RU
RADFORD
UNIVERSITY

Radford, Virginia

Financial Report

For the Year Ended
June 30, 2012

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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, 2012. Since this analysis includes highly summarized data, it should be read in conjunction with the accompanying financial statements and footnotes. 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 co-educational in 1972 and was granted university status by the Virginia General Assembly in 1979. Today, the University is a flourishing coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs to its 9,370 students (fall 2011 headcount). The University offers excellent educational opportunities to students from all geographic regions of the Commonwealth of which 94 percent are Virginia residents and 27 percent are the first in their family to attend college. The student population is also comprised of 169 international students representing 59 different countries.

Well known for its strong faculty/student collaboration, innovative use of technology in the learning environment and vibrant student life on a beautiful residential campus, the University offers many opportunities for success in and out of the classroom. Through its six academic colleges, the University offers 67 degree programs at the undergraduate level and 23 graduate degree programs including 3 doctoral programs. For more than 100 years, Radford has become known for meeting the growing needs of society. That commitment is stronger than ever as demonstrated by the recent addition of a Master's in Occupational Therapy and Doctoral programs in psychology, physical therapy and nursing practice. In addition to courses offered at its main campus, Radford University also extends its course offerings to students at the Roanoke Higher Education Center, Southwest Virginia Higher Education Center and Carilion Roanoke Community Hospital.

Radford University continues on a path of success which is apparent by the national recognition it has received. The U.S. News and World Report has identified Radford University as a "Top Public Master's University in the South" and included the Doctor of Nursing Practice in its "Top Online Education Programs." For the fourth year in a row, Radford University was named to The Princeton Review's "Best Colleges and Universities in the Southeast" list and Radford University was also named to its updated "Top 322 Green Colleges in the Nation."

Individual colleges have also received accolades for their accomplishments and reached very important milestones. The College of Business and Economics received recognition from The Princeton Review as it was included as one of its "Best 294 Business Schools." The College of Visual and Performing Arts was designated as an All-Steinway School in September 2011, making Radford University one of only 150 colleges and universities world-wide to receive this honor. The Interior Design Program was identified in DesignIntelligence's "Top 10 Interior Design Programs in the Nation." The Waldron College of Health and Human Services' Occupational Therapy program has been awarded full accreditation status by the Accreditation Council for Occupational Therapy Education (ACOTE) and its Nursing Program has been selected to participate in the Veterans Affairs Learning Opportunity Residency program (VALOR). This represents only a few examples of the many accomplishments that all of the colleges have attained during the course of their instructional mission.

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**—Expendable restricted net assets include resources the university is legally or contractually obligated to expend, with restrictions imposed by external third parties.
- **Unrestricted net assets**—Unrestricted net assets represent resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of

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

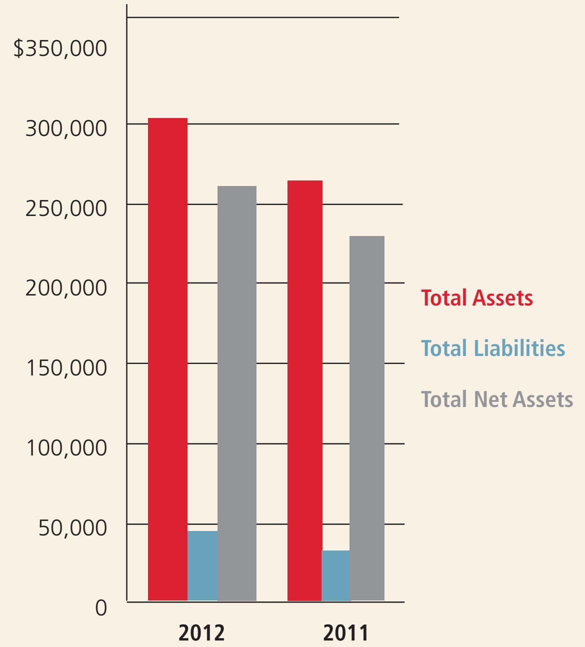
The schedule below shows trends in assets, liabilities, and net assets over the past two fiscal years:

			Change	
	2012	2011*	Amount	Percent
Assets:				
Current assets	$96,011	$87,273	$8,738	10.0
Capital assets, net	203,754	171,717	32,037	18.7
Other noncurrent assets	3,866	3,761	105	2.8
Total assets	303,631	262,751	40,880	15.6
Liabilities:				
Current liabilities	29,430	24,149	5,281	21.9
Noncurrent liabilities	13,366	9,109	4,257	46.7
Total liabilities	42,796	33,258	9,538	28.7
Net assets:				
Invested in capital assets, net of related debt	202,069	170,253	31,816	18.7
Restricted—expendable	9,424	2,429	6,995	288.0
Unrestricted	49,342	56,811	(7,469)	(13.1)
Total net assets	$260,835	$229,493	$31,342	13.7

*Some fiscal year 2011 amounts have been restated. See Note 2 to the Financial Statements 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:



Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets rose by $40.8 million or 15.6 percent during fiscal year 2012, bringing the total to $303.6 million at year end. The majority of increase in total assets is attributable to an $8.7 million increase in current assets and $32.0 million in noncurrent assets. The largest increases in current assets were in the cash and cash equivalents ($6.8 million) as outlined in the Statement of Cash Flows (discussed in a later section) and due from the Commonwealth ($1.6 million) related to the accrual of architectural and engineering expenses for the new Science and Technology Building funded through the 21st Century bond program. Capital assets, net, of $203.8 million comprises the majority of the increase in noncurrent assets and reflects the ongoing expansion and renovation of facilities at the University as discussed in detail in the following section, Capital Asset and Debt Administration.

Total liabilities grew by $9.5 million or 28.7 percent during fiscal year 2012. The current liabilities category increased by $5.3 million and the noncurrent liabilities increased by $4.3 million. The increase of current liabilities of 21.9 percent due to the increase in accounts payable, primarily attributed to outstanding capital project invoices. Growth in the noncurrent liabilities category primarily resulted from net additions to long-term debt of $4.6 million related to the Virginia College Building Authority Series 2011A issuance as discussed in detail in the following section, Capital Asset and Debt Administration. The increase in restricted cash and cash equivalents being spent on the capital projects was offset by the proceeds of debt issued for the Student Fitness and Wellness Center.

The increase in total assets was greater than the corresponding increase in total liabilities, thus improving the University's net asset position by $31.4 million or 13.7 percent. Invested in capital assets, net of related debt increased 18.7 percent as a direct result of the increase in capital assets as offset by the amount of the new debt already spent.

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 $203.8 million at the end of fiscal year 2012, an increase of $32.0 million or 18.7 percent over fiscal year 2011. The net additions and reductions to capital assets during fiscal year 2012 totaled $42.1 million (excluding depreciation). The progress made on the new College of Business and Economics (COBE), Center for the Sciences, and the renovations of Moffett, Jefferson and Madison Halls attributed to 70 percent ($37.7 million) of the current year capital additions activity. Current year depreciation expense totaled $11.8 million.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Notes 7 and 8 of the Notes to Financial Statements contain information about the long-term debt of the University. One new note payable, in the amount of $4.5 million, was issued in fiscal year 2012 for the construction of the Student Fitness and Wellness Center.

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. Compensation and benefits is the largest operating expense.

Nonoperating revenues are revenues received for which goods and services are not provided in exchange as part of a transaction. For example, state appropriations are nonoperating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations and gifts, included in this category, provide substantial support for paying operating expenses of the University.

Statement of Revenues, Expenses, and Changes in Net Assets—Summary Schedule

($ shown in thousands)

			Change	
	2012	*2011**	*Amount*	*Percent*
Operating revenues	$108,877	$98,021	$10,856	11.1
Less: Operating expenses	159,865	151,803	8,062	5.3
Operating loss	(50,988)	(53,782)	2,794	5.2
Nonoperating revenues and expenses	58,566	61,017	(2,451)	(4.0)
Income before other revenues, expenses, gains, or losses	7,578	7,235	(343)	(4.7)
Other revenue, expenses, gains, or losses	23,764	14,160	9,604	67.8
Increase in net assets	31,342	21,395	9,947	46.5
Net assets—beginning of year (as restated)	229,493	208,098	21,395	10.3
Net assets—end of year	$260,835	$229,493	$31,342	13.7

**Some fiscal year 2011 amounts have been restated. See Note 2 to the Financial Statements for details.*

Operating revenues of the University consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in total for fiscal year 2012 increased by 11.1 percent as compared to fiscal year 2011. This increase was primarily due to growth in tuition and fee and auxiliary revenues, net of scholarship allowances, which reflected an increase of 14.4 percent and 10.7 percent respectively. The growth in these revenues was due to Board of Visitors approved tuition and fee rate increases and enrollment growth. Due to pressures created by declining state appropriations, tuition rates increases ranged from less than 1.0 to 3.5 percent and auxiliary fee rate increases ranged from 2.5 to 3.2 percent for fiscal year 2012. Nonoperating revenues and expenses in fiscal year 2012 decreased 4.0 percent over the previous year. Capital Appropriations and Gifts increased 9.6 million or 67.8 percent due to an additional $10.6 million in capital appropriations for the construction of the COBE building and various maintenance reserve projects, which were funded via the 21st Century bond program, offset by a $1 million decrease in capital gifts.

Revenues by Source Comparison
($ shown in thousands)

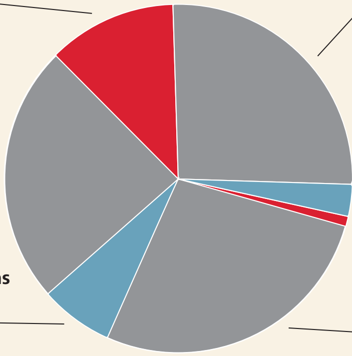
The following chart compares each major revenue source (both operating and nonoperating) for the past two fiscal years:

	2012	2011	Change Amount	Change Percent
Revenues by Source:				
Student Tuition and Fees	$49,183	$42,999	$6,184	14.4
Federal, State, Local and Private Contracts	6,580	7,063	(483)	(6.8)
Auxiliary Revenue	52,045	46,998	5,047	10.7
Other Operating	1,069	961	108	11.2
State Appropriations	46,152	50,641	(4,489)	(8.9)
Other Nonoperating*	12,414	10,376	2,038	19.6
Capital Appropriations and Gifts	23,764	14,160	9,604	67.8
Total Revenues by Source :	$191,207	$173,198	$18,009	10.4

* Includes federal ARRA stabilization funds, federal Pell grants, investment income, interest expense on debt related to capital assets, loss on disposal of assets and nonoperating transfers to the Commonwealth.

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, 2012:



Operating expenses for fiscal year 2012 increased $8.1 million (5.3 percent) over fiscal year 2011. From a natural expense standpoint, compensation and benefits comprises 56.9 percent of the University's operating expenses and services and supplies comprises 24.5 percent. These two categories contributed to the majority of the increase in operating expenses for 2012. Compensation and benefits increased 3.0 percent, which was primarily due to a faculty adjustment that was performed in fiscal year 2012, and additional hire of full-time and adjunct faculty due to enrollment growth. Services and supplies increased 7.2 percent over 2012. This increase was due to one-time facility infrastructure improvements and installations, increases in building rentals due to renovations of dormitories, and an overall increase in services and supplies related to the support of services to students.

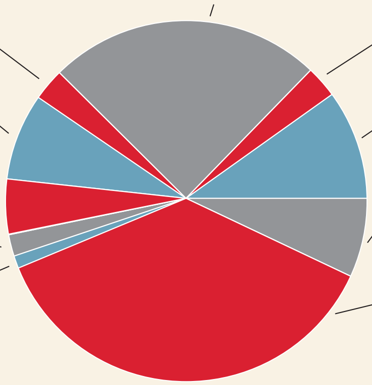
Expenses by Function Comparison
($ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2012 and 2011.

	2012	2011*	Change Amount	Change Percent
Operating Expenses:				
Instruction	$58,790	$55,147	$3,643	6.6
Research	540	276	264	95.7
Public Service	3,377	4,227	(850)	(20.1)
Academic Support	8,284	8,338	(54)	(0.6)
Student Services	5,363	5,441	(78)	(1.4)
Institutional Support	15,536	14,781	755	5.1
Operation and Maintenance of Plant	10,473	10,874	(401)	(3.7)
Depreciation	11,808	11,759	49	0.4
Student Aid	4,770	3,894	876	22.5
Auxiliary Activities	40,924	37,066	3,858	10.4
Total Operating Expenses:	$159,865	$151,803	$8,062	5.3

Expenses by Function
($ shown in thousands)

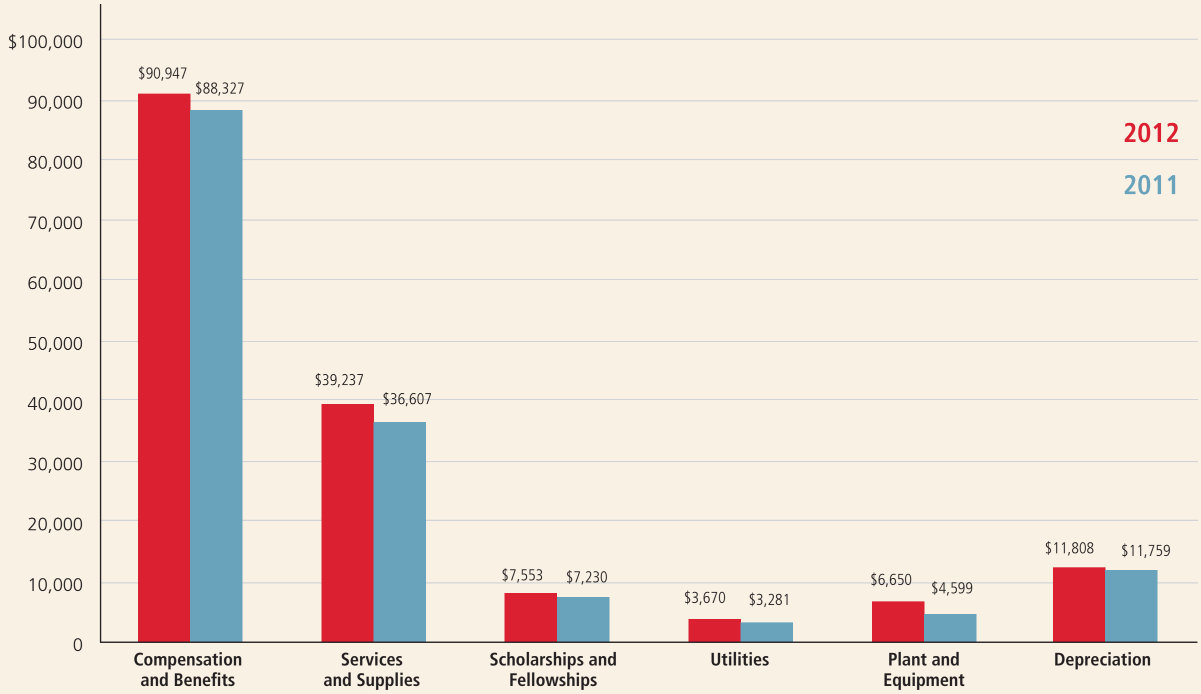
The following graphic illustration present total expenses by function for fiscal year 2012.



Expenses by Natural Classification Comparison

($ shown in thousands)

The following chart compares expenses by function for the years ended June 30, 2012 and 2011.



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)

	2012	2011	Change Amount	Change Percent
Net cash used by operating activities	$(39,081)	$(45,957)	$6,876	15.0
Net cash provided by noncapital financing activities	58,482	61,736	(3,254)	(5.3)
Net cash provided by capital and related financing activities	(13,112)	(8,833)	(4,279)	(48.4)
Net cash provided by investing activities	599	(10,178)	10,777	105.9
Net increase (decrease) in cash	6,888	(3,232)	10,120	313.1
Cash and cash equivalents—beginning of year	78,726	81,958	(3,232)	(3.9)
Cash and cash equivalents—end of year	$85,614	$78,726	6,888	8.7

Overall, the University had a net increase in cash of $6.9 million from fiscal year 2011. The primary sources of cash for the University were state appropriations ($46.2 million), student tuition and fees ($49.1 million), auxiliary enterprise revenues ($52.0 million), and receipts for student loans ($49.1 million). The major uses of cash were employee compensation and benefits ($90.2 million), services and supplies ($39.2 million), student loan disbursements ($49.2 million), and the purchase of capital assets ($39.5 million). Net cash provided by capital and related financing activities reflected a decrease of $4.3 million from the prior year as a result of mainly an increase in proceeds of capital debt related to the Student Fitness and Wellness Center as well as an increase in capital appropriations for COBE. As reported in fiscal year 2011, the change in cash flow from investing activities is a result of not recording the auxiliary portion of securities lending as previously reported per the change as noted in Chapter 874, Section 3-3.03, 2011 Acts of Assembly.

Economic Outlook

The 2012-13 operating budget was developed considering projected enrollment levels, actions taken by the Governor and General Assembly during the 2012 session, Board of Visitors approved tuition and fee rates, strategic goals of the University, and the outlook for the economy. The development of the institution's multi-year budget plan combined with general fund support from the Commonwealth positioned the University to implement requirements and initiatives tied to the recently enacted legislation "Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011" (TJ21). This landmark legislation outlined key goals and incentives for higher education and afforded the University the opportunity to investigate exciting learning opportunities as part of the Six-Year Plan submission.

Radford University remains committed to providing a quality, affordable educational experience represented by the fact that among Virginia's four-year public institutions, the University offers one of the lowest total costs for tuition, fees, room and board. Radford University continues to enjoy a healthy demand for its academic programs among Virginia residents and first generation students. As of fall 2012, 95 percent of the University's undergraduate students were residents of Virginia representing various geographic regions of the Commonwealth. The University enrolled its largest, more diverse freshmen class that was comprised of 34 percent being the first in their family to attend college and 25 percent being a minority.

As a result of placing a continued emphasis on enrollment planning and management and implementing new master's and doctoral programs, the University has witnessed and is projecting further growth in enrollment. For fall 2012, enrollment totaled 9,573 students which reflects a 2.0 percent increase over the prior fall and included 2,053 new freshmen and 803 transfer students. Recently added advanced degrees in nursing, physical therapy and occupational therapy have also brought awareness to the University's exceptional health programs. As Radford University seeks to educate an additional 1,400 in-state undergraduates over the next five years, the University will be instrumental in supporting the Governor's "Top Jobs for the 21st Century" legislation designed to produce 100,000 more in-state undergraduate degrees by 2025.

As a public institution of higher education in Virginia, the University is committed to providing affordable educational opportunities for in-state undergraduate students, thus Radford University continues to rely heavily on state general fund support for its Educational and General (E&G) program activities. For fiscal year 2013, state general fund support for the E&G program will account for $43.1 million of the total projected program revenues representing a 7.0 percent increase from fiscal year 2012. This increase in state general fund support is vital, especially considering the continued slow economic recovery and the phase-out of one-time American Recovery and Reinvestment (ARRA) funds. The University made a strategic decision to split ARRA funds between fiscal years 2011 and 2012. As such, during fiscal year 2013, the University will be able to evaluate and implement strategies to continue to address financial needs as it strives to provide quality educational opportunities for students.

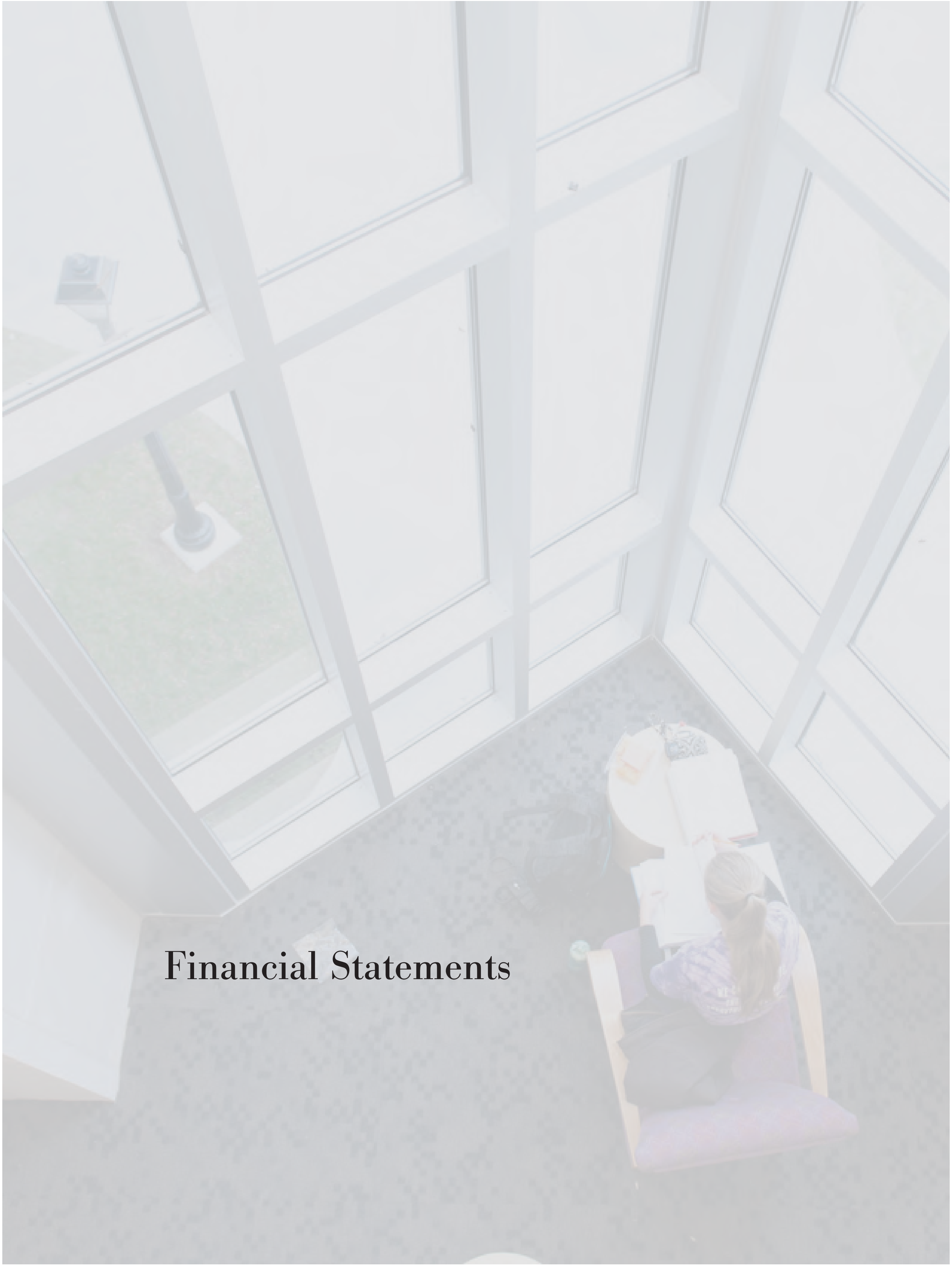
During fiscal year 2012, the University planned and developed Wintermester, a new pilot inter-session offered during winter break. These particular course offerings are designed to assist students with achieving academic success through accelerated, online degree options. The pilot of this program will begin with eight courses beginning December 18, 2012 and ending on January 15, 2013. The course offerings are representative of multiple campus disciplines.

Also, during fiscal year 2012, Radford University launched the Scholar-Citizen Quality Enhancement Plan (QEP). Through collaboration with multiple campus professionals and educators, the University was able to plan and execute a Scholar-Citizen initiative with a focus on promoting a teaching and learning culture that fosters our sense of how we can live our lives in ways that best contribute to the world around us. The QEP has two primary goals of enhancing student learning through real-world problem solving and to foster a culture of engaged learning and scholarship. Through the QEP initiative, the University can impact students through active and scholarly participation in a complex and multicultural world, connecting and applying academic skills and disciplinary knowledge to the challenges facing local, national, and global communities.

Another major initiative launched during fiscal year 2012, was the establishment of a partnership with the City of Radford, resulting in a full-scale transit operation known as the Radford Transit. This multi-fleet endeavor serves the transportation needs of students, employees and community residents by giving them access to the full campus and adjacent areas, City of Radford, Fairlawn, Christiansburg, Blacksburg and connections with the Smartway Bus and Megabus. These connections provide students and members of the community with multi-state bus routes and transportation to the Roanoke Regional Airport. During fiscal year 2013, the University and City of Radford will continue to improve this operation by completing the implementation of state-of-the art Automated Vehicle Tracking technology. This technology will assist riders in coordinating their schedules through the use of Smart Phones and internet capabilities.

For fiscal year 2013, the University will move forward with several exciting capital projects. Construction was nearly completed on the state-of-the-art facility which houses the College of Business and Economics during summer 2012, with business departments having the ability to occupy the structure during July 2012. Renovations to residence halls continue as the University proceeds with a project to modernize Moffett and Washington Halls. During fiscal year 2013, construction is scheduled to begin on two technologically advanced buildings, the Student Fitness and Wellness Center and the Center for the Sciences. The University will be taking steps to initiate the planning for the renovations of Whitt Hall, several residence halls and Curie Hall as well as the construction of the New Academic Building, Phase I and Phase II. The addition of each of these structures will certainly result in exciting changes and improve the landscape of Radford University.

In the coming years, Radford University will continue to demonstrate sound judgment in the use of its financial resources and explore innovative strategies for continuous improvement. Future planning efforts have positioned the University to respond immediately to changing economic conditions and will allow the institution to emerge even stronger. Admission applications and student interest in the University continue to grow which is producing larger student enrollments while at the same time maintaining student quality. The impact of these planning efforts demonstrates the University's focus on the future and its ability to respond to unforeseen challenges by continuing to evaluate programmatic costs, identify efficiencies in operations, and prioritize the most critical needs in establishing and monitoring its operational budgets and finances.



Financial Statements

RADFORD UNIVERSITY

Statement of Net Assets

As of June 30, 2012

	Radford University	Component Unit: Radford University Foundation, Inc.
ASSETS		
Cash and cash equivalents (Note 3)	$ 77,926,304	$ 1,605,311
Restricted cash and cash equivalents (Note 3)	7,687,775	-
Short-term investments (Notes 3, 18B)	22,605	39,399,764
Accounts receivable (Net of allowance for doubtful accounts of $433,998) (Note 4)	2,166,857	-
Contributions receivable (Net of allowance for doubtful contributions of $553) (Note 18A)	-	733,409
Due from the Commonwealth (Note 8)	5,498,542	-
Due from the Federal Government	197,304	-
Inventory	467,625	-
Notes receivable (Net of allowance for doubtful accounts of $7,601) (Note 4)	28,358	3,830
Prepaid expenses	2,016,014	9,406
Other assets	-	3,586,999
Other receivables	-	589,790
Total current assets	96,011,384	45,928,509
Noncurrent assets		
Restricted cash and cash equivalents	-	16,332
Other long-term investments (Note 3, 18B)	882,596	3,523,552
Contributions receivable (Note 18A)	-	731,520
Other assets	-	287,666
Notes receivable (Net of allowance for doubtful accounts of $606,307) (Note 4)	2,982,506	45,854
Depreciable capital assets, net (Notes 5, 18C)	141,435,280	10,749,051
Non-depreciable capital assets (Notes 5, 18C)	62,319,189	3,935,073
Total noncurrent assets	207,619,571	19,289,048
Total assets	303,630,955	65,217,557
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	22,078,888	127,751
Deferred revenue	3,353,771	5,722
Obligations under securities lending	753,751	-
Deposits held in custody for others	125,037	-
Line of Credit (Note 18D)	-	4,129,506
Long-term liabilities—current portion (Notes 7, 8 and 18E)	2,216,375	87,080
Advance from the Treasurer of Virginia	20,000	-
Other liabilities	882,596	-
Trust and annuity obligations	-	94,323
Total current liabilities	29,430,418	4,444,382
Noncurrent liabilities (Notes 7, 8 and 18E)	13,365,711	640,000
Trust and annuity obligations	-	683,474
Total noncurrent liabilities	13,365,711	1,323,474
Total liabilities	42,796,129	5,767,856
NET ASSETS		
Invested in capital assets, net of related debt	202,068,937	13,957,129
Restricted for:		
Expendable:		
Scholarships and fellowships	6,715,198	8,714,408
Instruction and research	1,690,423	1,544,277
Loans	123,783	-
Debt Service	894,657	-
Other	-	8,733,420
Nonexpendable:		
Scholarships and fellowships	-	18,270,768
Instruction and research	-	1,958,909
Other	-	3,584,048
Unrestricted	49,341,828	2,686,742
Total net assets	$ 260,834,826	$ 59,449,701

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, 2012

	Radford University	Component Unit: Radford University Foundation, Inc.
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $10,532,057)	$ 49,182,801	$ -
Gifts and contributions	-	3,678,932
Federal grants and contracts	5,309,993	-
State grants and contracts	961,804	-
Nongovernmental grants and contracts	308,178	-
Auxiliary enterprises (net of scholarship allowances of $7,827,480) (Note 9)	52,045,322	-
Other operating revenues	1,069,020	709,614
Total operating revenues	108,877,118	4,388,546
EXPENSES		
Operating expenses (Note 10)		
Instruction	58,790,234	14,521
Research	539,784	-
Public service	3,376,415	-
Academic support	8,284,105	1,750,108
Student services	5,363,164	-
Institutional support	15,535,386	1,783,788
Operation and maintenance of plant	10,473,285	-
Depreciation	11,807,896	397,480
Student aid	4,770,221	990,003
Auxiliary activities (Note 9)	40,924,446	-
Total operating expenses	159,864,936	4,935,900
Operating loss	(50,987,818)	(547,354)
Nonoperating revenues (expenses)		
State appropriations (Note 11)	46,151,567	-
Federal stabilization funds (ARRA)	3,590,297	-
Federal student financial aid (Pell)	9,573,855	-
Investment income	267,238	431,388
Interest on capital asset-related debt	(316,342)	(51,611)
Loss on disposal of assets	(115,408)	(14,708)
Nonoperating transfers to the Commonwealth	(585,228)	-
Net nonoperating revenues	58,565,979	365,069
Income (loss) before other revenues, expenses, gains or losses	7,578,161	(182,285)
Capital appropriations	22,465,903	-
Capital gifts	1,298,030	54,123
Additions to permanent endowments	-	1,350,622
Additions to term endowments	-	97,052
Total other revenues	23,763,933	1,501,797
Increase in net assets	31,342,094	1,319,512
Net assets—beginning of year, as restated	229,492,732	58,130,189
Net assets—end of year	$ 260,834,826	$ 59,449,701

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, 2012

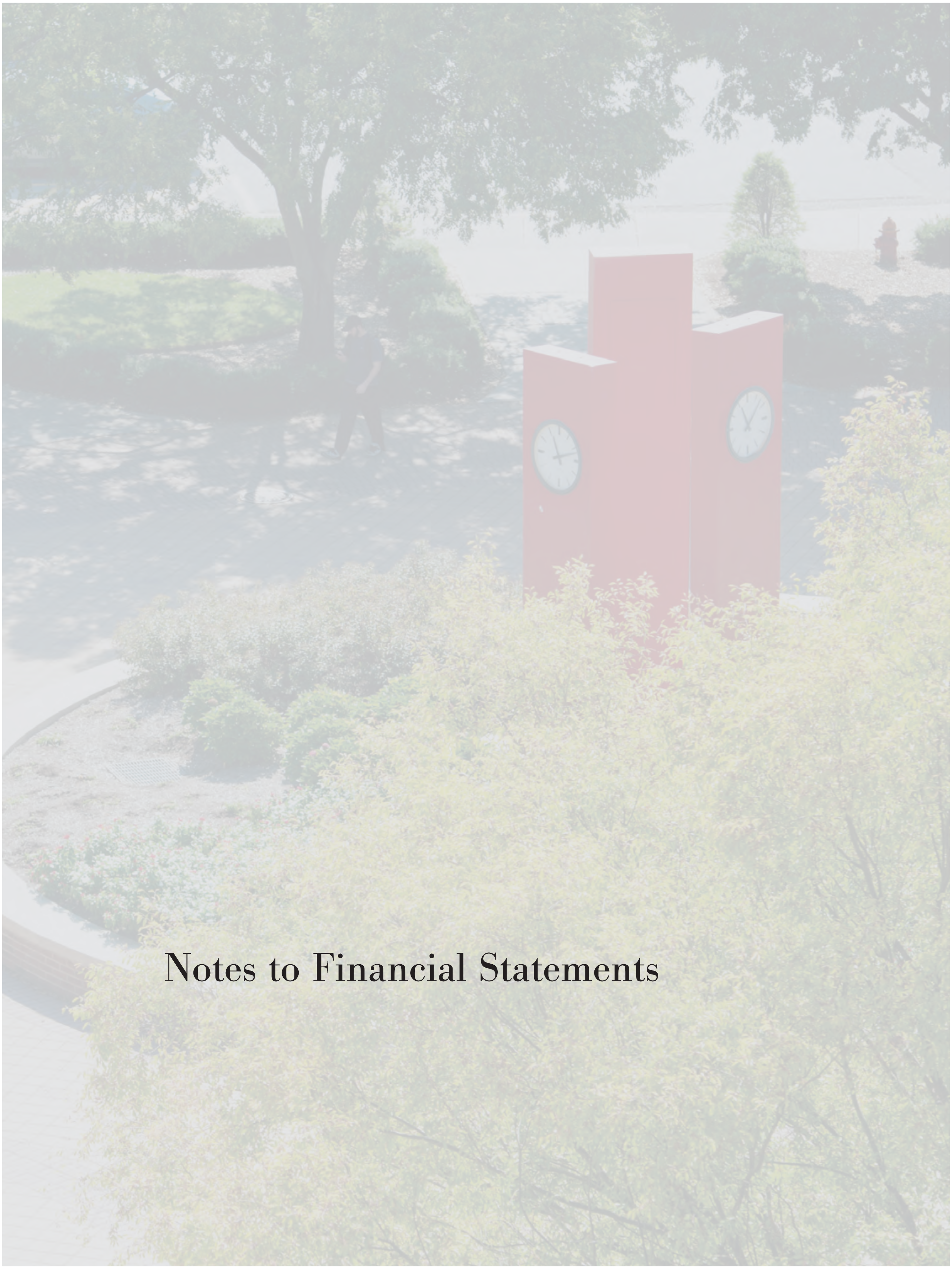
Cash flows from operating activities:	
Student tuition and fees	$ 49,146,832
Grants and contracts	5,684,115
Auxiliary enterprises	52,004,294
Other receipts	959,038
Payments for salaries, wages and fringe benefits	(90,154,200)
Payments for services and supplies	(39,161,734)
Payments for utilities	(3,669,931)
Payments for scholarships and fellowships	(7,553,223)
Payments for noncapitalized plant improvements and equipment	(6,650,384)
Loans issued to students and employees	(859,623)
Collections of loans from students and employees	1,173,672
Net cash used by operating activities	(39,081,144)
Cash flows from noncapital financing activities:	
State appropriations	46,151,567
Non-general fund appropriations	(585,228)
Federal Student Financial Aid (Pell)	9,573,855
Federal stabilization funds (ARRA)	3,590,297
Federal Direct Lending Program - receipts	49,048,102
Federal Direct Lending Program - disbursements	(49,171,239)
Student organization agency transactions	(125,051)
Net cash provided by noncapital financing activities	58,482,303
Cash flows from capital financing activities:	
Proceeds from capital debt	4,570,774
Capital appropriations	20,871,403
Capital gifts	1,406,595
Purchase of capital assets	(39,465,401)
Principal paid on capital debt, leases and installments	(239,282)
Interest paid on capital debt, leases and installments	(256,854)
Net cash used by capital financing activities	(13,112,765)
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	331,982
Interest on investments	267,238
Net cash provided by investing activities	599,220
Net increase in cash	6,887,614
Cash and cash equivalents—beginning of the year	78,726,465
Cash and cash equivalents—end of the year	$ 85,614,079

Statement of Cash Flows *(Continued)*

For the Year Ended June 30, 2012

Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$	(50,987,818)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		11,807,896
Changes in assets and liabilities:		
Receivables, net		(288,345)
Due from the Commonwealth		(111,662)
Prepaid expenses		9,682
Inventory		(289)
Notes receivable, net		142,033
Accounts payable and accrued expenses		699,978
Deferred revenue		(510,816)
Accrued compensated absences		158,197
Net cash used by operating activities	$	(39,081,144)
Non-cash capital and related financing transactions:		
Gift of Capital Assets		22,000
Amortization of bond premium		(27,727)
Loss on disposal of capital assets		(115,408)

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



Notes to Financial Statements

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Notes to Financial Statements

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 Governmental Accounting Standards Board (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 fundraising and funds management efforts that benefit the University and its programs. The seventeen 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, 2012, the Foundation made distributions of $1,705,750 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. 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, 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, 2011, its fiscal year end:

Assets	$ 1,187,245
Liabilities	$ 953,095
Net assets	234,150
Liabilities and net assets	$ 1,187,245

The total unaudited receipts and disbursements of the RUPAC were $154,091 and $86,932, respectively, for the year ended December 31, 2011.

Complete financial statements for the Foundation and RUPAC can be obtained from: Radford University Foundation Administrative Office, PO Box 6893, 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 Colleges and Universities.*

The Foundation and RUPAC are non-profit organizations that report under 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 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.

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 consist of tuition and fees 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 non-current 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. 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 that have a value or cost in excess of $100,000 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 and are charged to operating expenses.

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)	3-15 years
Library materials	10 years

RUPAC 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, 2012.

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, 2012, all unused annual, sick, compensatory, recognition 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, Direct Lending 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 paid by students and/or third parties 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, 2011, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2011	$229,839,450
Previously overstated assets	(346,718)
Net Asset balance at July 1, 2011, as restated	$229,492,732

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, 2012, 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 2012.

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, 2012.

Foreign Currency Risk—The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or deposits for fiscal year 2012.

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 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, 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 percent of its collected balances.

Investments

The Board of Visitors approved 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, 2012:	Market Value
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	$7,338,121
Cash with the Treasurer of Virginia	69,857,037
Collateral held for Securities Lending	731,146
Cash equivalents (State Nonarbitrage Program)	7,687,775
Total	$85,614,079
Investments:	
Collateral held for Securities Lending (short-term)	$22,605
Investments not with the Treasurer of Virginia (long-term)	882,596
Total	$905,201

Investments not with the Treasurer of Virginia consist primarily of funds received from the Radford University Foundation to fund specific deferred compensation arrangements.

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, 2012:

Student tuition and fees	$533,954
Auxiliary enterprises	552,065
Federal, state, and nongovernmental grants and contracts	1,393,859
Other activities	120,977
	2,600,855
Less allowance for doubtful accounts	(433,998)
Net accounts receivable	$2,166,857

Notes receivable consisted of the following at June 30, 2012:

Current portion:	
Federal student loans	$28,152
Institutional student loans	7,807
Less allowance for doubtful accounts	(7,601)
Total current portion	$28,358
Non-current portion:	
Federal student loans	$3,381,689
Institutional student loans	207,124
Less allowance for doubtful accounts	(606,307)
Total non-current portion	$2,982,506

NOTE 5: Capital Assets

A summary of changes in the various capital asset categories for the year ending June 30, 2012 is presented as follows:

	Beginning Balance (restated)	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$8,505,469	-	-	$8,505,469
Construction in progress	23,963,633	40,062,600	10,212,513	53,813,720
Total nondepreciable capital assets	32,469,102	40,062,600	10,212,513	62,319,189
Depreciable capital assets:				
Buildings	192,626,630	10,212,513	63,040	202,776,103
Infrastructure	22,349,228	-	-	22,349,228
Equipment	28,856,002	2,009,883	842,738	30,023,147
Software	7,931,596	164,352	-	8,095,948
Other improvements	9,081,855	-	-	9,081,855
Library materials	21,314,096	1,723,675	972,014	22,065,757
Total depreciable capital assets	282,159,407	14,110,423	1,877,792	294,392,038
Less accumulated depreciation for:				
Buildings	85,143,090	6,779,841	30,995	91,891,936
Infrastructure	19,443,320	316,540	-	19,759,860
Equipment	18,390,221	2,364,948	759,375	19,995,794
Software	1,584,869	723,446	-	2,308,315
Other improvements	5,258,091	299,721	-	5,557,812
Library materials	13,091,655	1,323,400	972,014	13,443,041
Total accumulated depreciation	142,911,246	11,807,896	1,762,384	152,956,758
Depreciable capital assets, net	139,248,161	2,302,527	115,408	141,435,280
Total capital assets, net	$171,717,263	42,365,127	10,327,921	$203,754,469

NOTE 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at June 30, 2012:

Employee salaries, wages and fringe benefits payable	$10,256,094
Vendors and suppliers accounts payable	3,131,066
Capital projects accounts payable	8,572,007
Accrued interest payable	119,721
Total accounts payable and accrued expenses	$22,078,888

NOTE 7: Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ending June 30, 2012, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Notes payable—Pooled bonds	$3,928,550	$4,570,774	$147,727	$8,351,597	$294,811
Notes payable—RUPAC	985,902	-	63,749	922,153	80,264
Installment purchase obligations	110,529	-	27,806	82,723	11,094
Total long-term debt	$5,024,981	$4,570,774	$239,282	$9,356,473	$386,169
Other liabilities:					
Accrued compensated absences	2,624,537	3,418,708	3,260,511	2,782,734	1,830,206
Federal loan program contributions	3,442,879	-	-	3,442,879	-
Total other liabilities	6,067,416	3,418,708	3,260,511	6,225,613	1,830,206
Total long-term liabilities	$11,092,397	$7,989,482	$3,499,793	$15,582,086	$2,216,375

NOTE 8: Long-Term Debt

Notes Payable—Pooled bonds

The notes payable for pooled bonds are debt obligations between the 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. The Radford University portion of the 2011A issuance was $4.2 million and carries interest rates from 3.0% to 5.0% and is secured by general revenues of the University. Principal is due annually and interest payments are due semi-annually through 9/01/31.

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 $1,646 due on January 28, 2022.

Installment Purchase Obligations

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is $114,460 and the repayment term is 10 years at an interest rate of 2.087%.

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

Fiscal Year Ending	Notes payable Pooled bonds	Notes payable RUPAC	Installment purchase
June 30, 2013	$260,000	$80,264	$11,094
June 30, 2014	270,000	83,679	11,327
June 30, 2015	280,000	87,356	11,565
June 30, 2016	300,000	91,123	11,807
June 30, 2017	310,000	95,201	12,055
2018–2022	1,800,000	484,530	24,875
2023–2027	2,265,000	-	-
2028–2032	2,235,000	-	-
Unamortized Premium	631,597	-	-
Total	$8,351,597	$922,153	$82,723

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

Fiscal Year Ending	Notes payable Pooled bonds	Notes payable RUPAC	Installment purchase
June 30, 2013	$ 350,588	$ 38,056	$ 1,669
June 30, 2014	338,688	34,641	1,436
June 30, 2015	324,938	30,964	1,199
June 30, 2016	310,438	27,197	956
June 30, 2017	295,188	23,119	708
2018–2022	1,221,188	49,561	653
2023–2027	756,406	-	-
2028–2032	211,725	-	-
Total	$3,809,159	$203,538	$6,621

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, 2012, equipment purchased by the University that was not reimbursed by the VCBA totaling $931,438 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, 2012:

Revenues	
Room contracts, net of scholarship allowances of $1,847,514	$10,261,257
Dining service contracts, net of scholarship allowances of $1,923,056	10,761,486
Comprehensive fee, net of scholarship allowances of $4,056,910	21,508,936
Other student fees and sales and services	9,513,643
Auxiliary enterprises revenues	$52,045,322
Expenses	
Residential facilities	7,989,381
Dining operations	13,866,538
Athletics	8,754,321
Other auxiliary activities	10,314,206
Auxiliary activities expenses	$40,924,446

NOTE 10: Expenses By Natural Classification

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$50,449,934	$3,437,680	$1,331,536	$ -	$3,571,084	$ -	$58,790,234
Research	259,133	266,483	-	-	14,168	-	$539,784
Public service	1,828,845	1,491,955	-	-	55,615	-	$3,376,415
Academic support	7,186,992	941,225	8,025	-	147,863	-	$8,284,105
Student services	3,843,691	1,342,004	-	-	177,469	-	$5,363,164
Institutional support	11,982,938	2,887,304	20,000	-	645,144	-	$15,535,386
Operation and maintenance of plant	4,885,068	3,064,379	-	2,076,985	446,853	-	$10,473,285
Depreciation	-	-	-	-	-	11,807,896	$11,807,896
Student Aid	-	12,445	4,757,776	-	-	-	$4,770,221
Auxiliary activities	10,509,800	25,793,626	1,435,886	1,592,946	1,592,188	-	$40,924,446
Total	$90,946,401	$39,237,101	$7,553,223	$3,669,931	$6,650,384	$11,807,896	$159,864,936

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, 2012, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2012, 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, 2012, including all supplemental appropriations and reversions:

Original legislative appropriation:	
Educational and general programs	$39,453,970
Student financial assistance	7,358,783
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	14,574
Eminent scholar	12,364
College Scholarship Assistance Program (CSAP)	148,754
Virginia Military Survivors and Dependents Education Program	35,750
Two-Year College Transfer Grant Program	55,000
Central Appropriation Transfers:	
Workers compensation premium	(26,693)
Health insurance	136,643
Retirement contribution changes	340,371
State employee increases	131,528
Other transfers	(3,062)
Reversion to the General Fund of the Commonwealth	(1,506,415)
Adjusted appropriation	$46,151,567

NOTE 12: Commitments

At June 30, 2012, the University was a party to construction and other contracts totaling approximately $69,424,547 of which $61,411,680 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 $1,205,236 for the year ended June 30, 2012.

The University has, as of June 30, 2012, future minimum rental payments due under the above leases of $407,484 for the year ending June 30, 2013.

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 are 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 $149,490 for the year ended June 30, 2012. The future minimum rental payment due for year ending June 30, 2013 is $39,241.

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, 2012. 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 $2,996,075 for the year ended June 30, 2012.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in an optional 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 defined contribution program to which the University contributes an amount established by statute. Effective July 1, 2010, the Virginia General Assembly passed legislation establishing two separate plans with differing contribution amounts dependent upon the employee's contract/employment date. For Plan 1, the employer contribution is 10.4 percent and, for Plan 2, the employer contribution is 8.5 percent. With Plan 2, the employee is required to contribute 5 percent on a salary reduction basis.

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 $2,519,563 for year ended June 30, 2012. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $23,489,524 for this fiscal year.

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 $297,874 for the fiscal year 2012.

NOTE 14: Post-Employment Benefits

The Commonwealth sponsors postemployment benefit programs that are administered by VRS. These programs, a statewide group life insurance program and the Virginia Sickness and Disability Program's long-term care plan, provide postemployment benefits to eligible retired and terminated employees. Health care credits are also provided to offset the monthly health insurance premiums for retirees who have at least 15 years of service. Information related to these plans is available at the state-wide 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 allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2012, the University estimates that no material liabilities will result from such audits or questions.

NOTE 16: Federal Direct Lending Program

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student. These loan proceeds are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the Statement of Revenues, Expenses, and Changes in Net Assets. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2012, cash provided by the program totaled $49,048,102 and cash used by the program totaled $49,171,239.

NOTE 17: Risk Management and Employee Health Care Plans

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

NOTE 18: Component Unit Financial Information

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2012:

Current receivables:		
Receivable in less than one year, net of discount $18,425	$733,962	
Less allowance for doubtful accounts	(553)	
Net current contributions receivable		$733,409
Non-current receivables:		
Receivable in one to five years, net of discount $88,980	$666,314	
Receivable in more than five years, net of discount $17,115	65,206	
Net non-current contributions receivable		731,520
Total contributions receivable		$1,464,929

The discount rate used in 2012 was 5.66%. As of June 30, 2012, there were no conditional promises to give.

(B) Investments

Investments are comprised of the following as of June 30, 2012:

Short-term:	
Cash and cash equivalents	$517,504
Equities	793,313
Corporate bonds	575,000
Mutual and money market funds	3,184
Investment company	37,510,763
Total short-term	$39,399,764
Long-term:	
Cash and cash equivalents	$24,192
Negotiable Certificate of Deposit	19,742
Equities	22,005
Mutual and money market funds	628,201
Investment company	2,829,412
Total long-term	$3,523,552
Total investments	$42,923,316

(C) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2012 is presented as follows:

Depreciable capital assets:	
Buildings	$13,708,554
Furniture and equipment	545,544
Vehicles	44,982
Land improvements	192,908
Total depreciable capital assets, at cost	14,491,988
Less accumulated depreciation	(3,742,937)
Total depreciable capital assets, net of accumulated depreciation	$10,749,051
Non-depreciable capital assets:	
Land	1,927,727
Construction in Progress	1,476
Collections of art	2,005,870
Total non-depreciable capital assets	3,935,073
Total capital assets, net of accumulated depreciation	$14,684,124

(D) Line of Credit

The following is a summary of outstanding line of credit at June 30, 2012:

Line of credit agreement up to a principal amount of $4,500,000, interest payable monthly at LIBOR plus 1.61% (1.85% at June 30, 2012), outstanding principal due upon maturity on May 17, 2013, secured by real estate and substantially all accounts held by Radford University Foundation, Inc. with the bank	$4,129,506

(E) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2012:

Note payable to a bank due in semi-annual installments of $40,000 through April 2016, with interest payable quarterly at LIBOR plus 2.25%, with a minimum rate of 3% (3% at June 30, 2012), outstanding principal due upon maturity, collaterized by virtually all accounts held by Radford University Foundation, Inc. with the bank	$720,000
Note payable to GMAC in monthly installments of $708 including interest at 0.0% beginning May 2008 through May 2013, collateralized by a vehicle	7,080
Total long-term debt	$727,080

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2012 are as follows:

2013	$87,080
2014	80,000
2015	80,000
2016	480,000
Total notes payable	$727,080

NOTE 19: Subsequent Events

In October 2012, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Bonds, Series 2012A, 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 approximately $12.4 million, and will be used for the construction of the Student Fitness and Wellness Center.

On March 6, 2013, the Virginia Department of Treasury, on behalf of the University, will issue Series 2013A 9(c) bonds totaling $5.4 million. Proceeds from the bonds will fund the Washington Hall renovation project. These bonds are an obligation of the University and are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

Effective December 31, 2012, the Radford University Property Acquisition Corporation, a blended component unit of the University as stated in Note 1, assigned the property and related obligations for the warehouse property to a limited liability corporation owned by the Radford University Foundation.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 25, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon III
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, 2012, 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 1. Those financial statements were audited by other auditors whose report thereon has 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 report 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 report 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component unit of the University as of June 30, 2012, 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.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2013, 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.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

KKH/clj

RADFORD UNIVERSITY
Radford, Virginia

ADMINISTRATIVE OFFICERS

Penelope W. Kyle
President

Richard S. Alvarez
Vice President for Finance and Administration