

RADFORD UNIVERSITY

Financial Statements

**For the Year Ended
June 30, 2008**



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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, 2008. 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 the 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

Radford University is a coeducational, comprehensive public university that is student centered and focused on providing outstanding academic programs with 153 program options for its 9,122 (Fall 2007 headcount) undergraduate and graduate students. 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 its 2009 *Guide to America’s Best Colleges*, *U.S. News and World Report* ranked Radford University 14th among public master’s universities in the south. The University has been named one of the top 20 public universities in this category for five consecutive years and has been ranked among the top 15 public institutions for the past two 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.

- Invested in capital assets – Invested in capital assets, net of related debt, represents the University’s total investment in capital assets net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.
- Restricted net assets - expendable – Restricted expendable assets include resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.

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

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

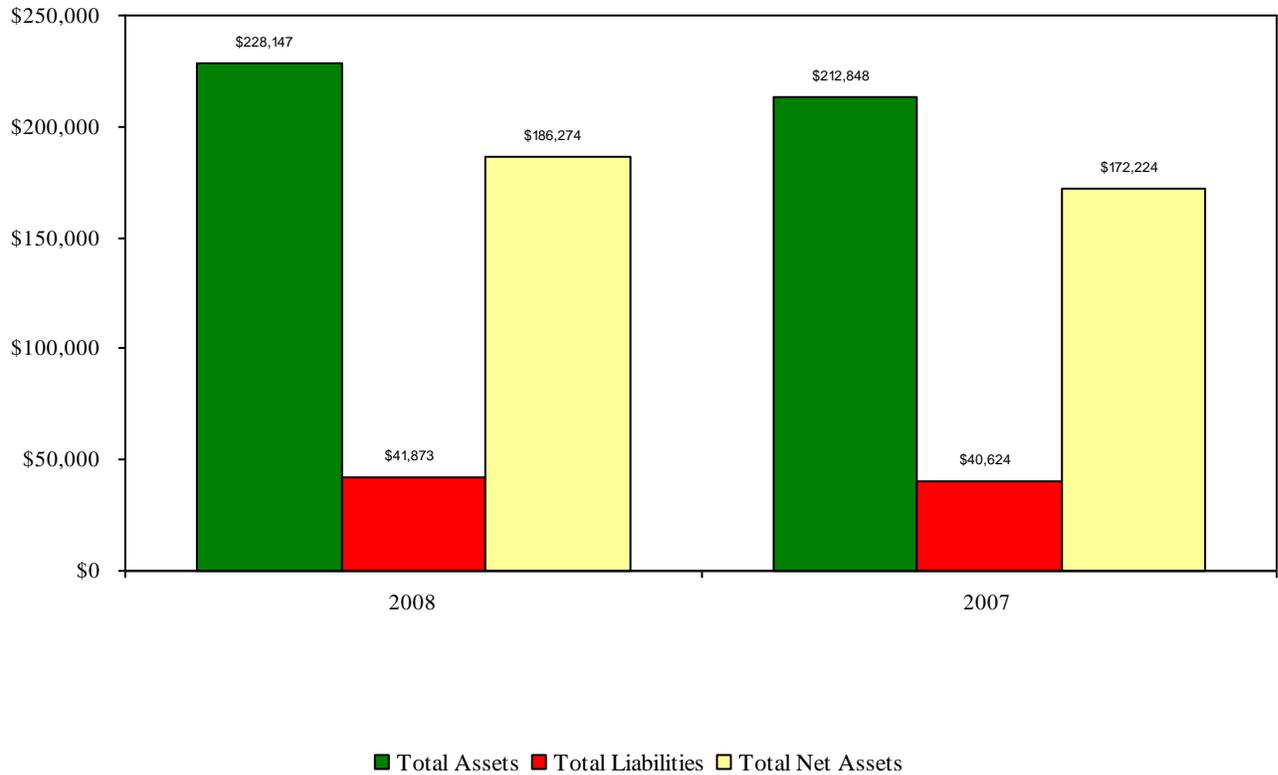
Statement of Net Assets - Summary Schedule
(\$ shown in thousands)

	2008	2007 (restated)	Increase/(Decrease) Amount	Percent
Assets:				
Current assets	\$ 92,247	\$ 93,284	\$ (1,037)	(1.1)
Capital assets, net	132,517	116,280	16,237	13.9
Other noncurrent assets	3,383	3,284	99	3.0
Total assets	<u>228,147</u>	<u>212,848</u>	<u>15,299</u>	<u>7.2</u>
Liabilities:				
Current liabilities	36,497	36,367	130	.4
Noncurrent liabilities	5,376	4,257	1,119	26.3
Total liabilities	<u>41,873</u>	<u>40,624</u>	<u>1,249</u>	<u>3.1</u>
Net Assets:				
Invested in capital assets, net of related debt	131,328	116,280	15,048	12.9
Restricted – expendable	6,112	40,453	(34,341)	(84.9)
Unrestricted	48,834	15,491	33,343	215.2
Total net assets	<u>\$186,274</u>	<u>\$172,224</u>	<u>\$ 14,050</u>	<u>8.1</u>

During fiscal year 2008, total net assets of the University increased by 8.1 percent, an increase of just over \$14 million, bringing total net assets to \$186.3 million at June 30, 2008. This growth occurred primarily in the University’s capital assets and was due to construction of the Fine Arts Center and the Dedmon Center roof replacement.

The chart below is a snapshot of the University's total assets, total liabilities, and total net assets for the past two fiscal years.

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



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 investments in capital assets are described in note 4 of the Notes to Financial Statements. The value of the University's capital assets increased to \$132.5 million at the end of fiscal year 2008, an increase of 13.9 percent over fiscal year 2007. The additions to capital assets during 2008 totaled \$33.3 million (excluding depreciation). The construction of the Fine Arts Center and the Dedmon Center roof replacement were the primary additions to construction in progress while various maintenance reserve projects were the primary additions to buildings. Current year depreciation expense totaled \$9.1 million.

Commitments to construction contractors, architects, and engineers for capital projects totaled \$15.2 million at June 30, 2008. These commitments consisted primarily of capital construction costs for the Dedmon Center roof replacement (\$8.3 million), Young Hall renovation (\$5.4 million), and the Fine Arts Center (\$1.3 million).

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.

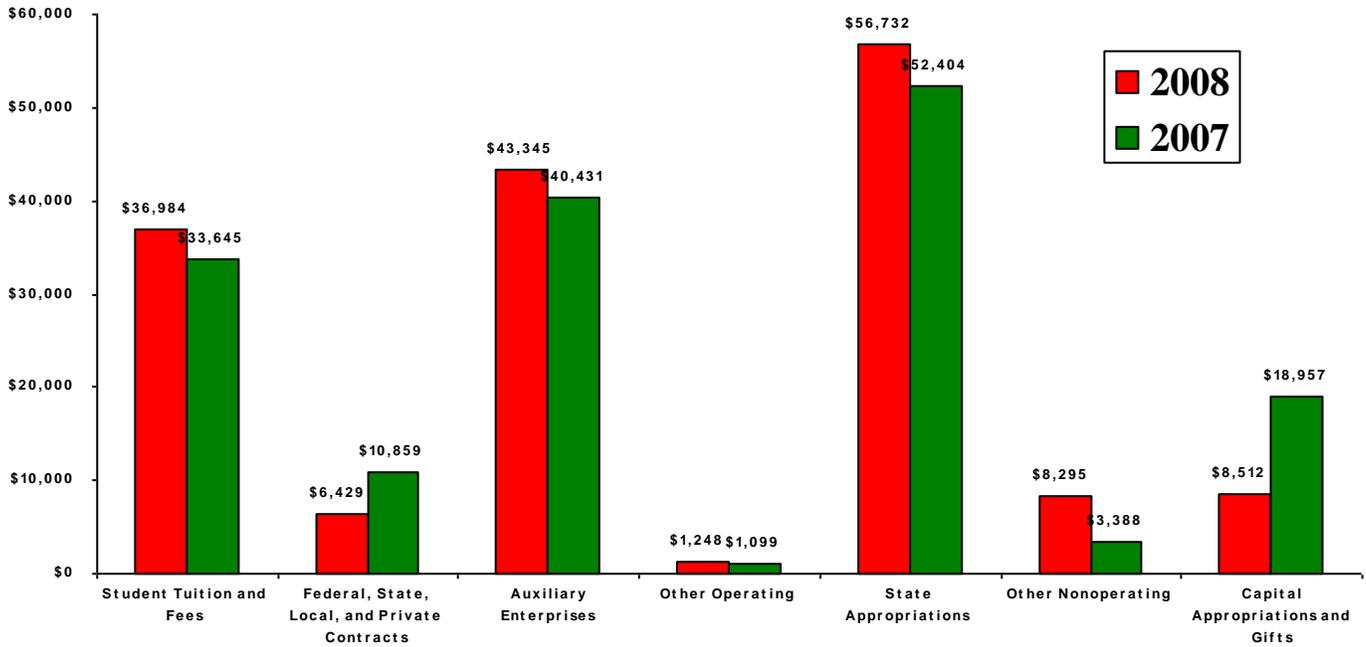
Nonoperating revenues are revenues received for goods and services that are not directly provided. Under GASB Statement 35, some critical recurring sources of the University's revenues are considered nonoperating. State appropriations are included in this category and provide substantial support for 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)

	2008	2007 (restated)	Increase/(Decrease)	
			Amount	Percent
Operating revenues	\$ 88,006	\$ 86,034	\$ 1,972	2.3
Less: Operating expenses	147,494	137,866	9,628	7.0
Operating loss	(59,488)	(51,832)	(7,656)	14.8
Nonoperating revenues and expenses	65,026	55,792	9,234	16.6
Income before other revenues, expenses, gains, or losses	5,538	3,960	1,578	39.8
Other revenue, expenses, gains, or losses	8,512	18,957	(10,445)	(55.1)
Increase in net assets	14,050	22,917	(8,867)	(38.7)
Net assets - beginning of year (as restated)	172,224	149,307	22,917	15.3
Net assets - end of year	\$186,274	\$172,224	\$14,050	8.1

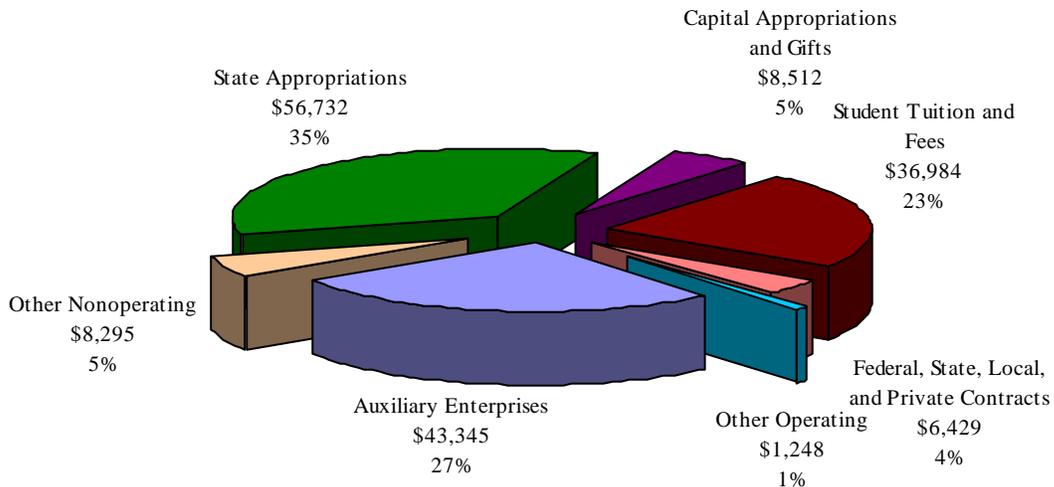
The following chart compares each major revenue source (both operating and nonoperating) for the years ended June 30, 2008 and 2007.

Revenues by Source Comparison
(\$ 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, 2008.

2008
Revenues by Source
(\$ shown in thousands)

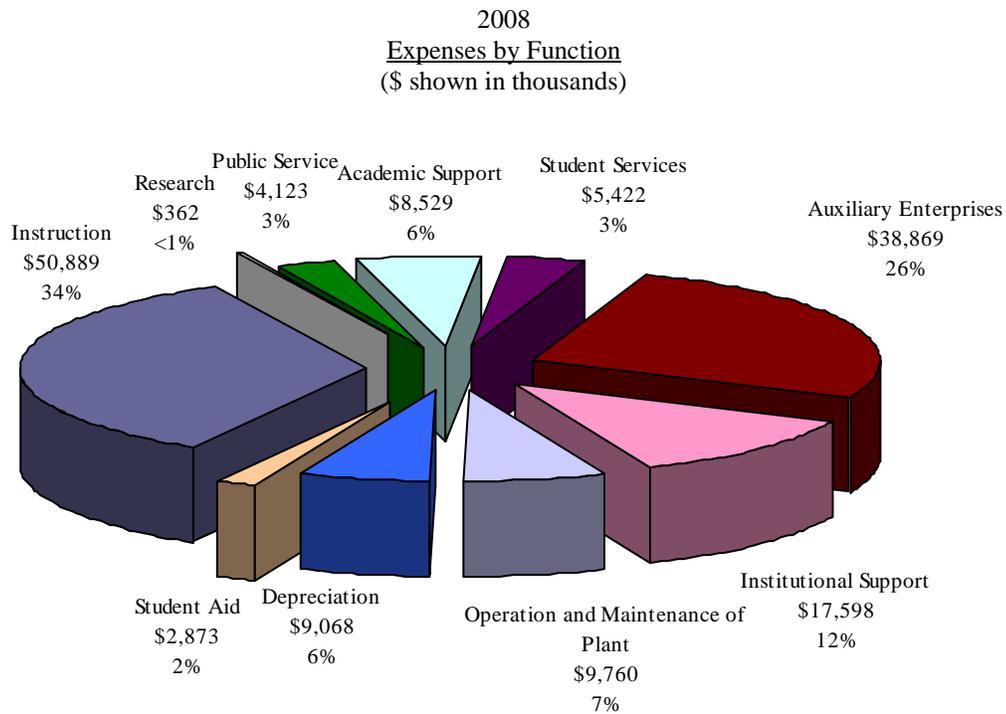


Operating revenues of the University consist primarily of student tuition and fees and revenues generated by the various auxiliary enterprises. Operating revenues in fiscal year 2008 increased 2.3 percent as compared to fiscal year 2007. The percentage increase would have been greater were it not for a reclassification of Pell grant revenues from operating to nonoperating. Tuition and fee revenues increased 9.9 percent primarily due to a Board approved tuition and fee increase. Auxiliary enterprise revenues increased 7.2 percent due in large part to a Board approved increase in the comprehensive fee and room and board charges.

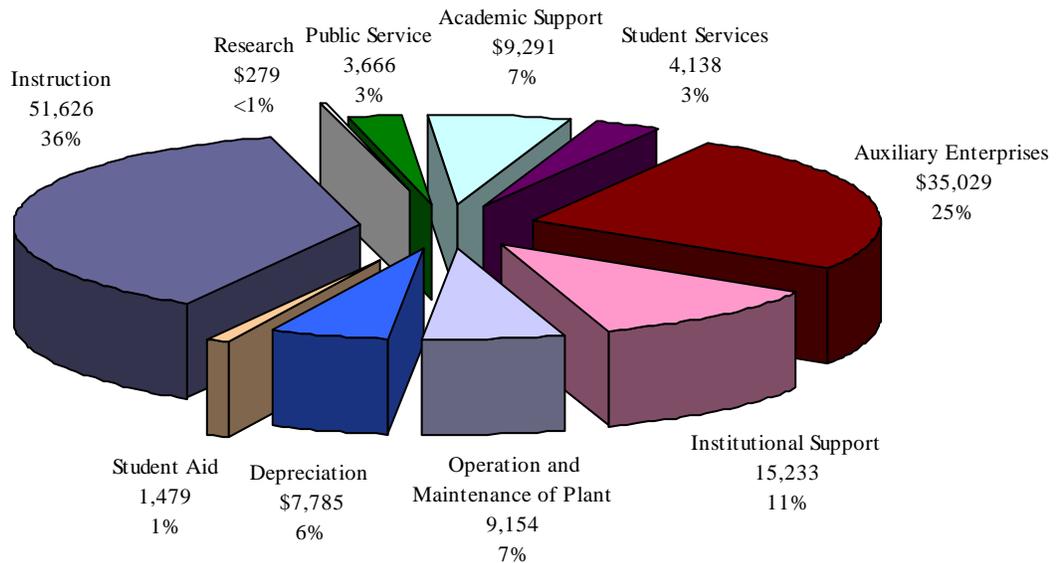
Nonoperating revenues in fiscal year 2008 increased 16.6 percent over the previous year. This increase consisted of an 8.3 percent increase in state general fund appropriations for educational and general programs and student financial assistance plus appropriation transfers from the state central accounts for increases in salaries, health insurance premiums, and fringe benefits. Note 10 of the Notes to Financial Statements details the state appropriations received by the University during fiscal year 2008. Additionally, the accounting reclassification of Pell grant revenues from operating to nonoperating revenues contributed to the overall increase in nonoperating revenues.

Capital appropriations and capital gifts decreased by 55.1 percent (\$10.5 million) over the prior fiscal year. As a result, total revenues were fairly flat compared to the prior year, only increasing .5 percent. The decrease in capital appropriations was due to the significant amount of capital funding authorized by the General Assembly in the previous fiscal year and a lesser amount in the current year.

The following graphic illustrations present total expenses for fiscal years 2008 and 2007 by function.



2007
Expenses by Function
(\$ shown in thousands)



Operating expenses for fiscal year 2008 increased 7.0 percent. There were several factors impacting expenditures across all programs:

- Increased general fund appropriations and tuition and fee increases provided additional funds for new initiatives and basic operating costs.
- Additional funding by the state and from the University to increase scholarships and fellowships provided to students.
- An average salary increase of 4.0 percent for all faculty (teaching and administrative) and classified staff during fiscal year 2008, plus an additional average of 10% for all nursing faculty.
- Increased plant operation costs due to increased utility rates and increased fuel costs.
- Ongoing purchases of equipment for enhancing technology resources and the purchase and implementation of a new administrative computer system.

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)

	2008	2007	Amount	Percent
Net cash used by operating activities	\$(50,907)	\$(39,502)	\$(11,405)	28.9
Net cash provided by noncapital financing activities	60,480	52,243	8,237	15.8
Net cash provided by capital and related financing activities	(9,584)	(3,547)	(6,037)	170.2%
Net cash provided by investing activities	5,028	582	4,446	763.9%
Net increase in cash	5,017	9,776	(4,759)	(48.7%)
Cash and cash equivalents - beginning of year	62,304	52,528	9,776	18.6%
Cash and cash equivalents – end of year	\$67,321	\$ 62,304	5,017	8.1%

Overall, the University had a net increase in cash of \$5 million during fiscal year 2008. The primary sources of cash for the University were state appropriations (\$56.7 million), student tuition and fees (\$37.1 million), auxiliary enterprise revenues (\$43.4 million), and receipts for student loans (\$24.6 million). The major uses of cash were employee compensation and benefits (\$84.6 million), services and supplies (\$42.0 million), student loan disbursements (\$24.6 million), and the purchase of capital assets (\$24.7 million).

Economic Outlook

The current economic outlook for Radford University presents some positives tempered by a great deal of uncertainty and apprehension given the current financial crisis facing the national economy and the recent revenue shortfalls experienced by the Commonwealth of Virginia. Currently, revenue projections for the Commonwealth are being updated for the 2008-09 fiscal year to determine the extent of any further budget cuts that may be passed on to agencies and institutions. Given that more than one-third of the University’s revenues are provided through the state general fund, the health of the Commonwealth’s revenues and finances has a significant impact upon the University’s operating budget.

On the positive side, the University’s Board of Visitors approved the University’s largest operating budget totaling \$163.1 million for fiscal year 2009. The fiscal year 2009 budget is \$7.65 million above the fiscal year 2008 budget and includes additional state support as well as additional revenues from tuition and fee increases authorized by the Board in April 2008. The Board also passed a resolution for the University to pursue Level II status under the 2005 Higher Education Restructuring Act to provide additional autonomy and efficiency in the areas of information technology and procurement.

The University also received approval for \$211 million in funding from various sources for capital projects, which is certain to transform the University’s facilities infrastructure. This funding includes \$44.2 million (\$34.2 million from Virginia College Building Authority Bonds and \$10 million in private funds) to construct a new building for the College of Business and Economics, \$1.5 million from the general fund for planning a new \$37 million building for the

College of Science and Technology, and a total of \$114.2 million in capital projects funded through auxiliary funds and university-paid debt. However, given the current state of the national economy and the credit market, the University's ability to pursue such an aggressive capital facilities investment plan will need to be evaluated further.

As noted earlier, the University is currently operating under the largest budget ever in its history, this in spite of the fact that it received a 5 percent reduction of \$2.4 million in its general fund base budget appropriation for fiscal year 2009. Additionally, due to continued weak revenue streams for the Commonwealth, the University has been directed to develop budget reduction plans for possible additional budget cuts of 5, 10, and 15 percent in the base budget. These potential cuts could have a significant and adverse effect on the University's operating budget for this fiscal year and beyond.

For Fall 2007, a total headcount of 9,122 students were enrolled consisting of 8,023 undergraduate and 1,099 graduate students. Student enrollment has increased nine percent over the past ten years. The number of new freshmen enrolled for Fall 2007 was 1,841, an increase of thirteen percent over the last ten years. Overall, the application and enrollment numbers indicate a strong demand for the academic offerings of the University. The University still has plans to implement a multi-year recruitment plan to ensure future enrollment targets are met. The University is still seeking to fill the newly authorized position of Vice Provost for Enrollment Planning and Management, which will assist the University in reaching its enrollment goals. These goals include increasing graduate enrollment and sustaining undergraduate enrollment while enhancing the academic profile of incoming students. The University will also continue to evaluate adding new graduate programs.

Overall, the University has demonstrated sound and prudent use of its financial resources and is well positioned to pursue significant capital construction projects funded through its debt capacity. However, the current economic downturn coupled with the potential for significant additional budget cuts may stretch the ability of the University to achieve its strategic goals and objectives under these potential constraints.

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FINANCIAL STATEMENTS

RADFORD UNIVERSITY
Statement of Net Assets
As of June 30, 2008

	Radford University	Component Unit Radford University Foundation, Inc.
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 67,320,590	\$ 1,492,747
Short-term investments (Notes 2, 16B)	12,270,947	36,812,003
Appropriation available	5,412,311	-
Accounts receivable (Net of allowance for doubtful accounts of \$301,240) (Note 3)	2,939,383	-
Contributions receivable (Net of allowance for doubtful contributions and discount of \$34,819) (Note 16A)	-	199,412
Due from the Commonwealth (Note 7)	1,618,527	-
Inventory	313,096	88,805
Notes receivable (Net of allowance for doubtful accounts of \$ 4,778) (Note 3)	26,832	4,815
Prepaid expenses	2,345,449	33,331
Other assets	-	119,967
Other receivables	-	72,637
Total current assets	92,247,135	38,823,717
Noncurrent assets		
Restricted cash and cash equivalents	-	320,288
Other long-term investments (Note 16B)	-	3,555,811
Contributions receivable (Net of allowance for doubtful contributions and discount of \$117,116) (Note 16A)	-	543,380
Other assets	-	108,801
Notes receivable (Net of allowance for doubtful accounts of \$466,450) (Note 3)	3,383,250	37,413
Depreciable capital assets, net (Notes 4, 16C)	96,061,921	11,284,824
Non-depreciable capital assets (Notes 4, 16C)	36,454,492	3,643,274
Total noncurrent assets	135,899,663	19,493,791
Total assets	228,146,798	58,317,508
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses (Note 5)	13,694,981	145,189
Deferred revenue	3,568,651	2,965
Obligations under securities lending	15,528,424	-
Deposits held in custody for others	187,578	-
Long-term liabilities - current portion (Note 6)	2,298,255	-
Notes payable - current portion (Notes 6 and 16D)	47,970	147,066
Advance from the Treasurer of Virginia	20,000	-
Due to the Commonwealth	1,151,171	-
Trust and annuity obligations	-	105,274
Total current liabilities	36,497,030	400,494
Noncurrent liabilities (Note 6)		
Notes payable (Notes 6 and 16D)	4,235,638	-
Trust and annuity obligations	1,139,936	578,325
	-	970,977
Total noncurrent liabilities	5,375,574	1,549,302
Total liabilities	41,872,604	1,949,796
NET ASSETS		
Invested in capital assets, net of related debt	131,328,508	14,202,707
Restricted for:		
Expendable:		
Scholarships and fellowships	-	9,487,462
Instruction and research	1,776,719	1,403,675
Capital projects	3,889,492	-
Loans	445,652	-
Other	-	6,754,432
Nonexpendable:		
Scholarships and fellowships	-	16,388,402
Instruction and research	-	1,488,099
Other	-	3,050,088
Unrestricted	48,833,823	3,592,847
Total net assets	\$ 186,274,194	\$ 56,367,712

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, 2008

	Radford University	Component Unit Radford University Foundation, Inc.
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$5,170,535)	\$ 36,984,336	\$ -
Gifts and contributions	-	1,982,744
Federal grants and contracts	5,661,784	-
State grants and contracts	292,151	-
Nongovernmental grants and contracts	475,023	-
Auxiliary enterprises (net of scholarship allowances of \$4,979,710) (Note 8)	43,345,216	-
Other operating revenues	1,247,839	1,106,043
Total operating revenues	<u>88,006,349</u>	<u>3,088,787</u>
EXPENSES		
Operating expenses (Note 9)		
Instruction	50,889,172	44,585
Research	362,371	-
Public service	4,123,331	-
Academic support	8,529,209	1,648,483
Student services	5,421,563	-
Institutional support	17,598,351	1,669,586
Operation and maintenance of plant	9,760,102	-
Depreciation	9,067,989	395,672
Student aid	2,873,177	834,024
Auxiliary activities (Note 8)	38,869,021	-
Total operating expenses	<u>147,494,286</u>	<u>4,592,350</u>
Operating loss	<u>(59,487,937)</u>	<u>(1,503,563)</u>
Nonoperating revenues (expenses)		
State appropriations (Note 10)	56,731,633	-
Federal student financial aid (Pell)	4,039,996	-
Investment income/(loss)	4,516,201	(1,469,913)
Interest on capital asset-related debt	-	(54,895)
Loss on disposal of assets	(54,737)	(922,414)
Nonoperating transfers to the Commonwealth	(206,805)	-
Net nonoperating revenues	<u>65,026,288</u>	<u>(2,447,222)</u>
Income before other revenues, expenses, gains or losses	5,538,351	(3,950,785)
Capital appropriations	12,652,081	-
Capital gifts	1,467,416	11,696
Other capital appropriation reductions	(5,607,600)	-
Additions to permanent endowments	-	843,437
Net other revenues	<u>8,511,897</u>	<u>855,133</u>
Increase in net assets	14,050,248	(3,095,652)
Net assets - beginning of year, as restated	172,223,946	59,463,364
Net assets - end of year	<u>\$ 186,274,194</u>	<u>\$ 56,367,712</u>

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, 2008

Cash flows from operating activities:	
Student tuition and fees	\$ 37,101,198
Grants and contracts	6,819,651
Auxiliary enterprises	43,385,678
Other receipts	1,247,839
Payments for salaries, wages and fringe benefits	(84,586,061)
Payments for services and supplies	(42,022,625)
Payments for utilities	(2,562,124)
Payments for scholarships and fellowships	(6,691,386)
Payments for noncapitalized plant improvements and equipment	(3,790,382)
Loans issued to students	(791,793)
Collections of loans from students	685,520
Other advances (payments)	297,086
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Net cash used by operating activities	(50,907,399)
Cash flows from nonoperating financing activities:	
State appropriations	56,731,633
Non-general fund appropriations	(206,805)
Gifts and grants for other than capital purposes	4,039,996
Federal Family Education Loans - receipts	24,623,391
Federal Family Education Loans - disbursements	(24,634,809)
Student organization agency transaction	(73,052)
	<hr/>
Net cash provided by noncapital financing activities	60,480,354
Cash flows from capital financing activities:	
Proceeds from capital debt	1,200,000
Proceeds from capital appropriations available and investments	5,436,378
Capital appropriations	7,044,481
Capital gifts	1,467,416
Purchase of capital assets	(24,720,854)
Principal paid on capital debt, leases and installments	(12,094)
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Net cash provided by capital financing activities	(9,584,673)
Cash flows from investing activities:	
Proceeds from sale and maturities of investments	512,154
Interest on investments	4,516,201
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Net cash provided by investing activities	5,028,355
Net increase in cash	5,016,637
Cash and cash equivalents - beginning of the year - as restated (Note 1)	62,303,953
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Cash and cash equivalents - end of the year	\$ 67,320,590
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Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$ (59,487,937)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	9,067,989
Changes in assets and liabilities:	
Receivables, net	559,083
Due from the Commonwealth	1,741,293
Prepaid expenses	(264,755)
Inventory	44,728
Notes receivable, net	(106,273)
Accounts payable and accrued expenses	(3,831,610)
Deferred revenue	286,020
Due to the federal government	1,133,313
Accrued compensated absences	(49,250)
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Net cash used by operating activities	\$ (50,907,399)
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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, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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, 2007, its fiscal year end:

Assets	<u>\$ 1,275,997</u>
Liabilities	\$ 1,259,006
Net assets	<u>16,991</u>
Liabilities and net assets	<u>\$ 1,275,997</u>

The total unaudited receipts and disbursements of the RUPAC were \$60,550 and \$43,559, respectively, for the year ended December 31, 2007. During the year ended June 30, 2008, the Foundation made distributions of \$1,338,775 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.

Cash and Cash Equivalents

In prior years, appropriations available were reported with the cash and cash equivalents on the Statement of Net Assets and the Statement of Cash Flows. For the fiscal year ending June 30, 2008, appropriations available were reported on a separate line on the Statement of Net Assets. As a result of this change, the cash and cash equivalents reported as of the beginning of year on the Statement of Cash Flows were restated as follows:

Cash and cash equivalents reported at June 30, 2007	\$ 73,153,642
Change in reporting appropriations available	<u>(10,849,689)</u>
Cash and cash equivalents – beginning of year, as restated	<u>\$ 62,303,953</u>

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. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. 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.

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, 2008.

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, 2008, 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.

Net assets reported as of the beginning of the year were restated as follows:

Net assets reported at June 30, 2007	\$173,539,452
Correction of prior years’ capital assets	<u>(1,315,506)</u>
Net assets – beginning of year, as restated	<u>\$172,223,946</u>

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, 2008, 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 2008.

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, 2008.

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 2008.

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 definition of cash and cash equivalents, cash 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, 2008	Market Value
Cash and cash equivalents:	
Cash on hand and deposited with financial institutions	\$ 5,745,248
Cash with the Treasurer	58,317,865
Collateral held for Securities Lending	<u>3,257,477</u>
Total:	<u>\$67,320,590</u>
Short-term Investments:	
Collateral held for Securities Lending	<u>\$12,270,947</u>

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, 2008:

	2008
Student tuition and fees	\$ 1,453,038
Auxiliary enterprises	736,280
Federal, state, and nongovernmental grants and contracts	813,590
Other activities	237,715
	<u>3,240,623</u>
Less allowance for doubtful accounts	301,240
Net accounts receivable	<u>\$ 2,939,383</u>

Notes receivable consisted of the following at June 30, 2008:

	2008
Current portion:	
Federal student loans	\$22,171
Institutional student loans	9,439
Less allowance for doubtful accounts	(4,778)
Total current portion	<u>\$ 26,832</u>
Non-current portion:	
Federal student loans	\$ 3,644,522
Institutional student loans	205,178
Less allowance for doubtful accounts	(466,450)
Total non-current portion	<u>\$ 3,383,250</u>

NOTE 4: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2008 is presented as follows:

	Beginning Balance, As Adjusted	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 5,860,937	405,319	-	6,266,256
Construction in progress	17,825,033	20,314,405	7,951,202	30,188,236
Total Nondepreciable Capital Assets	<u>23,685,970</u>	<u>20,719,724</u>	<u>7,951,202</u>	<u>36,454,492</u>
Depreciable Capital Assets:				
Buildings	131,362,657	8,486,685	-	139,849,342
Infrastructure	22,187,201	103,463	-	22,290,664
Equipment	21,224,973	2,516,044	867,158	22,873,859
Other Improvements	7,730,336	-	-	7,730,336
Library Materials	17,391,099	1,484,826	921,972	17,953,953
Total Depreciable Capital Assets	<u>199,896,266</u>	<u>12,591,018</u>	<u>1,789,130</u>	<u>210,698,154</u>
Less Accumulated Depreciation For:				
Buildings	62,050,673	5,096,847	-	67,147,520
Infrastructure	17,299,302	580,925	-	17,880,227
Equipment	12,626,222	2,001,516	812,420	13,815,318
Other Improvements	4,001,212	366,223	-	4,367,435
Library Materials	11,325,228	1,022,478	921,973	11,425,733
Total Accumulated Depreciation	<u>107,302,637</u>	<u>9,067,989</u>	<u>1,734,393</u>	<u>114,636,233</u>
Depreciable Capital Assets, net	<u>92,593,629</u>	<u>3,523,029</u>	<u>54,737</u>	<u>96,061,921</u>
Total Capital Assets, net	<u>\$116,279,599</u>	<u>24,242,753</u>	<u>8,005,939</u>	<u>132,516,413</u>

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2008:

	2008
Employee salaries, wages and fringe benefits payable	\$ 9,060,251
Vendors and suppliers accounts payable	2,640,928
Capital projects accounts payable	1,993,802
Net accounts payable and accrued expenses	<u>\$13,694,981</u>

NOTE 6: NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ending June 30, 2008 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long term debt:					
Notes payable	\$ -	\$1,200,000	\$ 12,094	\$1,187,906	\$ 47,970
Other liabilities:					
Accrued compensated absences	3,158,098	4,219,888	4,269,138	3,108,848	2,298,255
Federal loan program contributions	3,425,045	-	-	3,425,045	-
Total other liabilities	6,583,143	4,219,888	4,269,138	6,533,893	2,298,255
Total long-term liabilities	<u>\$6,583,143</u>	<u>\$5,419,888</u>	<u>\$4,281,232</u>	<u>\$7,721,799</u>	<u>\$2,346,225</u>

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, 2008. However, the Radford University Property Acquisition Corporation, a blended component unit of the University, had a mortgage note payable in the amount \$1,187,906 at December 31, 2007. This note, which carried a 6.80% interest rate, was refinanced before June 30, 2008. As of June 30, 2008 the details of the new mortgage note are as follows:

<u>Description</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Principal amount</u>
Mortgage note payable to First National Bank, payable in monthly installments of \$9,860 beginning 07/01/08, with a final balloon payment of \$914,103 payable on 10/01/12.	5.53%	2012	\$1,155,330

Future debt payments are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2009	\$43,560	\$74,760
June 30, 2010	58,302	60,018
June 30, 2011	61,609	56,711
June 30, 2012	65,104	53,216
June 30, 2013	926,755	16,928
Total	<u>\$1,155,330</u>	<u>\$261,633</u>

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, 2008, equipment purchased by the University that was not reimbursed by the VCBA totaling \$451,921 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, 2008:

Revenues	2008
Room contracts, net of scholarship allowances of \$1,303,291	\$ 9,092,804
Dining service contracts, net of scholarship allowances of \$1,186,564	7,632,176
Comprehensive fee, net of scholarship allowances of \$2,489,855	16,910,635
Other student fees and sales and services	9,709,601
Auxiliary enterprises revenues	<u>\$43,345,216</u>
Expenses	2008
Residential facilities	7,189,136
Dining operations	12,722,241
Athletics	7,434,395
Other auxiliary activities	11,523,249
Auxiliary activities expenses	<u>\$38,869,021</u>

NOTE 9: EXPENSES BY NATURAL CLASSIFICATION

	Compensation and Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Depreciation	Total
Instruction	\$ 45,476,369	\$ 2,849,474	\$ 678,156	\$ -	\$ 1,885,173	\$ -	\$ 50,889,172
Research	223,751	108,078	63	-	30,479	-	362,371
Public service	1,799,697	1,955,755	152,285	-	215,594	-	4,123,331
Academic support	7,069,420	1,221,115	500	-	238,174	-	8,529,209
Student services	3,726,996	1,498,688	63,925	-	131,954	-	5,421,563
Institutional support	12,288,119	3,810,906	2,902	-	1,496,424	-	17,598,351
Operation and maintenance of plant	4,289,814	4,116,063	-	553,360	800,865	-	9,760,102
Depreciation expense	-	-	-	-	-	9,067,989	9,067,989
Scholarship and related expenses	-	-	2,873,177	-	-	-	2,873,177
Auxiliary activities	9,990,734	22,082,820	2,920,378	2,008,764	1,866,325	-	38,869,021
Total	<u>\$ 84,864,900</u>	<u>\$ 37,642,899</u>	<u>\$ 6,691,386</u>	<u>\$ 2,562,124</u>	<u>\$ 6,664,988</u>	<u>\$ 9,067,989</u>	<u>\$ 147,494,286</u>

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, 2008, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2008, 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, 2008, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 847:	
Educational and general programs	\$50,370,913
Student financial assistance	6,291,295
Supplemental adjustments:	
Virtual Library of Virginia (VIVA) allocation	15,157
Eminent scholar	44,565
Prior year General Fund carryforward	573,619
Virginia Military Survivors and Dependents Education Program	37,875
Central Appropriation Transfers:	
Life and disability insurance rate increase	131,367
Salary increases and regrades	890,210
Health insurance premium increase	687,263
Mileage reimbursement rate increase	15,039
Retirement rate increase	316,309
Retiree health increase	38,217
Tuition Incentive Fund allocation	670,333
Mandatory General Fund appropriation reductions	(2,433,385)
Reversion to the General Fund of the Commonwealth	(917,144)
Adjusted appropriation	<u>\$ 56,731,633</u>

NOTE 11: COMMITMENTS

At June 30, 2008, the University was a party to construction and other contracts totaling approximately \$49,492,701 of which \$34,258,255 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 \$1,085,639 for the year ended June 30, 2008.

The University has, as of June 30, 2008, the following future minimum rental payments due under the above leases:

Year Ending June 30	Operating Lease Obligation
2009	\$572,020
2010	31,509
2011	30,112
2012	25,920
2013	6,480
Total	<u>\$666,041</u>

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, 2008. 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 \$3,827,224 for the year ended June 30, 2008. These contributions included the 5 percent employee contribution assumed by the employer. Contributions to VRS were calculated using the base salary amount of approximately \$33,735,392 for fiscal year 2008. The University's total payroll was approximately \$66,879,098 for the year ended June 30, 2008.

Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than the VRS. The two different providers are 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 \$2,181,768 for year ended June 30, 2008. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$20,978,540 for fiscal year 2008.

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 \$293,134 for the fiscal year 2008.

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: 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, 2008, the University estimates that no material liabilities will result from such audits or questions.

NOTE 15: 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 16: COMPONENT UNIT FINANCIAL INFORMATION

(A) Contributions Receivable

The following summarizes the unconditional promises to give at June 30, 2008:

Current receivables:		
Receivable in less than one year, net of discount \$26,264	\$207,967	
Less allowance for doubtful accounts	<u>8,555</u>	
Net current contributions receivable		\$199,412
Non-current receivables:		
Receivable in one to five years, net of discount \$71,552	566,688	
Less allowance for doubtful accounts	<u>23,308</u>	
Net non-current contributions receivable		<u>543,380</u>
Total contributions receivable		<u><u>\$742,792</u></u>

The discount rate in 2008 was 6%. As of June 30, 2008, there were no conditional promises to give.

(B) Investments

Investments are comprised of the following as of June 30, 2008:

Short-term:		
Cash and cash equivalents	\$757,451	
Corporate Bonds	274,954	
Equities	3,516,984	
Mutual funds	<u>32,262,614</u>	
Total short-term		<u>36,812,003</u>
Long-term:		
Mutual funds	851,209	
Investment company	2,471,115	
Real estate	<u>233,487</u>	
Total long-term		<u>3,555,811</u>
Total investments		<u><u>\$40,367,814</u></u>

(C) Capital Assets

A summary of land, buildings, and equipment at cost, less accumulated depreciation, for the year ending June 30, 2008 is presented as follows:

Depreciable capital assets:		
Buildings		\$12,983,951
Furniture and equipment		343,459
Vehicles		306,701
Land improvements		<u>171,216</u>
Total depreciable capital assets, at cost		13,805,327
Less accumulated depreciation		<u>2,520,503</u>
Total depreciable capital assets, net of accumulated depreciation		<u>11,284,824</u>
Non-depreciable capital assets:		
Land		1,495,743
Collections of art		<u>2,147,531</u>
Total non-depreciable capital assets		<u>3,643,274</u>
Total capital assets, net of accumulated depreciation		<u><u>\$14,928,098</u></u>

(D) Long-term Debt Payable

The following is a summary of outstanding notes payable at June 30, 2008:

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	\$119,844
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	523,991
Note payable to an individual due in monthly payments of \$1,099 including interest at 6.5% through December 2011, secured by a deed of trust on real estate	41,198
Note payable to GMAC in monthly installments of \$708 including interest at 0.0% beginning January 1, 2007, secured by vehicle	<u>40,358</u>
Total long-term debt	<u>\$725,391</u>

The annual maturities of notes payable for each of the five years and thereafter as of June 30, 2008 are as follows:

2009	\$147,066
2010	155,531
2011	401,451
2012	14,969
2013	<u>6,374</u>
Total notes payable	<u>\$725,391</u>

NOTE 17: SUBSEQUENT EVENTS

The Radford University Foundation's investments (included in the component unit column of the Statement of Net Assets) have experienced declines due to the volatility of the financial markets. The value of the Foundation's investment portfolio was \$40,367,814 at June 30, 2008. The estimated market value of these investments, net of unrealized losses and other changes, was approximately \$28,126,000 (a 30.3% decrease) as of February 28, 2009.

NOTE 18: PENDING LITIGATION

Radford University has been named as a defendant in a lawsuit. The final outcome of this lawsuit cannot be determined as this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect on the University's financial position.

RADFORD UNIVERSITY
Radford, Virginia

BOARD OF VISITORS
As of June 30, 2008

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Secretary to the Board of Visitors

ADMINISTRATIVE OFFICERS

Penelope W. Kyle
President

Donna M. VanCleave
Vice President for Finance and Administration

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Walter J. Kucharski, Auditor

Commonwealth of Virginia

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

April 13, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

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

The 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 discretely presented component unit of **Radford University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, 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 have been furnished to us, and our opinion, insofar as it relates 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 was audited by other auditors upon whose report we are relying was 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 discretely presented component unit of the University as of June 30, 2008, 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 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 13, 2009, on our consideration of Radford 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 effectiveness of 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

JHS/clj