RU
RADFORD
UNIVERSITY

Radford, Virginia

Audited Financial Statements

For the Year Ended
June 30, 2009

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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, 2009. 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 comprehensive public university that is student centered and focused on providing outstanding academic programs with 153 program options for its 9,157 undergraduate and graduate students (Fall 2008 headcount). 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 designation recognizes colleges and universities that have made "promising and innovative changes" and are poised to move higher in the rankings. The University was ranked eighth among the "Top Up-and-Coming" master's universities in the south and fifth among public universities in this category. Overall, the University was ranked 15th among public master's universities in the south and has been named one of the top 20 public universities in this category for six consecutive years.

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. 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.

<u>Invested in capital assets</u> – 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.

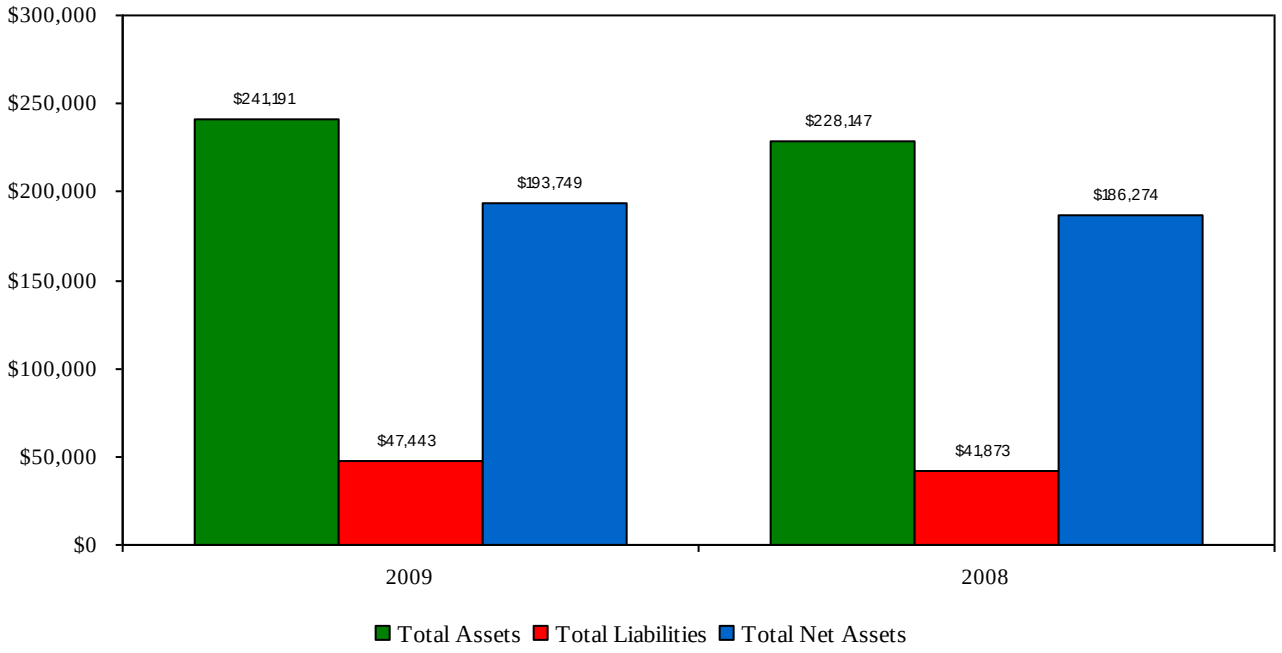
Statement of Net Assets - Summary Schedule
($ shown in thousands)

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

	2009	2008	Increase/(Decrease) Amount	Percent
Assets:				
Current assets	$ 86,551	$ 92,247	$ (5,696)	(6.2)
Capital assets, net	151,401	132,517	18,884	14.2
Other noncurrent assets	3,239	3,383	(144)	(4.3)
Total assets	241,191	228,147	13,044	5.7
Liabilities:				
Current liabilities	42,112	36,497	5,615	15.4
Noncurrent liabilities	5,331	5,376	(45)	(0.8)
Total liabilities	47,443	41,873	5,570	13.3
Net assets:				
Invested in capital assets, net of related debt	150,177	131,328	18,849	14.4
Restricted – expendable	1,757	6,112	(4,355)	(71.2)
Unrestricted	41,815	48,834	(7019)	(14.3)
Total net assets	$193,749	$186,274	$ 7,475	4.0

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:



During fiscal year 2009, total net assets of the University increased by 4.0 percent, an increase of $7.5 million, bringing total net assets to $193.7 million at June 30, 2009. The growth in total net assets is primarily attributable to an increase in capital assets due to capital projects described in the next section. The increase in capital assets was offset by a decrease in current assets of $5.7 million, which was primarily the result of a decrease in appropriations available for capital projects. No new capital projects were funded from state general funds in 2009 and the funding for several projects was changed to bonds. Also affecting the total net assets amount was an increase in current liabilities of $5.6 million due to increases in accounts payable and obligations under securities lending as determined by the Department of Treasury.

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.

The University's investment in capital assets is described in note 4 of the Notes to Financial Statements. The value of the University's net capital assets increased to $151.4 million at the end of fiscal year 2009, an increase of 14.2 percent over fiscal year 2008. The net additions and reductions to capital assets during 2009 totaled $26.5 million (excluding depreciation). The additions included completion of the new Fine Arts Center, completion of the Dedmon Center roof replacement, and renovations to Heth, Young, and Davis Halls. Current year depreciation expense totaled $9.5 million.

Commitments to construction contractors, architects, and engineers for capital projects totaled $0.6 million at June 30, 2009. These commitments consisted primarily of retainage payable at June 30, 2009, for several capital projects (Fine Arts Center, Heth Hall, Young Hall, and Davis Hall).

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 for 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 Governmental Accounting Standards Board (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.

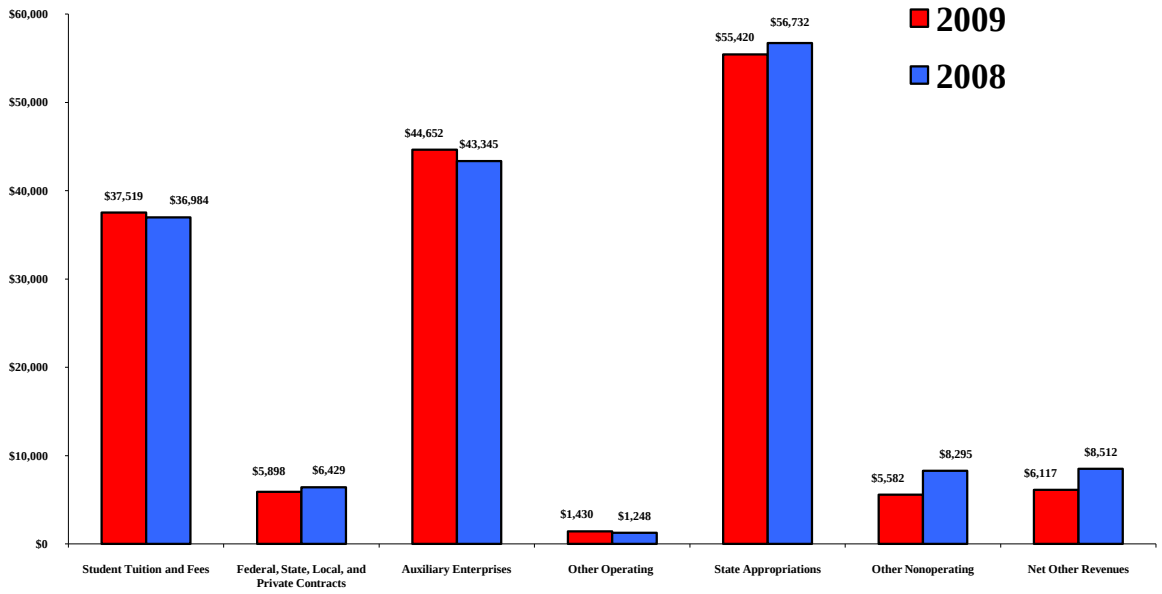
Statement of Revenues, Expenses, and Changes in Net Assets - Summary Schedule
($ shown in thousands)

The schedule below shows operating and nonoperating revenues, expenses, and changes in net assets for the past two fiscal years:

			Increase/(Decrease)	
	2009	2008	Amount	Percent
Operating revenues	$ 89,499	$ 88,006	$ 1,493	1.7
Less: Operating expenses	149,144	147,494	1,650	1.1
Operating loss	(59,645)	(59,488)	(157)	(.3)
Nonoperating revenues and expenses	61,003	65,026	(4,023)	(6.2)
Income before other revenues, expenses, gains, or losses	1,358	5,538	(4,180)	(75.4)
Other revenue, expenses, gains, or losses	6,117	8,512	(2,395)	(28.1)
Increase in net assets	7,475	14,050	(6,575)	(46.8)
Net assets - beginning of year (as restated)	186,274	172,224	14,050	8.2
Net assets - end of year	$193,749	$186,274	$ 7,475	4.0

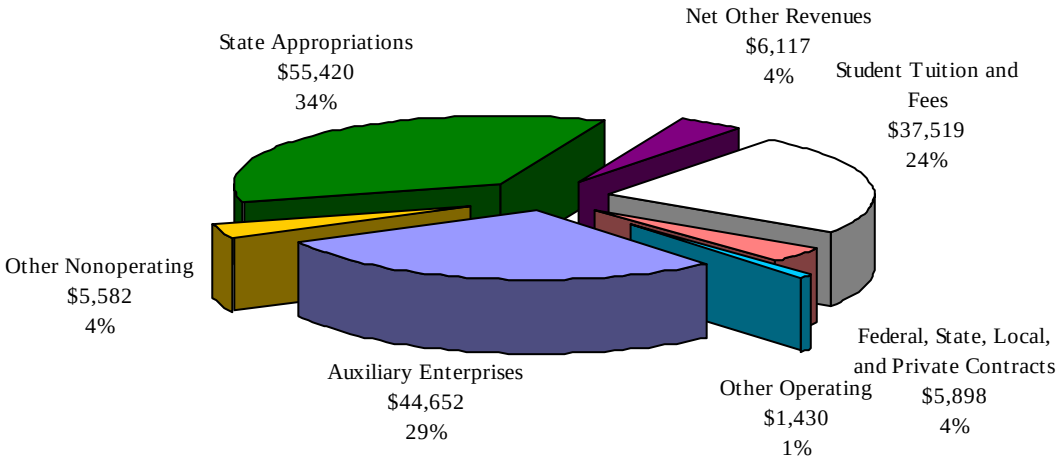
Revenues by Source Comparison
($ shown in thousands)

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, 2009:



Operating revenues of the University consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in fiscal year 2009 increased 1.7 percent as compared to fiscal year 2008. Tuition and fee revenues, net of scholarship allowances, increased 1.4 percent primarily due to a tuition and fee increase approved by the Board of Visitors. Auxiliary enterprise revenues increased 3.0 percent due in large part to a Board of Visitors approved increase in the comprehensive fee and room and board charges.

Nonoperating revenues in fiscal year 2009 decreased 6.2 percent over the previous year. This decrease resulted primarily from a $1.3 million (2.3 percent) decrease in state general fund appropriations due to state budget cuts and a decrease of $3.1 million (69.4 percent) in investment income due in part to the poor economy. Note 10 of the Notes to Financial Statements details the state appropriations received by the University during fiscal year 2009. Note 2 includes information about University investments.

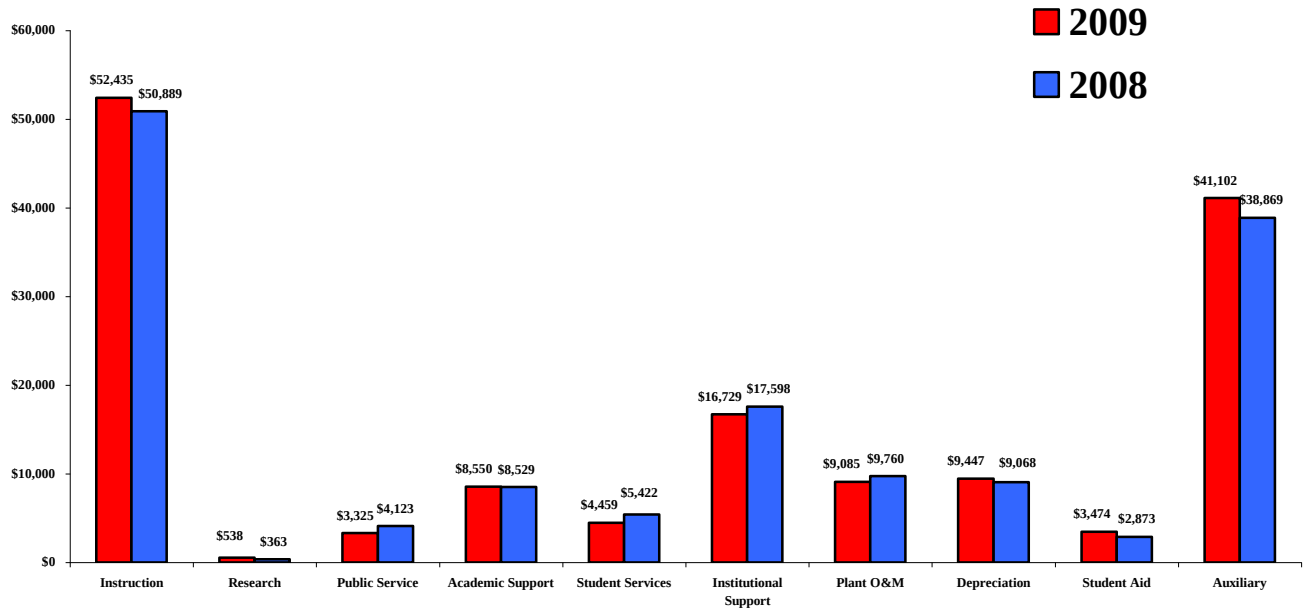
Net other revenues (capital appropriations, capital gifts, and other capital appropriation reductions) decreased by $2.4 million (28.1 percent) over the prior fiscal year. This decrease was due to no new capital appropriations received in 2009 and the expenditure of remaining capital project balances.

As a result of the above influences, total revenues decreased by $4.9 million (3.0 percent) overall.

Expenses by Function Comparison

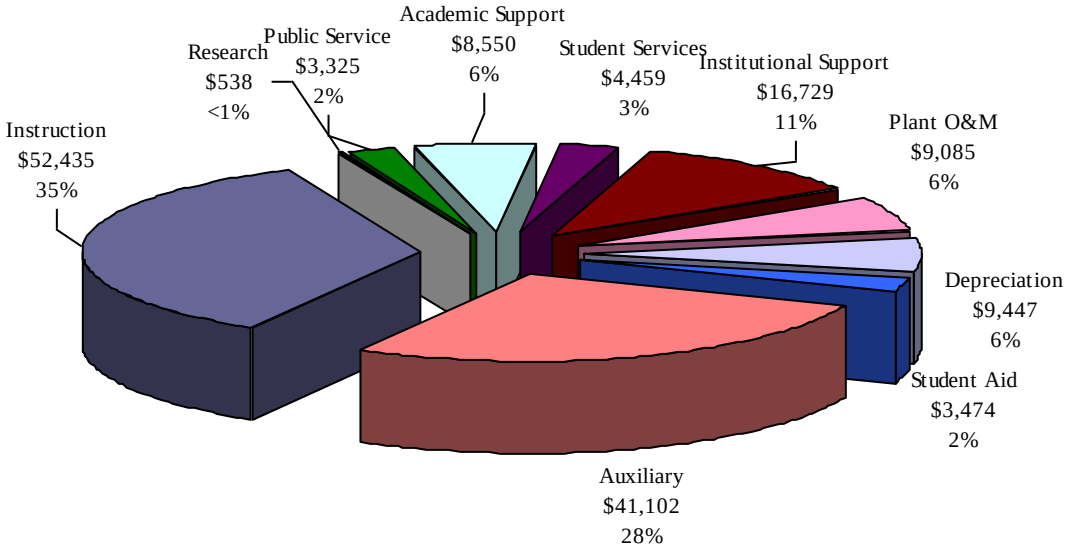
($ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2009 and 2008.



Expenses by Function
($ shown in thousands)

The following graphic illustration presents total expenses by function for fiscal year 2009:



Operating expenses for fiscal year 2009 showed only a modest increase of $1.6 million (1.1 percent). The most significant factors impacting the modest increase in total operating expenses were as follows:

- An increase in expenses for instruction of $1.5 million (3.0 percent) due to increases in compensation/benefit payments and scholarships/fellowships.
- An increase in expenses for auxiliary services of $2.2 million (5.7 percent) due to increased operating costs.
- An increase in depreciation expense of $.4 million due to continued construction of new buildings and improvements to existing structures.
- The above increases were offset by decreases in other functions including student services ($.9 million), institutional support ($.9 million), and operation and maintenance of plant ($.7 million). These decreases were due to vacant positions being held open, reductions in one-time equipment expenditures, and other expenditure reductions in response to the state budget cuts.

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 – Summary Schedule
($ shown in thousands)

			Increase/(Decrease)	
	2009	2008	Amount	Percent
Net cash used by operating activities	$(47,691)	$(50,907)	$ 3,216	6.3
Net cash provided by noncapital financing activities	60,119	60,480	(361)	(.6)
Net cash provided by capital and related financing activities	(17,818)	(9,584)	(8,234)	(85.9)
Net cash provided by investing activities	6,571	5,028	1,543	30.7
Net increase (decrease) in cash	1,181	5,017	(3,836)	(76.5)
Cash and cash equivalents - beginning of year	67,321	62,304	5,017	8.1
Cash and cash equivalents – end of year	$68,502	$67,321	1,181	1.8

Overall, the University had a net decrease in cash of $3.8 million during fiscal year 2009. The primary sources of cash for the University were state appropriations ($55.4 million), student tuition and fees ($38.0 million), auxiliary enterprise revenues ($44.7 million), and receipts for student loans ($30.4 million). The major uses of cash were employee compensation and benefits ($87.5 million), services and supplies ($34.8 million), student loan disbursements ($30.3 million), and the purchase of capital assets ($29 million). Net cash provided by capital and related financing activities reflected an increased outflow of cash of $8.2 million (85.9 percent) over the prior year. This increased outflow of cash for capital projects results from the significant expenditures for capital projects with no new capital projects funded by state general funds in 2009.

Economic Outlook

As a public institution of higher education in Virginia, Radford University relies heavily on state general fund support for its Educational and General (E&G) program activities. For fiscal year 2009, state general fund appropriations for E&G accounted for approximately 54 percent of the total program funding; this after a 5 percent budget reduction imposed during fiscal year 2009. The University then received an additional 30 percent (a total of 35 percent) state general fund budget reduction imposed during fiscal year 2010. This dramatic decline of state general fund resources will 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 2009; revenues exceeded expenditures by approximately 8.6 percent. These revenues will provide the necessary funding to continue its ongoing auxiliary maintenance efforts, auxiliary capital projects program, and auxiliary operating reserves allocation.

For Fall 2008, a total headcount of 9,157 students were enrolled, consisting of 8,155 undergraduate and 1,002 graduate students. Also, during fiscal year 2009, the Vice Provost for Enrollment Planning and Management position was filled. This position is developing the University's overall strategies for meeting enrollment goals and enhancing the academic profile of incoming students.

During fiscal year 2009, the University worked with appropriate state agencies to attain Level 2 autonomy under the Higher Education Restructuring Act in the areas of Procurement and Information Technology. The Higher Education Restructuring Act provides a framework under which the University may gain additional decentralized authority from the Commonwealth of Virginia in specific financial and administrative operations. The University was awarded Level 2 status in July, 2009.

Radford University will continue to demonstrate sound judgment in the use of its financial resources. However, the University continues to face numerous challenges, including the ongoing decline in state general fund appropriations, a weak national economy, and the need to recruit and retain quality students during a time of declining resources for families and the University.

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Audited Financial Statements

RADFORD UNIVERSITY
Statement of Net Assets
As of June 30, 2009

	Radford University	Component Unit Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 68,502,075	$ 1,583,623
Short-term investments (Notes 2, 17B)	10,133,090	30,527,043
Appropriation available	235,719	-
Accounts receivable (Net of allowance for doubtful accounts of $364,403) (Note 3)	3,452,943	-
Contributions receivable (Net of allowance for doubtful contributions and discount of $94,792) (Note 17A)	-	917,815
Due from the Commonwealth (Note 7)	1,652,644	-
Inventory	500,364	87,566
Notes receivable (Net of allowance for doubtful accounts of $5,767) (Note 3)	27,599	-
Prepaid expenses	2,046,948	258,174
Other assets	-	119,967
Other receivables	-	72,524
Total current assets	86,551,382	33,566,712
Noncurrent assets		
Restricted cash and cash equivalents	-	521,576
Other long-term investments (Note 17B)	-	3,806,686
Contributions receivable (Net of allowance for doubtful contributions and discount of $101,709) (Note 17A)	-	984,683
Other assets	-	111,354
Notes receivable (Net of allowance for doubtful accounts of $508,569) (Note 3)	3,239,158	-
Depreciable capital assets, net (Notes 4, 17C)	127,443,527	10,905,273
Non-depreciable capital assets (Notes 4, 17C)	23,957,264	3,393,724
Total noncurrent assets	154,639,949	19,723,296
Total assets	241,191,331	53,290,008
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 5)	16,494,014	387,487
Deferred revenue	4,322,171	175,570
Obligations under securities lending	18,578,879	-
Deposits held in custody for others	353,357	-
Long-term liabilities - current portion (Notes 6, 7 and 17D)	2,343,120	144,044
Advance from the Treasurer of Virginia	20,000	-
Trust and annuity obligations	-	302,629
Total current liabilities	42,111,541	1,009,730
Noncurrent liabilities (Notes 6, 7 and 17D)	5,330,998	398,368
Trust and annuity obligations	-	972,938
Total noncurrent liabilities	5,330,998	1,371,306
Total liabilities	47,442,539	2,381,036
NET ASSETS		
Invested in capital assets, net of related debt	150,177,060	13,756,585
Restricted for:		
Expendable:		
Scholarships and fellowships	-	5,448,127
Instruction and research	1,698,135	891,025
Loans	58,720	-
Other	-	6,406,834
Nonexpendable:		
Scholarships and fellowships	-	16,017,028
Instruction and research	-	1,488,099
Other	-	3,843,525
Unrestricted	41,814,877	3,057,749
Total net assets	$ 193,748,792	$ 50,908,972

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, 2009

	Radford University	Component Unit Radford University Foundation, Inc.
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $5,874,754)	$ 37,519,366	$ -
Gifts and contributions	-	3,272,759
Federal grants and contracts	5,115,210	-
State grants and contracts	486,535	-
Nongovernmental grants and contracts	295,975	-
Auxiliary enterprises (net of scholarship allowances of $5,728,553) (Note 8)	44,652,267	-
Other operating revenues	1,429,569	538,323
Total operating revenues	89,498,922	3,811,082
EXPENSES		
Operating expenses (Note 9)		
Instruction	52,435,199	49,284
Research	537,689	-
Public service	3,324,631	-
Academic support	8,549,825	1,722,825
Student services	4,459,360	-
Institutional support	16,729,321	1,473,129
Operation and maintenance of plant	9,085,142	-
Depreciation	9,446,855	372,612
Student aid	3,473,746	878,643
Auxiliary activities (Note 8)	41,101,934	-
Total operating expenses	149,143,702	4,496,493
Operating loss	(59,644,780)	(685,411)
Nonoperating revenues (expenses)		
State appropriations (Note 10)	55,420,466	-
Federal student financial aid (Pell)	4,729,443	-
Investment income/(loss)	1,382,551	(6,362,006)
Interest on capital asset-related debt	(73,563)	(39,626)
Loss on disposal of assets	(249,583)	644,533
Nonoperating transfers to the Commonwealth	(206,805)	-
Net nonoperating revenues	61,002,509	(5,757,099)
Income before other revenues, expenses, gains or losses	1,357,729	(6,442,510)
Capital appropriations	8,373,365	-
Capital gifts	1,368,560	85,626
Other capital appropriation reductions	(3,625,056)	-
Additions to permanent endowments	-	898,144
Net other revenues	6,116,869	983,770
Increase in net assets	7,474,598	(5,458,740)
Net assets - beginning of year	186,274,194	56,367,712
Net assets - end of year	$ 193,748,792	$ 50,908,972

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, 2009

Cash flows from operating activities:		
Student tuition and fees	$	38,035,758
Grants and contracts		5,828,269
Auxiliary enterprises		44,652,824
Other receipts		1,429,569
Payments for salaries, wages and fringe benefits		(87,520,289)
Payments for services and supplies		(34,776,391)
Payments for utilities		(2,478,981)
Payments for scholarships and fellowships		(5,938,314)
Payments for noncapitalized plant improvements and equipment		(6,859,349)
Loans issued to students		(387,403)
Collections of loans from students		530,727
Other advances (payments)		(207,538)
Net cash used by operating activities		(47,691,118)
Cash flows from nonoperating financing activities:		
State appropriations		55,420,466
Non-general fund appropriations		(206,805)
Gifts and grants for other than capital purposes		4,729,443
Federal Loan Contribution		10,808
Federal Family Education Loans - receipts		30,389,861
Federal Family Education Loans - disbursements		(30,298,570)
Student organization agency transaction		74,489
Net cash provided by noncapital financing activities		60,119,692
Cash flows from capital financing activities:		
Proceeds from capital debt		163,760
Proceeds from capital appropriations available and investments		5,176,592
Capital appropriations		4,748,309
Capital gifts		1,368,560
Purchase of capital assets		(29,073,676)
Principal paid on capital debt, leases and installments		(127,934)
Interest paid on capital debt, leases and installments		(73,563)
Net cash provided by capital financing activities		(17,817,952)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments		5,188,312
Interest on investments		1,382,551
Net cash provided by investing activities		6,570,863
Net increase in cash		1,181,485
Cash and cash equivalents - beginning of the year		67,320,590
Cash and cash equivalents - end of the year	$	68,502,075
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$	(59,644,780)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		9,446,855
Changes in assets and liabilities:		
Receivables, net		(513,561)
Due from the Commonwealth		(34,117)
Prepaid expenses		298,501
Inventory		(187,268)
Notes receivable, net		143,325
Accounts payable and accrued expenses		3,291,893
Deferred revenue		753,520
Due to the federal government		(1,151,171)
Accrued compensated absences		(94,315)
Net cash used by operating activities	$	(47,691,118)

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, 2009

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 incomes 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.

The Radford University Property Acquisition Corporation (the "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 Radford University Property Acquisition Corporation 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, 2008, its fiscal year end:

Assets	$ 1,263,587
Liabilities	$ 1,205,419
Net assets	58,168
Liabilities and net assets	$ 1,263,587

The total unaudited receipts and disbursements of the RUPAC were $143,089 and $101,912, respectively, for the year ended December 31, 2008. During the year ended June 30, 2009, the Foundation made distributions of $1,181,631 to or on behalf of the University for both restricted and unrestricted purposes. 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 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.

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.

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.

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Library materials are valued using actual costs for 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
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.

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, maintain sinking or reserve funds, or to purchase or construct capital and other noncurrent assets, are classified as noncurrent assets in the statement of net assets. The University did not have any such amounts to report as of June 30, 2009.

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, 2009.

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, 2009, 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.

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; 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: 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, 2009, 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 2009.

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 or any investments or deposits that are sensitive to changes in interest rates as of the close of business on June 30, 2009.

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 2009.

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. 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.

As of June 30, 2009:	Market Value
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	$ 4,654,367
Cash with the Treasurer	55,401,919
Collateral held for Securities Lending	8,445,789
Total	$68,502,075
Short-term Investments:	
Collateral held for Securities Lending	$10,133,090

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. 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 3: ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2009:

	2009
Student tuition and fees	$ 1,680,572
Auxiliary enterprises	775,437
Federal, state, and nongovernmental grants and contracts	883,041
Other activities	478,296
	3,817,346
Less allowance for doubtful accounts	364,403
Net accounts receivable	$ 3,452,943

Notes receivable consisted of the following at June 30, 2009:

Current portion:	2009
Federal student loans	$26,578
Institutional student loans	6,788
Less allowance for doubtful accounts	(5,767)
Total current portion	$ 27,599
Non-current portion:	
Federal student loans	$ 3,548,465
Institutional student loans	199,262
Less allowance for doubtful accounts	(508,569)
Total non-current portion	$ 3,239,158

NOTE 4: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2009 is presented as follows:

	Beginning Balance (restated)	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 8,505,469			8,505,469
Construction in progress	27,949,023	23,822,253	36,319,481	15,451,795
Total nondepreciable capital assets	36,454,492	23,822,253	36,319,481	23,957,264
Depreciable capital assets:				
Buildings	139,849,342	36,643,003	462,025	176,030,320
Infrastructure	22,290,664			22,290,664
Equipment	22,873,859	2,903,446	718,113	25,059,192
Other improvements	7,730,336			7,730,336
Library materials	17,953,953	1,531,595	823,797	18,661,751
Total depreciable capital assets	210,698,154	41,078,044	2,003,935	249,772,263
Less accumulated depreciation for:				
Buildings	67,147,520	5,211,561	253,628	72,105,453
Infrastructure	17,880,227	598,201		18,478,428
Equipment	13,815,318	2,241,768	676,927	15,380,159
Other improvements	4,367,435	350,606		4,718,041
Library materials	11,425,733	1,044,719	823,797	11,646,655
Total accumulated depreciation	114,636,233	9,446,855	1,754,352	122,328,736
Depreciable capital assets, net	96,061,921	31,631,189	249,583	127,443,527
Total capital assets, net	$132,516,413	55,453,442	36,569,064	151,400,791

Beginning balances were restated due to the reclassification of a land acquisition that was previously recorded in Construction in Progress.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2009:

	2009
Employee salaries, wages and fringe benefits payable	$ 9,490,896
Vendors and suppliers accounts payable	4,219,233
Capital projects accounts payable	2,678,939
Accrued termination benefits (see Note 14)	104,946
Net accounts payable and accrued expenses	$16,494,014

NOTE 6: NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ending June 30, 2009 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Notes payable	$ 1,187,906		$ 127,934	$1,059,972	$ 61,240
Installment purchase obligations		163,760		163,760	26,120
Total long-term debt	1,187,906	163,760	127,934	1,223,732	87,360
Other liabilities:					
Accrued compensated absences	3,108,848	4,327,522	4,421,837	3,014,533	2,255,760
Federal loan program contributions	3,425,045	10,808		3,435,853	
Total other liabilities	6,533,893	4,338,330	4,421,837	6,450,386	2,255,760
Total long-term liabilities	$7,721,799	$4,502,090	$4,549,771	$7,674,118	$2,343,120

NOTE 7: LONG-TERM DEBT

The University has paid all outstanding general obligation bonds issued by the Commonwealth of Virginia on behalf of the University as of June 30, 2009.

Notes Payable

The Radford University Property Acquisition Corporation, a blended component unit of the University as stated in note 1, had a mortgage note payable in the amount $1,096,103 at December 31, 2008. As of June 30, 2009, the details of the mortgage note are as follows:

Description	Interest rate	Maturity	Principal amount
Mortgage note payable to First National Bank, payable in monthly installments of $9,860 with a final payment of $5,936 payable on 11/01/21	5.53%	2021	$1,059,972

Future debt payments are as follows:

Fiscal Year Ending	Principal	Interest
June 30, 2010	$61,240	$57,080
June 30, 2011	64,714	53,606
June 30, 2012	68,385	49,935
June 30, 2013	72,264	46,056
June 30, 2014	76,363	41,957
Thereafter	717,006	158,095
Total	$1,059,972	$406,729

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%. A summary of the future obligations under these agreements as of June 30, 2009 is as follows:

Fiscal Year Ending	Principal	Interest
June 30, 2010	$26,120	$4,066
June 30, 2011	27,111	2,956
June 30, 2012	27,806	2,260
June 30, 2013	11,094	1,669
June 30, 2014	11,327	1,436
Thereafter	60,302	3,516
Total	$163,760	$15,903

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, 2009, equipment purchased by the University that was not reimbursed by the VCBA totaling $1,368,560 was included in the Statement of Net Assets line “Due from the Commonwealth.”

NOTE 8: AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following at June 30, 2009:

Revenues:	2009
Room contracts, net of scholarship allowances of $1,434,169	$ 8,972,594
Dining service contracts, net of scholarship allowances of $1,354,106	8,030,685
Comprehensive fee, net of scholarship allowances of $2,940,278	17,880,060
Other student fees and sales and services	9,768,928
Auxiliary enterprises revenues	$44,652,267

Expenses:	2009
Residential facilities	7,629,109
Dining operations	14,317,972
Athletics	8,332,908
Other auxiliary activities	10,821,945
Auxiliary activities expenses	$41,101,934

NOTE 9: EXPENSES BY NATURAL CLASSIFICATION

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$ 47,203,790	$ 2,645,494	$1,104,619	$ -	$ 1,481,296	$ -	52,435,199
Research	306,000	187,367	5,422	-	38,900	-	537,689
Public service	1,682,252	1,494,802	-	-	147,577	-	3,324,631
Academic support	7,528,231	779,294	30,000	-	212,300	-	8,549,825
Student services	3,587,847	803,371	52,014	-	16,128	-	4,459,360
Institutional support	11,721,821	3,699,971	75,600	-	1,231,930	-	16,729,322
Operation and maintenance of plant	4,329,696	3,289,790	-	1,160,357	305,298	-	9,085,141
Depreciation expense	-	-	-	-	-	9,446,855	9,446,855
Scholarship and related expenses	-	-	3,473,746	-	-	-	3,473,746
Auxiliary activities	11,555,750	24,790,015	1,196,913	1,318,624	2,240,632	-	41,101,934
Total	$ 87,915,387	$ 37,690,104	$5,938,314	$ 2,478,981	$ 5,674,061	$ 9,446,855	$ 149,143,702

NOTE 10: 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, 2009, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2009, 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, 2009, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 879:	
Educational and general programs	$51,629,620
Student financial assistance	6,765,833
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	13,725
Eminent scholar	42,782
Prior year General Fund carryforward	917,144
College Scholarship Assistance Program (CSAP)	169,445
Virginia Military Survivors and Dependents Education Program	28,050
Two-Year College Transfer Grant Program	5,500

Central Appropriation Transfers:	
Life and disability insurance changes	(63,681)
Workers compensation premium increase	17,663
Health insurance reduction	(287,791)
Retirement contribution rate changes	6,956
State Employee sickness and disability program rate changes	(39,911)
Retiree health contribution changes	(5,306)
Tuition Incentive Fund allocation	1,133,838
Mandatory General Fund appropriation reductions	(2,496,321)
Reversion to the General Fund of the Commonwealth	(2,417,080)
Adjusted appropriation	$ 55,420,466

NOTE 11: COMMITMENTS

At June 30, 2009, the University was a party to construction and other contracts totaling approximately $51,986,671 of which $51,387,503 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 $942,234 for the year ended June 30, 2009.

The University has, as of June 30, 2009, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2010	$300,592
2011	30,112
2012	25,920
2013	6,480
Total	$363,104

The University is the lessee of land and a building under a capital lease agreement with the Radford University Property Acquisition Committee ("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, expense, receivable, and liability related to this capital lease agreement have been eliminated from the financial statements. Rental expense was approximately $65,469 for the year ended June 30, 2009.

The University has, as of June 30, 2009, the following future minimum rental payments due under the above lease:

Year Ending June 30	Capital Lease Obligation
2010	212,444
2011	126,280
2012	130,085
2013	32,761
Total	$501,570

NOTE 12: 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, 2009. 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 $3,967,892 for the year ended June 30, 2009. These contributions included the 5 percent employee contribution assumed by the employer. Contributions to VRS were calculated using the base salary amount of approximately $34,835,520 for fiscal year 2009. The University's total payroll was approximately $69,313,335 for the year ended June 30, 2009.

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 $2,275,332 for year ended June 30, 2009. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $21,878,195 for fiscal year 2009.

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 $296,065 for the fiscal year 2009.

NOTE 13: 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 14: TERMINATION BENEFITS

During fiscal year 2009, the University administered the Radford University Workforce Transition Option (WTO). The WTO is a program that allows teaching and administrative and professional faculty to self-select to participate in a workforce reduction program in order for the University to manage personnel allocations and reallocations in a more strategic manner. The WTO is based on the provisions of the Workforce Transition Act of the Code of Virginia, which provides a transitional severance benefit and an enhanced retirement option for eligible employees (including faculty) vested in the Virginia Retirement System (VRS).

Eligibility for this administration of the WTO was limited to faculty in the division of Academic Affairs meeting certain age and service requirements. The separation date for individuals selected to participate in this program was December 31, 2008.

Faculty participating in the VRS defined benefit plan were eligible for the enhanced retirement option and all costs associated with this option were paid during the fiscal year. As such there was no liability or accrued expense to recognize at June 30, 2009.

Six faculty participating in the Optional Retirement Plan (ORP) applied and were approved for participation in the WTO. The ORP faculty were not eligible for the enhanced retirement option, but were eligible for severance payments and other benefits, which were paid over the normal payroll cycle. The severance payments began January 15, 2009, and ended September 16, 2009. Accordingly, a liability and accrued expense of $104,946 was recognized at June 30, 2009, for the severance payments and fringe benefit costs attributable to the period July 1 through September 9, 2009. The total expenses associated with the terminations of the six ORP faculty are as follows:

Severance Pay	$355,526
Fringe Benefits	30,113
Total	$385,639

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, 2009, 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, 2009:

Current receivables:			
Receivable in less than one year, net of discount $7,593		$1,005,015	
Less allowance for doubtful accounts		87,200	
Net current contributions receivable			$917,815
Non-current receivables:			
Receivable in one to five years, net of discount $5,897	$780,495		
Less allowance for doubtful accounts	67,732	712,763	
Receivable in one to five years, net of discount $2,249	297,751		
Less allowance for doubtful accounts	25,831	271,920	
Net non-current contributions receivable			984,683
Total contributions receivable			$1,902,498

The discount rate in 2009 was 6%. As of June 30, 2009, there were no conditional promises to give.

(B) Investments

Investments are comprised of the following as of June 30, 2009:

Short-term:	
Cash and cash equivalents	$625,360
Equities	337,199
Mutual funds	24,601,311
Investment company	4,963,173
Total short-term	30,527,043
Long-term:	
Cash and cash equivalents	3,764
Government bonds	14,631
Corporate bonds	261,415
Mutual funds	379,623
Investment company	2,907,685
Real estate	233,487
Other	6,081
Total long-term	3,806,686
Total investments	$34,333,729

(C) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2009 is presented as follows:

Depreciable capital assets:	
Buildings	$12,983,951
Furniture and equipment	343,459
Vehicles	204,470
Land improvements	171,216
Total depreciable capital assets, at cost	13,703,096
Less accumulated depreciation	2,797,823
Total depreciable capital assets, net of accumulated depreciation	10,905,273
Non-depreciable capital assets:	
Land	1,231,743
Collections of art	2,147,531
Total non-depreciable capital assets	3,379,274
Total capital assets, net of accumulated depreciation	$14,284,547

(D) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2009:

Note payable to a bank due in monthly payments of $5,999 including interest at 5.75% through April 2010, secured by real estate, assignment of rents and negative pledge	$58,791
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, secured by a deed of trust on real estate	451,051
Note payable to GMAC in monthly installments of $708 including interest at 0.0% beginning January 1, 2007, secured by vehicle	32,570
Total long-term debt	$542,412

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2009 are as follows:

2010	$144,044
2011	382,790
2012	8,496
2013	7,082
Total notes payable	$542,412

NOTE 18: SUBSEQUENT EVENTS

On December 9, 2009, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Bonds, Series 2009B, in which Radford University is a participating institution. The Public Higher Education Financing Program (Pooled Bond Program) was created by the General Assembly in 1996 and allows the VCBA to issue 9(d) bonds and use the proceeds to purchase debt obligations (notes) of various institutions of higher education. The notes are secured by the pledged general revenues of the participating universities. The proceeds received by the University from this issue were $4,051,257, and will be used to fund the first phase of construction of a Student Fitness and Wellness Center.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 14, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Radford University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University, which are discussed in Note 17. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2009, 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 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 14, 2010 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

SJJ: alh

RADFORD UNIVERSITY
Radford, Virginia

BOARD OF VISITORS
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