | 41,135,176 | 5,637,969 |
| 2032-2036 | 7,998,846 | 637,537 |
| 2037-2041 | 575,418 | 75,647 |
| Total | $ 275,597,382 | $ 121,105,824 |

A. Equipment Trust Fund Program

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

The Statement of Net Assets line "Due from the Commonwealth" includes $3,279,476 for equipment purchased by the University that was not reimbursed by the VCBA at year-end.

B. Defeasance of Debt

In November 2010, the Commonwealth of Virginia issued $101,040,000 in Educational Facilities Revenue Refunding Bonds, Series 2010B. The sale of these bonds enabled the University to advance refund $1,750,000 of Series 2000A, $13,345,000 of Series 2001A and $470,000 of Series 2003A. The net proceeds of $16,620,477 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable escrow account and will be used to pay interest, redemption premium and

maturity value of the refunded bonds to their call date. This defeasance reduced total debt service payments over the next ten years by $1,195,526 resulting in an economic gain of $1,040,830 discounted at the rate of 3.017 percent.

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2011, $19,320,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2011, assets purchased under capital leases were included in depreciable capital assets in the amount of $73,446,847. The assets are net of accumulated depreciation.

## NOTE 9: EXPENSES BY NATURAL CLASSIFICATIONS

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

| | Salaries, Wages, and Fringe Benefits | Non-Personal Services/ Supplies | Scholarships and Fellowships | Plant and Equipment | Depreciation | Total |
|---|---|---|---|---|---|---|
| **Instruction** | $ 111,838,515 | $ 8,811,048 | $ - | $ 4,901,338 | $ - | $ 125,550,901 |
| **Research** | 3,387,035 | 2,386,235 | - | 167,809 | - | 5,941,079 |
| **Public service** | 232,664 | 112,694 | - | 16,359 | - | 361,717 |
| **Academic support** | 24,329,146 | 13,479,411 | - | 4,136,486 | - | 41,945,043 |
| **Student services** | 10,348,569 | 2,482,487 | - | 98,245 | - | 12,929,301 |
| **Institutional support** | 22,223,704 | 2,943,385 | - | 698,290 | - | 25,865,379 |
| **Operation and maintenance of plant** | 10,331,074 | 12,416,076 | - | 2,002,180 | - | 24,749,330 |
| **Depreciation expense** | - | - | - | - | 24,105,258 | 24,105,258 |
| **Scholarship and related expenses** | - | - | 18,113,099 | - | - | 18,113,099 |
| **Auxiliary activities** | 22,483,903 | 38,793,292 | 6,201,590 | 2,954,401 | - | 70,433,186 |
| **Total** | $ 205,174,610 | $ 81,424,628 | $ 24,314,689 | $ 14,975,108 | $ 24,105,258 | $ 349,994,293 |

## NOTE 10: STATE APPROPRIATIONS

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

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

| | |
|---|---|
| Original legislative appropriation per Chapter 874: | |
| Educational and general programs | $ 89,771,848 |
| Student financial assistance/grants | 16,290,418 |
| Supplemental adjustments: | |
| Central fund appropriation transfers | 1,669,406 |
| Eminent scholars | 77,891 |
| Grants | 2,229,421 |
| VIVA | 23,962 |
| DPB budget reduction | (8,264) |
| VITA rate reduction | 73 |
| Adjusted appropriations | $ 110,054,755 |

## NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

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

| | Old Dominion University Intercollegiate Foundation | Old Dominion University Educational and Real Estate Foundations | Old Dominion University Research Foundation | TOTAL |
|---|---|---|---|---|
| Statement of Net Assets | | | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 5,338,104 | $ 4,299,224 | $ 11,435,002 | $ 21,072,330 |
| Accounts receivable | 95,613 | 2,661,376 | 20,536,137 | 23,293,126 |
| Contributions receivable, net | 859,574 | 1,296,772 | - | 2,156,346 |
| Travel advances | - | - | 54,265 | 54,265 |
| Prepaid expenses | 11,222 | 27,412 | 793,716 | 832,350 |
| Other assets | 39,995 | 114,018 | - | 154,013 |
| Total current assets | 6,344,508 | 8,398,802 | 32,819,120 | 47,562,430 |
| Noncurrent assets: | | | | |
| Investments | 18,968,568 | 149,622,303 | 3,556,996 | 172,147,867 |
| Accounts receivable | - | 60,870,093 | - | 60,870,093 |
| Contributions receivable, net | 1,679,126 | 1,337,040 | - | 3,016,166 |
| Notes receivable | - | 3,405,000 | - | 3,405,000 |
| Nondepreciable capital assets | - | 14,518,369 | 54,802 | 14,573,171 |
| Capital assets | 48,599 | 3,142,251 | 3,998,816 | 7,189,666 |
| Total noncurrent assets | 20,696,293 | 232,895,056 | 7,610,614 | 261,201,963 |
| Total assets | 27,040,801 | 241,293,858 | 40,429,734 | 308,764,393 |
| LIABILITES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,387,561 | 541,052 | 9,054,960 | 10,983,573 |
| Due to affiliates | - | - | 7,534,138 | 7,534,138 |
| Deferred revenue | - | 483,391 | 3,173,963 | 3,657,354 |
| Deposits held in custody for others | - | 39,891 | - | 39,891 |
| Agency related payables | - | 10,568,796 | - | 10,568,796 |
| Line of credit | - | 2,018,946 | - | 2,018,946 |
| Long-term liabilities – current portion | 352,500 | 5,043,417 | - | 5,395,917 |
| Total current liabilities | 1,740,061 | 18,695,493 | 19,763,061 | 40,198,615 |
| Noncurrent liabilities | 115,564 | 86,071,650 | - | 86,187,214 |
| Total liabilities | 1,855,625 | 104,767,143 | 19,763,061 | 126,385,829 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 48,599 | 9,037,750 | 4,053,618 | 13,139,967 |
| Permanently restricted | 13,086,042 | 96,869,091 | - | 109,955,133 |
| Temporarily restricted | 7,320,064 | 39,896,232 | 15,132,287 | 62,348,583 |
| Unrestricted | 4,730,471 | (9,276,358) | 1,480,768 | (3,065,119) |
| Total net assets | $ 25,185,176 | $ 136,526,715 | $ 20,666,673 | $ 182,378,564 |

| Statement of Revenues, Expenses and Changes in Net Assets | Old Dominion University Intercollegiate Foundation | Old Dominion University Educational and Real Estate Foundations | Old Dominion University Research Foundation | TOTAL |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Gifts and contributions | $ 2,932,144 | $ 2,060,289 | $ 111,500 | $ 5,103,933 |
| Indirect cost | - | - | 9,231,723 | 9,231,723 |
| Sponsored research | - | - | 37,026,733 | 37,026,733 |
| Other operating revenues | 355,686 | 7,909,830 | 3,039,504 | 11,305,020 |
| Total operating revenue | 3,287,830 | 9,970,119 | 49,409,460 | 62,667,409 |
| Operating expenses: | | | | |
| Instruction | - | 2,585,588 | - | 2,585,588 |
| Research | - | - | 43,360,528 | 43,360,528 |
| Academic support | 1,414,824 | 3,216,960 | - | 4,631,784 |
| Institutional support | 1,293,161 | 8,195,745 | 4,297,541 | 13,786,447 |
| Operation and maintenance of plant | - | 39,690 | - | 39,690 |
| Depreciation | 47,905 | 187,512 | - | 235,417 |
| Student aid | 607,276 | 994,115 | - | 1,601,391 |
| Total operating expenses | 3,363,166 | 15,219,610 | 47,658,069 | 66,240,845 |
| Operating gain/(loss) | (75,336) | (5,249,491) | 1,751,391 | (3,573,436) |
| Investment income | 1,506,422 | 13,040,164 | 276,618 | 14,823,204 |
| Contributions to permanent endowments | (32,655) | 781,453 | - | 748,798 |
| Increase in net assets | 1,398,431 | 8,572,126 | 2,028,009 | 11,998,566 |
| Beginning net assets | 23,786,745 | 127,954,589 | 18,638,664 | 170,379,998 |
| Ending net assets | $ 25,185,176 | $ 136,526,715 | $ 20,666,673 | $ 182,378,564 |

## Contributions Receivable

| Current Receivable | Old Dominion University Intercollegiate Foundation | Old Dominion University Educational and Real Estate Foundations | TOTAL |
|---|---|---|---|
| Receivable due in less than one year | $ 917,715 | $ 1,403,610 | $ 2,321,325 |
| Less allowance for doubtful accounts | 58,141 | 106,838 | 164,979 |
| Net current accounts receivable | 859,574 | 1,296,772 | 2,156,346 |
| Receivable due in greater than 1 year, net of discount ($639,542) | 1,699,554 | 1,457,516 | 3,157,070 |
| Less allowance for doubtful accounts | 20,428 | 120,476 | 140,904 |
| Net noncurrent contributions receivable | 1,679,126 | 1,337,040 | 3,016,166 |
| Total contributions receivable | $ 2,538,700 | $ 2,633,812 | $ 5,172,512 |

## 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 Foundations | Old Dominion University Research Foundation | TOTAL |
|---|---|---|---|---|
| U.S. treasury and agency securities | $ 620,149 | $ 5,185,486 | $ 3,097,928 | $ 8,903,563 |
| Common & preferred stocks | 1,011,857 | 8,819,759 | 2,337 | 9,833,953 |
| Commercial paper | 2,993,674 | - | - | 2,993,674 |
| Mutual and money market funds | 8,798,424 | 78,428,229 | 456,731 | 87,683,384 |
| Real estate | - | 259,000 | - | 259,000 |
| Alternative investments | 5,544,464 | 46,361,033 | - | 51,905,497 |
| Managed investments | - | 10,568,796 | - | 10,568,796 |
| Total | $ 18,968,568 | $ 149,622,303 | $ 3,556,996 | $ 172,147,867 |

## Capital Assets

| | Old Dominion University Intercollegiate Foundation | Old Dominion University Educational and Real Estate Foundations | Old Dominion University Research Foundation | TOTAL |
|---|---|---|---|---|
| Nondepreciable capital assets: | | | | |
| Land | $ - | $ 2,960,668 | $ 54,802 | $ 3,015,470 |
| Construction in progress | - | 11,557,701 | - | 11,557,701 |
| Total capital assets not being depreciated | - | 14,518,369 | 54,802 | 14,573,171 |
| Depreciable capital assets: | | | | |
| Buildings | - | 4,727,904 | 1,029,336 | 5,757,240 |
| Equipment | 386,664 | 55,187 | 16,764,542 | 17,206,393 |
| Total capital assets being depreciated | 386,664 | 4,783,091 | 17,793,878 | 22,963,633 |
| Less accumulated depreciation for: | | | | |
| Buildings | - | 1,605,955 | 805,945 | 2,411,900 |
| Equipment | 338,065 | 34,885 | 12,989,117 | 13,362,067 |
| Total accumulated depreciation | 338,065 | 1,640,840 | 13,795,062 | 15,773,967 |
| Total depreciable capital assets, net | 48,599 | 3,142,251 | 3,998,816 | 7,189,666 |
| Total capital assets, net | $ 48,599 | $ 17,660,620 | $ 4,053,618 | $ 21,762,837 |

## Long-Term Liabilities

**Old Dominion University Intercollegiate Foundation**

| | |
|---|---|
| Trust and annuity obligations | $ 468,064 |

**Old Dominion University Educational and Real Estate Foundations**

| Description | Interest Rates | Maturity | 2010 |
|---|---|---|---|
| **Bonds payable:** | | | |
| Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008 | 3.58% | 2033 | $ 52,465,000 |
| Norfolk Redevelopment and Housing Authority Revenue Bonds Series 2008 | 4.475% | 2031 | 12,345,000 |
| Total bonds payable | | | 64,810,000 |
| **Notes payable** | | | |
| ODU Inn | 6.597% | 2011 | 2,663,847 |
| Parking Garage - 45th Street | 6.20% | 2010 | 265,000 |
| Tri-Cities II | 3.65% | 2014 | 4,395,600 |
| Bookstore | 5.585% | 2023 | 5,212,550 |
| President's House | 5.980% | 2040 | 2,182,251 |
| Total notes payable | | | 14,719,248 |
| Other long-term liabilities | | | 11,585,819 |
| Total long-term debt | | | 91,115,067 |
| Total component unit long-term liabilities | | | $ 91,583,131 |

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

| | |
|---|---|
| 2011 | $ 4,589,345 |
| 2012 | 1,988,204 |
| 2013 | 2,078,210 |
| 2014 | 6,566,117 |
| 2015 | 2,269,660 |
| Thereafter | 62,037,712 |
| Total | $ 79,529,248 |

**Other Significant Transactions with Old Dominion University**

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2011, the University will repay $71,056,723. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the projects to the University. As such, the University has recorded capital leases relating to these lease agreements.

Direct payments to the University from the Old Dominion University Educational and Real Estate Foundations, Old Dominion University Intercollegiate Foundation, and the Old Dominion University Research Foundation for the year ended June 30, 2011 totaled $8,491,332, $2,219,940, and $5,931,890 respectively. This includes gift transfer, payments for facilities, and services.

**Component Unit Subsequent Event**

In April 2011, the Intercollegiate Foundation made disbursements to members of the athletic staff under existing deferred compensation arrangements in which all conditions of the mutual agreement have been met. The amount of the deferred compensation paid was approximately $495,000.

In 2011, the Intercollegiate Foundation changed the name to Old Dominion Athletic Foundation.

In February 2011, the Real Estate Foundation extended the line of credit in the amount of $3,000,000 for the purpose of purchasing additional properties for future projects. In May 2011, this line was increased to $6,000,000 and expires February 28, 2012. The increase was used partially to fund the retirement of the debt on the Old Dominion Inn. The interest rate is 1-month LIBOR plus 1.75%.

In 2011, the board of visitors approved to fund the purchase of a Norfolk property. On April 26, 2011, $1,360,000 was transferred to Norfolk Redevelopment and Housing Association to begin the acquisition process. On April 1, 2011, a separate Norfolk property was purchased for $634,400.

## NOTE 12: COMMITMENTS

At June 30, 2011, the University was a party to construction and other contracts totaling approximately $26,081,353 of which $24,500,169 has been incurred.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for varying terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, similar leases will replace these leases. Rental expense was approximately $6,715,661 for the year ended June 30, 2011.

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

| Year Ending June 30 | Operating Lease Obligation |
|---|---|
| 2012 | $ 6,028,993 |
| 2013 | 6,083,792 |
| 2014 | 6,068,071 |
| 2015 | 6,082,536 |
| 2016 | 5,078,889 |
| 2017-2021 | 20,467,957 |
| 2022-2026 | 8,707,687 |
| Total | $ 58,517,925 |

## NOTE 13: RETIREMENT PLANS

A. Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to the plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2011. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled approximately $7,415,578 for the year ended June 30, 2011. The retirement contribution rate was 11.58% for state employees and 18.09% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2011. Contributions to VRS were calculated using the base salary amount of approximately $52,452,758 for the year ended June 30, 2011. The University's total payroll was approximately $165,858,711 for the fiscal year ended June 30, 2011. Employees hired after July 1, 2010 were responsible for paying the 5% employee share.

B. Optional Retirement Plan

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

Individual contracts issued under the plans provide for full immediate vesting of both the University's and employee's contributions. Total pension costs under these plans were approximately $6,152,018 for the year ended June 30, 2011. Contributions to the optional retirement plans were calculated using the base salary amount of approximately $59,767,495 for fiscal year 2011. Employees hired after July 1, 2010 were responsible for paying the 5% employee share.

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $10 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $311,133 for fiscal year 2011.

## NOTE 14: POST-EMPLOYMENT BENEFITS

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

## NOTE 15: CONTINGENCIES

### Grants and Contracts

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

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

## NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

# Commonwealth of Virginia

*Auditor of Public Accounts*

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 18, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Old Dominion University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Old Dominion University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Footnote 11- Component Unit Financial Information. 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.

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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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2011 on our consideration of Old Dominion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

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