RU
RADFORD
UNIVERSITY

Radford, Virginia

Audited Financial Statements

For the Year Ended
June 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Introduction

The following unaudited Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of Radford University in an objective, easily readable format for the year ending June 30, 2010. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements, footnotes, and other supplementary information. The University's management is responsible for all the financial information presented, including this discussion and analysis.

The three required financial statements are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. These statements are summarized and analyzed in the following paragraphs. The Radford University Foundation, Inc. is included in the accompanying financial statements in a separate column as a component unit. However, the following discussion and analysis does not include the Foundation's financial condition and activities.

University Overview

Founded in 1910 as an all-women's college, Radford University became coeducational in 1972 and was granted university status by the Virginia General Assembly in 1979. Today, the University is a coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs to its 9,007 students (fall 2010 headcount). The University offers 67 degree programs and one certificate at the undergraduate level. At the graduate level, the University offers 24 fields of study that have 18 options or specializations and seven post-baccalaureate certificates. Recently, the University added a master's in occupational therapy and doctoral programs in psychology, physical therapy, and nursing practice.

Well known for its strong faculty/student bonds, innovative use of technology in the learning environment, and vibrant student life on a beautiful campus, the University offers many opportunities to get involved and succeed in and out of the classroom. The University atmosphere is residential with most students living in residence halls or in private accommodations within walking distance of the campus.

In the *U.S. News and World Report's 2010 Guide to America's Best Colleges*, Radford University was named one of the nation's "Top Up-and-Coming Schools". The University has continued its rise in these rankings, moving from 51st in 2005 to 38th in the 2011 rankings. The University also moved from 15th to 14th among public regional universities in the south and has now been named one of the top 20 public regional universities in the south for seven consecutive years. Additionally, in the past year the University was named in the *Princeton Review's Guide to 286 Green Colleges* as well as Blue Ridge Outdoors' list of the greenest colleges in the Southeastern United States.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the readers of the financial statements.

The data presented in the Statement of Net Assets aids readers in determining the assets available to continue the operations of the University. It also allows readers to determine how much the University owes to vendors and creditors. Finally, the Statement of Net Assets provides a picture of net assets available for expenditure by the University. Sustained increases in net assets over time are one indicator of the financial stability of an organization.

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

- Invested in capital assets – Invested in capital assets, net of related debt, represents the University's total investment in capital assets net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.

- Restricted net assets - expendable – Restricted expendable assets include resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

- Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, indirect costs, and sales and services of auxiliary enterprises and educational departments. These resources are used for transactions related to academic departments and general operations and may be used at the discretion of the University to meet current expenses for any lawful purpose in support of its primary mission of instruction. These resources also include auxiliary enterprises that provide services for students, faculty, and staff. Examples of the University's auxiliary enterprises include residence halls, dining services, and intercollegiate athletics.

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

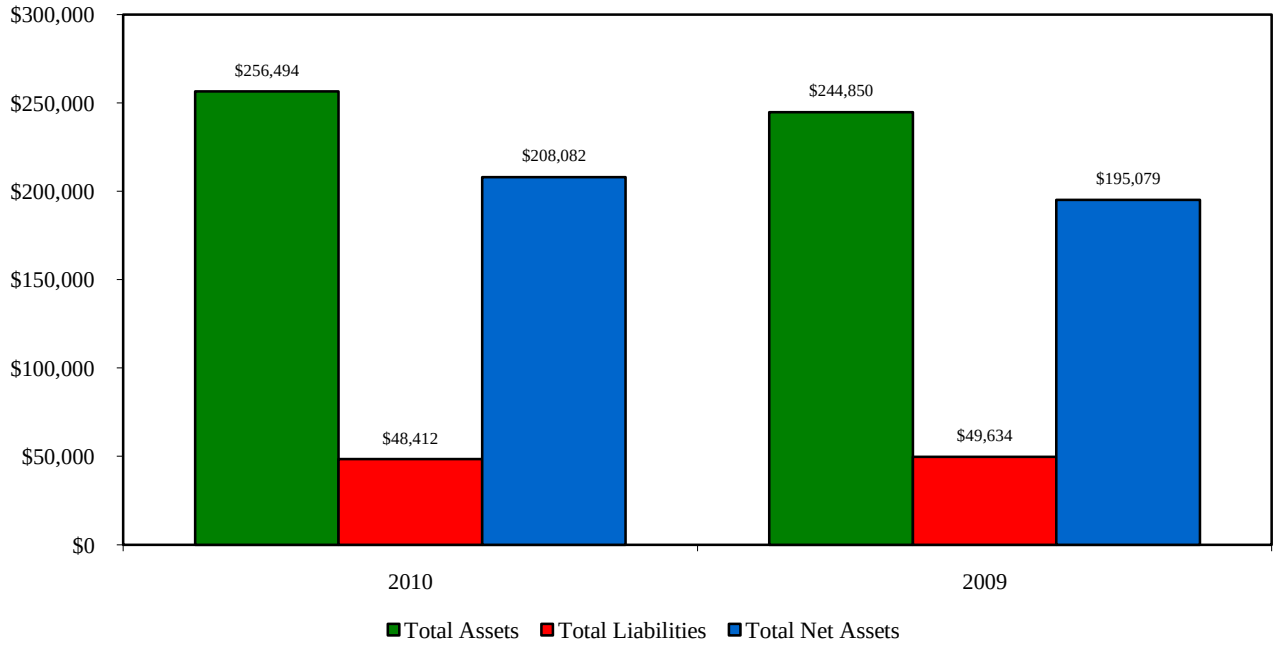
The schedule below shows trends in assets, liabilities, and net assets over the past two fiscal years:

	2010	2009*	Increase/(Decrease) Amount	Percent
Assets:				
Current assets	$ 94,680	$ 84,905	$ 9,775	11.5
Capital assets, net	158,252	156,569	1,683	1.0
Other noncurrent assets	3,562	3,239	323	10.0
Total assets	256,494	244,713	11,781	4.8
Liabilities:				
Current liabilities	39,273	44,303	(5,030)	(11.4)
Noncurrent liabilities	9,139	5,331	3,808	71.4
Total liabilities	48,412	49,634	(1,222)	(2.5)
Net assets:				
Invested in capital assets, net of related debt	156,654	155,345	1,309	0.8
Restricted – expendable	2,357	1,757	600	34.1
Unrestricted	49,071	37,977	11,094	29.2
Total net assets	$208,082	$195,079	$ 13,003	6.7

*Some fiscal year 2009 amounts have been restated. See footnote 2 for details.

Statement of Net Assets - Comparative Chart
($ shown in thousands)

The chart below is a snapshot of total assets, total liabilities, and total net assets for the past two fiscal years:



The University's financial position remained strong at the end of fiscal year 2010. The University's total net assets increased by 6.7 percent to $208.1 million at June 30, 2010, an increase of $13.0 million over the previous year. The growth in total net assets is primarily attributable to an overall increase of $13.5 million in cash and cash equivalents. The increase in cash and cash equivalents was due to increases in capital financing activities offset by reductions in cash and investments under securities lending, as determined by the Department of Treasury, and a decrease in nonoperating revenues as discussed below.

Capital Asset and Debt Administration

The development and renewal of the University's capital assets is critical to ensure the necessary infrastructure required for achieving the University's ongoing mission. Accordingly, the University has continued to implement its long-range plans to modernize older facilities and to pursue new construction as needed. These investments in renovation and new construction support and enhance the University's high-quality instructional programs, residential lifestyles, and student quality of life.

Note 5 of the Notes to Financial Statements describes the University's on-going investment in capital assets. The value of the University's net capital assets increased to $158.2 million at the end of fiscal year 2010, an increase of $1.6 million or 1.1 percent over fiscal year 2009. The net additions and reductions to capital assets during 2010 totaled $11.6 million (excluding depreciation). The completion of renovations to Young, Davis and Heth Hall attributed to 98 percent ($16.2 million) of the $16.5 million total building additions. Current year depreciation expense totaled $11.4 million with reductions of $1.9 million.

Noncurrent liabilities increased $3.8 million in fiscal year 2010. The net increase in noncurrent liabilities resulted from the issuance of a Virginia College Building Authority educational facilities revenue bond for the future Student Fitness and Wellness Center. Details of the terms of the liabilities can be found in Note 7 and 8 of the Notes to the Financial Statements.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's operating and nonoperating activities, which creates the changes in total net assets. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Generally, operating revenues are received from providing goods and services to students and various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest category of operating expense.

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

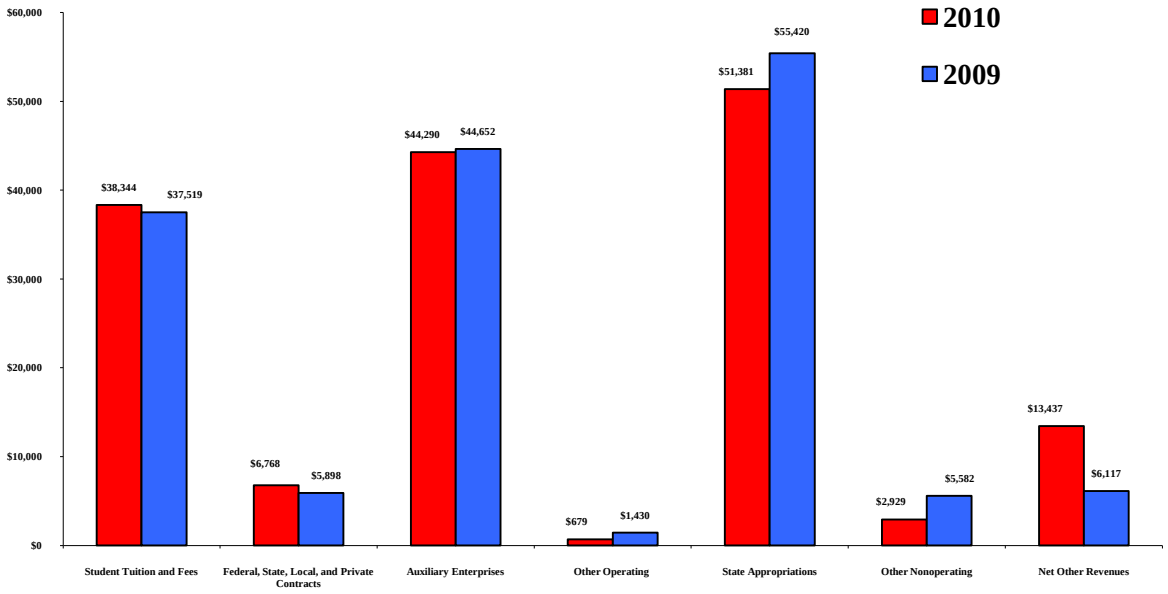
Statement of Revenues, Expenses, and Changes in Net Assets - Summary Schedule
($ shown in thousands)

			Increase/(Decrease)	
	2010	2009*	Amount	Percent
Operating revenues	$ 90,081	$ 89,499	$582	0.7
Less: Operating expenses	144,825	149,144	(4,319)	(2.9)
Operating loss	(54,744)	(59,645)	4,901	8.2
Nonoperating revenues and expenses	54,310	61,003	(6,693)	(11.0)
Income before other revenues, expenses, gains, or losses	(434)	1,358	(1,792)	(132.0)
Other revenue, expenses, gains, or losses	13,437	6,117	7,320	119.7
Increase in net assets	13,003	7,475	5,528	74.0
Net assets - beginning of year (as restated)	195,079	186,274	8,805	4.7
Net assets - end of year	$208,082	$193,749	$ 14,333	7.4

*Some fiscal year 2009 amounts have been restated. See footnote 2 for details.

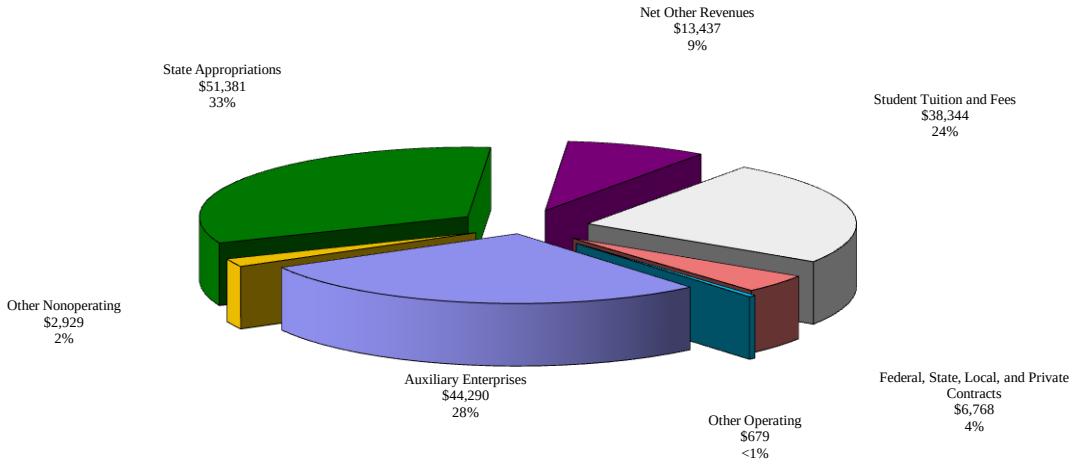
Revenues by Source Comparison
($ shown in thousands)

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



Revenues by Source
($ shown in thousands)

The following chart illustrates the percentage of the University's total revenue comprised by each major revenue source (both operating and nonoperating) for the year ended June 30, 2010:



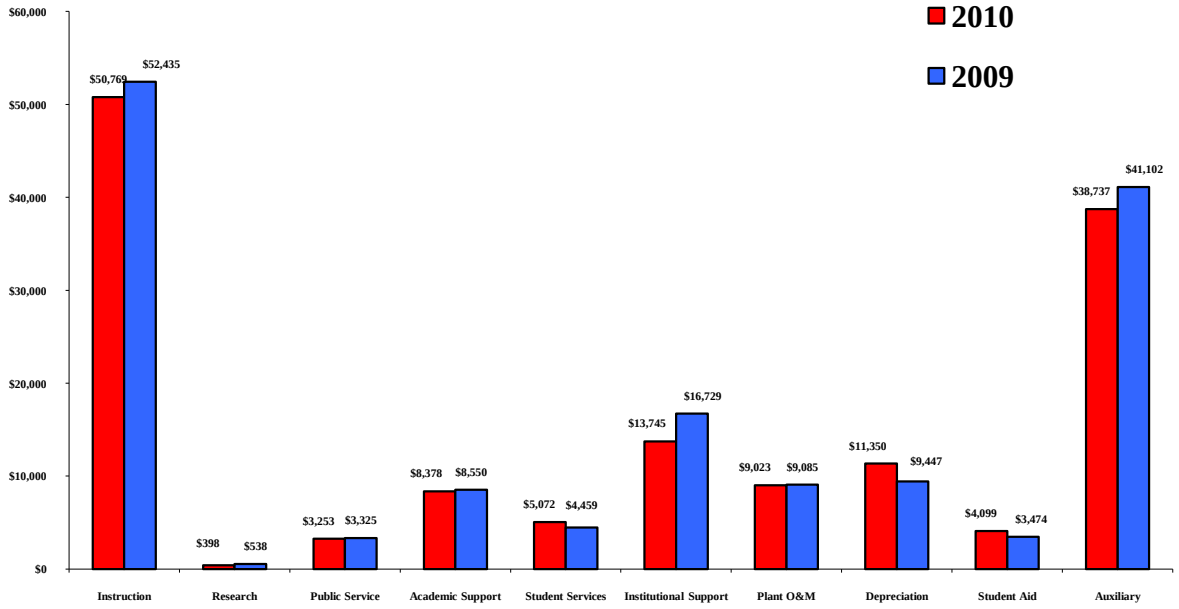
Operating revenues of the University consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in total in fiscal year 2010 increased by 0.7 percent as compared to fiscal year 2009. Tuition and fee and Auxiliary revenues, net of scholarship allowances, reflected an increase of 2.2 percent and decrease of 0.8 percent respectively. Despite modest increases in tuition and fee rates for fiscal year 2010, revenue increases were fairly flat due to the effect of a decrease in total student enrollment.

Nonoperating revenues in fiscal year 2010 decreased 11.0 percent over the previous year. This decrease resulted primarily from a change in funding source of the Heth Hall renovation and a decrease of state appropriations of $4.0 million offset by a one-time infusion of ARRA stabilization funds of $3.7 million and an increase in Pell grants of over $2.5 million.

Net other revenues increased $7.3 million over fiscal year 2009. This increase was attributable to an increase of $2.6 million in capital appropriations, $1.1 million in capital gifts and a $3.6 million change during fiscal year 2009 in the reporting of capital project financing.

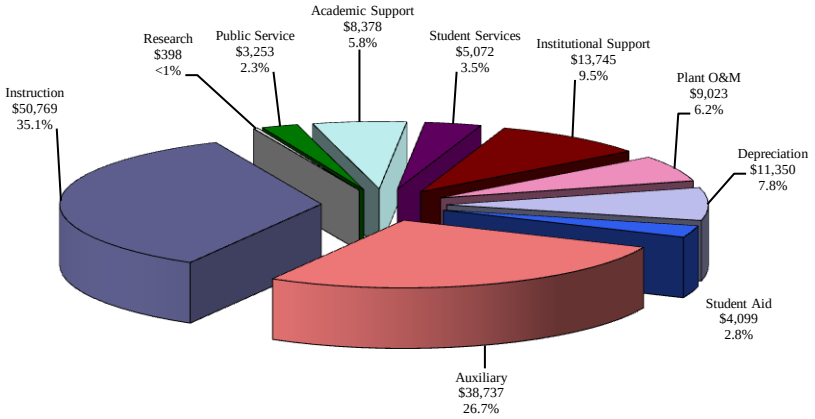
Expenses by Function Comparison
($ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2010 and 2009.



Expenses by Function
($ shown in thousands)

The following graphic illustration present total expenses by function for fiscal year 2010.



Operating expenses for fiscal year 2010 showed a decrease of $4.3 million (2.9 percent). This decrease was attributable to budget reductions imposed by the Commonwealth of Virginia due to continued state revenue shortfalls. The most significant factors impacting the decrease in total operating expenses were as follows:

- A decrease in compensation and benefits expenses for instruction of $2.7 million (5.8 percent). This decrease is attributable to teaching faculty reductions as a result of the implementation of the Workforce Transition Option (WTO) over the past two years.
- A decrease in institutional support expenses (compensation and benefits, supplies, and equipment) of $3.0 million (17.8 percent) due to budgetary cutbacks.
- A decrease in expenses, primarily services and supplies, of auxiliary activities of $2.4 million (5.8 percent) due to budgetary cutbacks.

These decreases were offset a degree by increases in other areas:

- An increase in depreciation expense of $1.9 million due to additions to depreciable capital assets from the completion of construction on new buildings and improvements to existing structures.
- An increase in expenses for scholarships and fellowships of $1.4 million (22.9%).

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets. This difference occurs because the Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows should help readers assess the ability of an institution to generate cash flows necessary to meet obligations and evaluate its potential for additional financing.

The Statement of Cash Flows is divided into five sections: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, cash flows from investing activities, and a reconciliation of the net operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets to net cash used by operating activities.

The first section, Cash Flows from Operating Activities, deals with operating cash flows and shows net cash used by operating activities of the University. The Cash Flows from Noncapital Financing Activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the Commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash Flows from Capital and Related Financing Activities present cash used for the acquisition and construction of capital and related items. Included in cash flows from capital financing activities are plant fund activities (except for depreciation). Cash Flows from Investing Activities reflect the cash flows generated from investments to include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal year to net cash used by operating activities.

Statement of Cash Flows
($ shown in thousands)

	2010	2009	Increase/(Decrease) Amount	Percent
Net cash used by operating activities	$(47,673)	$(47,691)	$ (18)	(0.0)
Net cash provided by noncapital financing activities	54,008	60,119	(6,111)	(10.2)
Net cash provided by capital and related financing activities	4,242	(17,818)	22,060	123.8
Net cash provided by investing activities	2,879	6,571	(3,692)	(56.2)
Net increase (decrease) in cash	13,456	1,181	12,275	1039.4
Cash and cash equivalents - beginning of year	68,502	67,321	1,181	1.8
Cash and cash equivalents – end of year	$81,958	$68,502	13,456	19.6

Overall, the University had a net increase in cash of $13.5 million during fiscal year 2010. The primary sources of cash for the University were state appropriations ($51.4 million), student tuition and fees ($38.3 million), auxiliary enterprise revenues ($44.3 million), and receipts for student loans ($34.2 million). The major uses of cash were employee compensation and benefits ($84.6 million), services and supplies ($36.2 million), student loan disbursements ($34.4 million), and the purchase of capital assets ($13.1 million). Net cash provided by capital and related financing activities reflected an increased cash flow of $3.6 million. This increase of cash for capital projects results from proceeds received from capital debt, increase of capital appropriations and gifts, along with a decrease in the purchasing of capital assets as many projects were completed early in fiscal year 2010.

Economic Outlook

The 2010-11 operating budget was developed considering the outlook for the economy, actions taken by the Governor and General Assembly during the 2010 session, projected enrollment levels, approved tuition and fee rates, and strategic goals of the University. A multi-year budget plan is being developed to provide a framework for positioning the University for the future and to implement the goals outlined in the Strategic Plan, *7-17*.

As a public institution of higher education in Virginia, Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities. For fiscal year 2011, state general fund

appropriations for E&G will account for 43.3 percent of the total projected program revenues. The 2010-11 operating budget includes the continuation of reductions in state general fund support over the past three years. However, as part of the American Recovery and Reinvestment Act (ARRA), federal stimulus funds totaling $6.1 million were allocated in 2010-11 to lessen the financial impact. By 2011-12, state general fund support for the University's E&G program will have decreased by $16.4 million, or 33.3%, since 2008. This dramatic decline of state general fund resources will continue to impact E&G services significantly and further increase the challenges facing the University as it strives to provide quality educational opportunities for our students.

University auxiliary enterprise revenues remained adequate during fiscal year 2010; revenues exceeded expenditures by approximately $5.6 million. These revenues will provide necessary funding to continue its ongoing auxiliary maintenance efforts, auxiliary capital projects program, and auxiliary operating reserves allocation. However, due to the economic situation in the state, action was authorized during the 2010 General Assembly session to withhold interest earnings on auxiliary enterprises reserve balances for fiscal years 2010, 2011 and 2012. Over the three year period, this action will result in a significant reduction in revenue (approximately $3.3 million) which was intended to support future capital projects.

For fall 2010, the official census reported a total headcount of 9,007 undergraduate and graduate students, an increase of 1.5 percent over fall 2009. New student enrollment surpassed last year's enrollment by 24 percent. These increases are very promising and are a result of the efforts of the new Vice Provost for Enrollment Planning and Management, a position that was filled during fiscal year 2009. The Vice Provost is developing an overall strategy for targeted enrollment goals and enhancing the academic profile of incoming students.

Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first generation students. As of fall 2009, more than 93% of the University's undergraduate students were residents of Virginia and 29% of all undergraduate students were the first in their family to attend college. Among public institutions in Virginia, Radford University offers one of the lowest total costs for tuition, fees, room and board.

During fiscal year 2010, the University moved forward with several new capital projects. A ground breaking ceremony was held for the new College of Business and Economics building which is scheduled to be completed in summer 2012. Renovations to modernize Jefferson and Madison Residence Halls were initiated and are scheduled to re-open in fall 2011. The planning phases of the new Student Fitness and Wellness Center and College of Science building have progressed, with construction for the new Student Fitness and Wellness Center scheduled to begin next year.

Radford University will continue to demonstrate sound judgment in the use of its financial resources. The University continues to face numerous challenges, including the ongoing decline in state general fund appropriations, a continuing soft national economy, and the need to recruit and retain quality students during a time of declining resources for families and the University. The University is prepared to face and overcome these challenges by continuing to evaluate programmatic costs, to identify efficiencies in operations, and to prioritize the most critical needs in establishing and monitoring its operational budgets and finances.

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Audited Financial Statements

RADFORD UNIVERSITY
Statement of Net Assets
As of June 30, 2010

	Radford University	Component Unit Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 78,313,287	$ 1,871,134
Restricted cash and cash equivalents (Note 3)	3,644,525	-
Short-term investments (Notes 3, 17B)	5,784,873	30,990,846
Appropriation available	38,963	-
Accounts receivable (Net of allowance for doubtful accounts of $321,695) (Note 4)	1,591,323	-
Contributions receivable (Net of allowance for doubtful contributions and discount of $60,991) (Note 17A)	-	584,348
Due from the Commonwealth (Note 8)	2,718,079	-
Due from the Federal Government	182,526	-
Inventory	498,095	86,671
Notes receivable (Net of allowance for doubtful accounts of $7,369) (Note 4)	37,971	-
Prepaid expenses	1,869,993	156,715
Other assets	-	382,095
Other receivables	-	51,066
Total current assets	94,679,635	34,122,875
Noncurrent assets		
Restricted cash and cash equivalents	-	521,681
Other long-term investments (Note 3, 17B)	442,377	3,726,844
Contributions receivable (Net of allowance for doubtful contributions and discount of $93,991) (Note 17A)	-	900,512
Other assets	-	358,870
Notes receivable (Net of allowance for doubtful accounts of $597,994) (Note 4)	3,119,805	-
Depreciable capital assets, net (Notes 5, 17C)	145,127,934	10,634,699
Non-depreciable capital assets (Notes 5, 17C)	13,123,974	3,444,308
Total noncurrent assets	161,814,090	19,586,914
Total assets	256,493,725	53,709,789
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	16,265,934	54,544
Deferred revenue	3,517,672	132,196
Obligations under securities lending	16,518,309	-
Deposits held in custody for others	247,129	-
Long-term liabilities - current portion (Notes 7, 8 and 17D)	2,260,409	651,087
Advance from the Treasurer of Virginia	20,000	-
Other liabilities	443,812	-
Trust and annuity obligations	-	112,928
Total current liabilities	39,273,265	950,755
Noncurrent liabilities (Notes 7, 8 and 17D)	9,138,328	15,577
Trust and annuity obligations	-	801,726
Total noncurrent liabilities	9,138,328	817,303
Total liabilities	48,411,593	1,768,058
NET ASSETS		
Invested in capital assets, net of related debt	156,653,600	13,412,343
Restricted for:		
Expendable:		
Scholarships and fellowships	-	5,088,013
Instruction and research	1,862,837	931,372
Loans	75,958	-
Debt Service	418,016	7,369,786
Nonexpendable:		
Scholarships and fellowships	-	16,315,640
Instruction and research	-	1,598,909
Other	-	3,833,955
Unrestricted	49,071,721	3,391,713
Total net assets	$ 208,082,132	$ 51,941,731

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

RADFORD UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2010

	Radford University	Component Unit Radford University Foundation, Inc.
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $7,784,188)	$ 38,343,928	$ -
Gifts and contributions	-	2,790,749
Federal grants and contracts	5,783,921	-
State grants and contracts	510,452	-
Nongovernmental grants and contracts	473,428	-
Auxiliary enterprises (net of scholarship allowances of $7,392,626) (Note 9)	44,289,555	-
Other operating revenues	679,441	554,262
Total operating revenues	90,080,725	3,345,011
EXPENSES		
Operating expenses (Note 10)		
Instruction	50,769,265	24,344
Research	397,691	-
Public service	3,253,403	-
Academic support	8,378,322	2,464,688
Student services	5,072,480	-
Institutional support	13,744,795	1,372,899
Operation and maintenance of plant	9,022,578	-
Depreciation	11,350,473	367,463
Student aid	4,098,867	937,475
Auxiliary activities (Note 9)	38,736,942	-
Total operating expenses	144,824,816	5,166,869
Operating loss	(54,744,091)	(1,821,858)
Nonoperating revenues (expenses)		
State appropriations (Note 11)	51,381,376	-
Federal stabilization funds (ARRA)	3,761,001	
Federal student financial aid (Pell)	7,220,478	-
Investment income	591,397	2,284,612
Interest on capital asset-related debt	(138,845)	(16,855)
Loss on disposal of assets	(436,134)	(64,930)
Nonoperating transfers to the Commonwealth	(8,069,361)	-
Net nonoperating revenues	54,309,912	2,202,827
Income before other revenues, expenses, gains or losses	(434,179)	380,969
Capital appropriations	10,958,300	-
Capital gifts	2,478,736	245,000
Additions to permanent endowments	-	503,556
Net other revenues	13,437,036	748,556
Increase in net assets	13,002,857	1,129,525
Net assets - beginning of year, as restated	195,079,275	50,812,206
Net assets - end of year	$ 208,082,132	$ 51,941,731

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

RADFORD UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash flows from operating activities:		
Student tuition and fees	$	37,256,878
Grants and contracts		7,167,417
Auxiliary enterprises		44,127,720
Other receipts		679,441
Payments for salaries, wages and fringe benefits		(84,604,983)
Payments for services and supplies		(36,228,874)
Payments for utilities		(3,171,862)
Payments for scholarships and fellowships		(7,295,794)
Payments for noncapitalized plant improvements and equipment		(5,972,604)
Loans issued to students		(426,642)
Collections of loans from students		535,623
Other receipts (payments)		260,322
Net cash used by operating activities		(47,673,358)
Cash flows from nonoperating financing activities:		
State appropriations		51,381,376
Non-general fund appropriations		(8,069,361)
Gifts and grants for other than capital purposes		7,220,478
Federal stabilization funds (ARRA)		3,761,001
Federal Loan Contribution		3,368
Federal Family Education Loans - receipts		34,205,623
Federal Family Education Loans - disbursements		(34,396,052)
Agency receipts and payments (net)		(98,325)
Net cash provided by noncapital financing activities		54,008,108
Cash flows from capital financing activities:		
Proceeds from capital debt		4,071,750
Proceeds from capital appropriations available and investments		196,756
Capital appropriations		10,958,300
Capital gifts		2,292,631
Purchase of capital assets		(13,103,200)
Principal paid on capital debt, leases and installments		(95,655)
Interest paid on capital debt, leases and installments		(78,639)
Net cash provided by capital financing activities		4,241,943
Cash flows from investing activities:		
Proceeds from sale and maturities of investments		2,287,647
Interest on investments		591,397
Net cash provided by investing activities		2,879,044
Net increase in cash		13,455,737
Cash and cash equivalents - beginning of the year		68,502,075
Cash and cash equivalents - end of the year	$	81,957,812
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$	(54,744,091)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		11,350,473
Changes in assets and liabilities:		
Long-term investments		(442,377)
Receivables, net		215,552
Due from the Commonwealth		(1,065,435)
Prepaid expenses		176,955
Inventory		2,269
Notes receivable, net		108,981
Accounts payable and accrued expenses		(2,538,591)
Deferred revenue		(804,499)
Accrued compensated absences		(292,208)
Accrued retirement plan		(84,199)
Noncurrent liabilities		443,812
Net cash used by operating activities	$	(47,673,358)

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

Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Under GASB Statement 39 standards, the Radford University Foundation, Inc. (the "Foundation") meets the criteria to qualify as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fund-raising and funds management efforts that benefit the University and its programs. The twenty-six member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the year ended June 30, 2010, the Foundation made distributions of $2,502,799 to or on behalf of the University for both restricted and unrestricted purposes.

The Radford University Property Acquisition Corporation (RUPAC) began operations during the year ended June 30, 2008. The RUPAC is also a legally separate, tax-exempt organization, and its purpose is to acquire real property for use by the University. The three member board is appointed by the Radford University Board of Visitors in consultation with the President of the University. Because of the nature of its relationship with the University, under GASB Statement 39 standards, the RUPAC is considered part of the reporting entity and is presented in the University's financial statements as a blended component unit. The following summarizes the unaudited financial position of the RUPAC at December 31, 2009, its fiscal year end:

Assets	$ 1,262,476
Liabilities	$ 1,150,267
Net assets	112,209
Liabilities and net assets	$ 1,262,476

The total unaudited receipts and disbursements of the RUPAC were $146,666 and $92,625, respectively, for the year ended December 31, 2009. Complete financial statements for the Foundation and the RUPAC can be obtained from Radford University Foundation Administrative Office, PO Box 6915, Radford, Virginia 24142.

Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by the GASB, including all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The university has the option to apply all FASB pronouncements issued after

November 30, 1989, unless FASB conflicts with GASB. The university has elected not to apply the FASB pronouncements issued after the applicable date. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities.*

The Foundation and the RUPAC are non-profit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the RUPAC's financial information in the University's financial report for these differences.

In fiscal year 2010 the following GASB statements of standard were effective, Statement 51, Accounting and Financial Reporting for Intangible Assets, Statement 51, Accounting and Financial Reporting for Derivative Instruments and Statement 58, Accounting and Financial reporting for Chapter 9 Bankruptcies. Statement 51 establishes standards of accounting and reporting for intangible assets to address inconsistencies among state and local governments, particularly in the areas of recognition, initial measurement and amortization. Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The university is not currently invested in derivative instruments. Statement 58 does not require any additional disclosure by the university as a result of operations during this reporting period.

Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of net assets and cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the statement of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments, and non-governmental sources, in connection with reimbursement of allowable expenses made pursuant to the university's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 4 for a detailed list of accounts receivable amounts.

Notes Receivable

The majority of notes receivable consists of amounts due from the Federal Perkins Loan Program and from other student loans administered by the university. Notes receivable is recorded net of allowance for doubtful accounts for current and noncurrent notes receivable. See Note 4 for a detailed list of notes receivable amounts.

Inventories

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

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Intangibles, commonly software, are capitalized with an initial cost of $10,000 or more and an estimated useful life in excess of three years. Library materials are valued using actual costs for library acquisitions. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction costs for major capital assets and improvements are captured and capitalized as construction in progress as the projects are constructed. Once the construction is substantially complete, the project costs are removed from construction in progress and are capitalized in the appropriate capital asset account (e.g., buildings, equipment, etc.). Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

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

Buildings	40 years
Building improvements	15 years
Other improvements and infrastructure	20 years
Equipment	2-25 years
Intangibles (Software)	3-10 years
Library materials	10 years

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

Deferred Revenue

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the period after June 30, 2010.

Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, 2010, all unused vacation leave, sabbatical leave and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay-out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. See Note 7 for the current and noncurrent amounts.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of notes payable and installment purchase obligations with maturities greater than one year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) contributions from the Federal government to fund the operations of the Perkins Loan Program and the Nursing Student Loan Program. See Note 7 and 8 for detailed information and amounts.

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act

Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

Net Assets

GASB Statement 34 requires that the statement of net assets report the difference between assets and liabilities as net assets. Net assets are classified as invested in capital assets, net of related debt; restricted (expendable or nonexpendable); and unrestricted. "Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as "restricted" when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors; or imposed by law. Unrestricted net assets consist of net assets that do not meet the definitions above.

Revenue Classifications

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

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

Scholarship Discounts and Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

NOTE 2: RESTATEMENT OF NET ASSETS

Certain net assets originally reported in the University's financial statements as of June 30, 2009, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2009	$ 193,748,792
Implementation of GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*	5,061,868
Capital asset prior year errors	106,287
Previously overstated accounts receivable	(1,646,068)
Previously understated liabilities	(2,191,604)
Net Asset balance at July 1, 2009, as restated	$ 195,079,275

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, investments, and risk disclosures as of June 30, 2010, in accordance with GASB 40, Deposit and Investment Risk Disclosures:

Custodial Credit Risk (Category 3 deposits and investments) – The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University had no category 3 deposits or investments for fiscal year 2010.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. Information with respect to University deposit exposure to credit risk is discussed below.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. This Statement requires disclosure of investments with any one issuer that represents 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. This Statement requires disclosure of the terms of the investments with fair values that are highly sensitive to changes in interest rates. The University does not have an interest rate risk policy and no investments or deposits that are sensitive to changes in interest rates as of the close of business on June 30, 2010.

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University has no foreign investments or deposits for fiscal year 2010.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*. In accordance with the GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, cash and cash equivalents represents cash with the Treasurer, cash on hand, and temporary investments with original maturities of three months or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The financial institution that holds the University's local cash provides an interest bearing checking account that allows the University to earn a competitive rate of interest on 100% of its collected balances.

Investments

The Board of Visitors established the University's investment policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4517, et seq., *Code of Virginia*. Investments fall into two groups: short and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year. Investments not with the Treasurer of Virginia consist primarily of funds received from the Radford University Foundation to fund specific deferred compensation arrangements.

As of June 30, 2010:	Market Value
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	$ 5,430,961
Cash with the Treasurer of Virginia	62,148,890
Collateral held for Securities Lending	10,733,436
Cash equivalents (State Nonarbitrage Program)	3,644,525
Total	$81,957,812
Investments:	
Collateral held for Securities Lending (short term)	$5,784,873
Investments not with the Treasurer (long-term)	442,377
Total	$6,227,250

Securities Lending Transactions

GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions,* establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer their securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

NOTE 4: ACCOUNTS AND NOTES RECEIVABLE

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

	2010
Student tuition and fees	$ 325,303
Auxiliary enterprises	402,169
Federal, state, and nongovernmental grants and contracts	982,002
Other activities	203,544
	1,913,018
Less allowance for doubtful accounts	(321,695)
Net accounts receivable	$ 1,591,323

Notes receivable consisted of the following at June 30, 2010:

Current portion:	2010
Federal student loans	$38,949
Institutional student loans	6,391
Less allowance for doubtful accounts	(7,369)
Total current portion	$ 37,971
Non-current portion:	
Federal student loans	$ 3,497,979
Institutional student loans	219,820
Less allowance for doubtful accounts	(597,994)
Total non-current portion	$ 3,119,805

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance (restated)	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 8,505,469	-	-	$8,505,469
Construction in progress	15,278,707	6,342,029	17,002,231	4,618,505
Total nondepreciable capital assets	23,784,176	6,342,029	17,002,231	13,123,974
Depreciable capital assets:				
Buildings	176,030,320	16,532,482	-	192,562,802
Infrastructure	22,290,664	58,564	-	22,349,228
Equipment	23,842,413	3,592,603	530,819	26,904,197
Software	6,774,976	1,791,591	1,168,455	7,398,112
Other improvements	7,730,335	317,858	-	8,048,193
Library materials	18,661,751	1,836,671	126,562	20,371,860
Total depreciable capital assets	255,330,459	24,129,769	1,825,836	277,634,392
Less accumulated depreciation for:				
Buildings	72,105,453	6,728,222	-	78,833,675
Infrastructure	18,478,428	572,981	-	19,051,409
Equipment	14,330,951	2,180,640	509,503	16,002,088
Software	1,266,159	464,962	753,637	977,484
Other improvements	4,718,041	283,398	-	5,001,439
Library materials	11,646,655	1,120,270	126,562	12,640,363
Total accumulated depreciation	122,545,687	11,350,473	1,389,702	132,506,458
Depreciable capital assets, net	132,784,772	12,779,296	436,134	145,127,934
Total capital assets, net	$156,568,948	$19,121,325	$17,438,365	$158,251,908

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2010
Employee salaries, wages and fringe benefits payable	$ 9,069,016
Vendors and suppliers accounts payable	6,241,443
Capital projects accounts payable	874,522
Accrued interest payable	60,206
Accrued termination benefits	20,747
Net accounts payable and accrued expenses	$16,265,934

NOTE 7: NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ending June 30, 2010 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Notes payable –Pooled Bonds	$ -	$4,071,749	$ 10,389	$4,061,360	$ 132,810
Notes payable - RUPAC	1,097,337	-	59,146	1,038,191	46,535
Installment purchase obligations	163,760	-	26,120	137,640	27,111
Total long-term debt	1,261,097	4,071,749	95,655	5,237,191	206,456
Other liabilities:					
Accrued compensated absences	3,014,533	3,815,007	4,107,215	2,722,325	2,053,953
Federal loan program contributions	3,435,853	3,368	-	3,439,221	-
Total other liabilities	6,450,386	3,818,375	4,107,215	6,161,546	2,053,953
Total long-term liabilities	$7,711,483	$7,890,124	$4,202,870	$11,398,737	$2,260,409

NOTE 8: LONG-TERM DEBT

Notes Payable – Pooled bonds
The notes payable for pooled bonds are debt obligations between Virginia College Building Authority (VCBA) and the University. The VCBA issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The Radford University portion of the 2009B issuance was 3.72 million and carries interest rates from 2.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 9/01/29.

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

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

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

Fiscal Year Ending	Notes payable	Notes payable RUPAC	Installment purchase
June 30, 2011	$ 115,000	$ 46,535	$ 27,111
June 30, 2012	120,000	65,119	27,806
June 30, 2013	125,000	68,813	11,094
June 30, 2014	130,000	72,715	11,327
June 30, 2015	135,000	76,840	11,565
2016 - 2020	790,000	561,725	48,737
2021 - 2025	1,010,000	146,444	-
2026 - 2030	1,295,000	-	-
Unamortized Premium	341,360	-	-
Total	$4,061,360	$1,038,191	$137,640

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

Fiscal Year Ending	Notes payable Pooled bonds	Notes payable RUPAC	Installment purchase
June 30, 2011	$ 177,050	$ 42,205	$ 2,151
June 30, 2012	174,100	53,201	2,260
June 30, 2013	169,175	49,507	1,669
June 30, 2014	162,800	45,604	1,436
June 30, 2015	156,175	41,480	1,199
2016 - 2020	669,000	136,865	2,317
2021 - 2025	445,250	16,936	-
2026 - 2030	163,250	-	-
Total	$ 2,116,800	$ 385,798	$11,0312

Prior Year Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia on behalf of the University issued bonds which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are therefore considered defeased in substance. Accordingly, the trust account's assets and the liabilities for the defeased bonds are not included in the University's financial statements.

Equipment Trust Fund Program

The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The Virginia College Building Authority (VCBA) manages the program. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for equipment purchased. For fiscal years prior to 1999, the VCBA purchased the equipment and leased it to the University. For fiscal years 1999 and following, financing agreements for ETF were changed so that the University now owns the equipment from the date of purchase.

At June 30, 2010, equipment purchased by the University that was not reimbursed by the VCBA totaling $1,283,244 was included in the Statement of Net Assets line “Due from the Commonwealth.”

NOTE 9: AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following at June 30, 2010:

Revenues:	2010
Room contracts, net of scholarship allowances of $1,639,096	$ 8,418,703
Dining service contracts, net of scholarship allowances of $1,813,629	9,658,316
Comprehensive fee, net of scholarship allowances of $3,939,901	18,819,431
Other student fees and sales and services	7,393,105
Auxiliary enterprises revenues	$44,289,555

Expenses:	2010
Residential facilities	6,898,479
Dining operations	12,492,659
Athletics	7,920,986
Other auxiliary activities	11,424,818
Auxiliary activities expenses	$38,736,942

NOTE 10: EXPENSES BY NATURAL CLASSIFICATION

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$ 44,473,913	$ 2,753,038	$2,255,119	$ -	$ 1,287,195	$ -	$ 50,769,265
Research	336,970	-	11,493	-	49,228	-	397,691
Public service	1,652,947	1,431,735	-	-	168,721	-	3,253,403
Academic support	7,195,661	928,013	156,572	-	98,076	-	8,378,322
Student services	3,354,306	1,381,513	53,452	-	283,209	-	5,072,480
Institutional support	10,790,268	2,869,292	-	-	85,235	-	13,744,795
Operation and maintenance of plant	4,134,955	2,732,297	-	1,708,440	446,886	-	9,022,578
Depreciation expense	-	-	-	-	-	11,350,473	11,350,473
Scholarship and related expenses	-	-	4,098,867	-	-	-	4,098,867
Auxiliary activities	11,869,111	22,195,499	720,291	1,463,422	2,488,619	-	38,736,942
Total	$ 83,808,131	$ 34,291,387	$7,295,794	$ 3,171,862	$ 4,907,169	$ 11,350,473	$ 144,824,816

NOTE 11: STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended general fund appropriations that remain on the last day of the current year, ending June 30, 2010, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2010, except as may be specifically provided otherwise by the General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

The following is a summary of state appropriations received by the University during the year ended June 30, 2010, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 879:	
Educational and general programs	$52,129,620
Student financial assistance	7,013,650
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	13,588
Eminent scholar	24,244
Prior year General Fund carryforward	2,417,079
College Scholarship Assistance Program (CSAP)	170,301
Virginia Military Survivors and Dependents Education Program	139,896
Two-Year College Transfer Grant Program	18,000
Central Appropriation Transfers:	
Life and disability insurance changes	(122,400)
Workers compensation premium increase	23,056
Health insurance reduction	(300,307)
Retirement contribution rate changes	(421,846)
State Employee sickness and disability program rate changes	(339,167)
Retiree health contribution changes	(117,049)

State employee furlough	(131,683)
Other transfers	(63,878)
Mandatory General Fund appropriation reductions	(9,070,379)
Reversion to the General Fund of the Commonwealth	(1,349)
Adjusted appropriation	$ 51,381,376

NOTE 12: COMMITMENTS

At June 30, 2010, the University was a party to construction and other contracts totaling approximately $57,336,151 of which $53,398,808 has been incurred.

The University is committed under various operating leases for land, buildings, and equipment. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the financial statements. Rental expense was approximately $486,055 for the year ended June 30, 2010.

The University has, as of June 30, 2010, future minimum rental payments due under the above leases of $165,958 for the year ending June 30, 2011.

The University is the lessee of land and a building under a lease agreement with the RUPAC expiring in 2013. As the RUPAC is included in the University's financial statements as a blended component unit, the land and building is included in the University's capital assets at cost. However, in accordance with generally accepted accounting principles, the corresponding revenue and expense related to this lease agreement have been eliminated from the financial statements. Rental expense was approximately $149,399 for the year ended June 30, 2010.

The University has, as of June 30, 2010, the following future minimum rental payments due under the above lease:

Year Ending June 30	Lease Obligation
2011	152,200
2012	156,005
2013	39,241
Total	$347,446

NOTE 13: RETIREMENT PLANS

Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual State institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth of Virginia, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2010. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled $3,046,957 for the year ended June 30, 2010. These contributions included the 5 percent employee contribution assumed

by the employer. Contributions to VRS were calculated using the base salary amount of approximately $32,674,407 for fiscal year 2010. The University's total payroll was approximately $67,748,861 for the year ended June 30, 2010.

Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers other than VRS, TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. This plan is a fixed-contribution program where the retirement benefits received are based upon the employer's (5.4 percent) and employee's (5.0 percent) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately $2,367,061 for year ended June 30, 2010. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $22,760,201 for fiscal year 2010.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the deferred Compensation Plan were approximately $294,937 for the fiscal year 2010.

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, 2010, the University estimates that no material liabilities will result from such audits or questions.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care plan is administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes worker's compensation,

property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Comprehensive Annual Financial Report*.

NOTE 17: COMPONENT UNIT FINANCIAL INFORMATION

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2010:

Current receivables:			
Receivable in less than one year, net of discount $53,097		$592,242	
Less allowance for doubtful accounts		7,894	
Net current contributions receivable			$584,348
Non-current receivables:			
Receivable in one to five years, net of discount $63,313	$706,190		
Less allowance for doubtful accounts	9,413	696,777	
Receivable in one to five years, net of discount $18,513	206,487		
Less allowance for doubtful accounts	2,752	203,735	
Net non-current contributions receivable			900,512
Total contributions receivable			$1,484,860

The discount rate in 2010 was 6%. As of June 30, 2010, there were no conditional promises to give.

(B) Investments

Investments are comprised of the following as of June 30, 2010:

Short-term:	
Cash and cash equivalents	$785,985
Equities	417,937
Mutual funds	4,751
Investment company	29,782,173
Total short-term	30,990,846
Long-term:	
Cash and cash equivalents	4,295
Corporate bonds	242,183
Equities	41,084
Mutual funds	407,846
Investment company	3,002,894
Other	28,542
Total long-term	3,726,844
Total investments	34,717,690

(C) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2010 is presented as follows:

Depreciable capital assets:	
Buildings	$12,926,551
Furniture and equipment	501,544
Vehicles	97,655
Land improvements	171,216
Total depreciable capital assets, at cost	13,696,966
Less accumulated depreciation	3,062,267
Total depreciable capital assets, net of accumulated depreciation	10,634,699
Non-depreciable capital assets:	
Land	1,282,327
Collections of art	2,161,981
Total non-depreciable capital assets	3,444,308
Total capital assets, net of accumulated depreciation	$14,079,007

(D) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2010:

Note payable to a bank due in monthly payments of $8,428 including interest at 5.75% through February 2011 with a balloon payment due for the unpaid balance at that time, s secured by a deed of trust on real estate	$380,463
Line of Credit, interest only payable monthly with balance due on demand and matures on April 26, 2011, secured by real estate	262,128
Note payable to GMAC in monthly installments of $708 including interest at 0.0% beginning January 1, 2007, secured by vehicle	24,073
Total long-term debt	$666,664

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2010 are as follows:

2011	651,087
2012	8,496
2013	7,081
Total notes payable	$666,664

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 22, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Radford University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University, which is discussed in Note 17. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Radford University as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages one through nine 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 April 22, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj

RADFORD UNIVERSITY
Radford, Virginia

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