



*Old Dominion University
Financial Statements*

June 30, 2013

Page Left Intentionally Blank

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the

Revenues

The largest components of total operating revenue are primarily student tuition and fees which increased \$6.4 million or 5.6% and auxiliary enterprise revenue which increased by \$0.2 million or 0.2% from the prior fiscal year. The growth in revenue was due to the rise in both in-state and out-of-state tuition rates. The overall increase in nonoperating revenue of \$8.4 million or 6.1% was caused by an increase in funding from the Commonwealth through appropriations for base operating support, an increase in Pell grant revenue and investment income which was offset by a reduction in federal stimulus funding in 2013. Finally other revenues increased \$12.7 million or 131.3% as a result of additional funding from the 21st Century Bond Program for ongoing campus construction.

Expenses	
Auxiliary Enterprises	Interest on Capital
[REDACTED]	

Operating expenses increased \$13.3 million or 3.7% in response to various factors including establishment of additional faculty, administrative and staff positions, faculty promotions, and a 3% bonus for faculty and staff. Student financial assistance expenses increased as a result of additional financial aid and scholarship funding for undergraduate students.

Uncompleted construction and other related contractual commitments increased from \$6.5 million at June 30, 2012 to \$8.8 million at June 30, 2013, as reflected in Note 12. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements. This large increase is primarily the result of new projects for Phase II of Diehn Fine Arts building and System Research and Academic building.

Economic Outlook

The passage of the Virginia Higher Education Opportunity Act by the 2011 Session of the General Assembly speaks to the importance of policy goals of increasing accessibility and enrollments in high demand disciplines such as Science, Technology, Engineering, and Mathematics. In addition, the Act speaks to a number of restructuring initiatives to enhance progress in promoting higher education opportunities. Financial policy and the Commonwealth's funding participation will be revisited by the Higher Education Advisory Committee in concert with State agencies. Nonetheless, all Virginia universities are faced with the challenge of containing costs through business process improvements and efficiencies.

The University's 2013-2014 Budget and Plan is consistent with the criteria set forth in the University Strategic Plan and the Code of Virginia higher education institutional performance standards as evidenced by the focus upon enrollment and recruitment of undergraduate and transfer students, student success and retention, affordability and access for students from under-represented populations, and emphasis on the Science, Technology, Engineering, Math and Health Sciences (STEM/H) disciplines.

Last year, at the request of the President and under the direction of the Chief Operating Officer, the budget planning process was restructured to involve the Vice Presidents in a more collaborate approach in determining the strategic direction for resource allocations. The Vice Presidents reviewed the budget requests and prioritized the initiatives in accordance with specific strategic principles:

- Mandated unavoidable cost increases, such as 3% salary increases for full-time faculty, 17% increases in health insurance costs, faculty tenure and promotion increases, and costs for operation and maintenance of new facilities would be supported from available state and tuition funding.
- The conversion of 25 critical adjunct faculties was in response to the Affordable Care Act. These faculty positions taught course loads that exceeded the Act's guidelines, and reducing the course load would have a negative impact on a student's time to graduation.
- Investments were made in 25 additional faculty positions, with only a few critical administrative and staff support positions established.
- With the challenge of retaining well qualified faculty and staff, additional compensation adjustments were budgeted for full-time and hourly wage employees.

The outcome is an operating budget and plan that invests in the future of Old Dominion University and reflects the collective input of the University's leadership team. The new investments were grouped into the following major success critical categories:

1. Academic Enterprise (Instruction, Research, Public Service and Academic Support): Allocating resources to hire well qualified faculty to increase college degree attainment in the Commonwealth, especially in high-demand disciplines and high-income fields such as science, technology, engineering, mathematics and health care as well as to improve the full-time faculty/student ratio.

In addition, the University will continue to invest in research and instruction in science, technology, engineering, mathematics, health science and related fields, such as Modeling and Simulation, which require qualified faculty, appropriate research facilities and equipment, and public-private and inter-governmental collaboration.

2. Student Recruitment and Enrollment Management: The University endeavors to provide access to qualified undergraduate and graduate students at an affordable cost. These budgeted initiatives include program funds for the enrollment management functions in admissions and student financial aid as well as in targeted student success programs. Significant investments have also been made in on-campus student employment opportunities.
3. Campus Infrastructure: The University will promote innovative instructional models toward degree attainment through optimal use of physical facilities and instructional resources, technology-enhanced instruction, and increased online learning opportunities for both traditional and nontraditional students. These ongoing costs include base and one-time costs related to instructional technology, and operation and maintenance of plant.
4. Campus Life and Student Retention: The University is committed to student success and retention. Investments were made toward the Student Success Programs, Student Recreation and Wellness, international student, admissions and intercultural programs. With a culturally diverse student population, it is expected that these various student engagement initiatives will provide an improved support structure to assist and retain students throughout their academic careers at Old Dominion University.

The University is responsive to the rapidly changing higher education environment. Old Dominion University will continue to maintain its solid financial foundation and is well positioned to continue its pursuit of excellence in teaching, research and public service.

Page Left Intentionally Blank

OLD DOMINION UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2013

ASSETS	Old Dominion University	Component Units
Current assets:		
Cash and cash equivalents (Note 2)	\$ 80,161,801	\$ 26,052,546
	11,153,622	19,650,901
	-	5,223,184
Due from the Commonwealth (Note 4)	8,603,676	-
Appropriations available	1,037,964	-
Travel advances	-	54,789
Prepaid expenses	750,218	479,716
Inventory	694,646	-
	1,216,793	-
Other assets	-	180,179
Total current assets	103,618,720	51,641,315
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	16,686,649	-
Endowment investments (Note 3)	8,413,073	-
Investments (Notes 2 and 11)	14,873,238	183,637,403
Accounts receivable	-	53,088,016
Contributi D7iw 38.09 0 Td [(1)1(0)1(3)1(,)4(6)1(1)1(8)1	103,618,720	5120

OLD DOMINION UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

	Old Dominion University	Component Units
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of \$24,298,854)	\$ 120,046,416	\$ -

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

Statement of Net Position	
Cash and cash equivalents	\$ 96,848,450
Less: Securities lending - Treasurer of Virginia	<u>(4,368,276)</u>
Net cash and cash equivalent	<u>\$ 92,480,174</u>

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

Operating (loss)	\$ (147,962,014)
Adjustments to reconcile net income/(loss) to net cash used by operating activities	
Depreciation expense	22,576,889
Changes in assets and liabilities:	
Receivables, net	(3,723,572)
Prepaid expenses	(414,242)
Inventory	(19,935)
Accounts payable and accrued expenses	6,236,467
Deposits	130,581
Unearned revenue	<u>1,261,919</u>
Net cash used by operating activities	<u>\$ (121,913,907)</u>

Non-cash investing, capital and financing activities	
Security lending	\$ 4,368,276
Capitalization of interest expense	\$ 32,750
Amortization of bond premium	\$ 946,875
Change in receivables related to nonoperating income	\$ 138,585

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

Page Left Intentionally Blank

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The University includes all entities over which the University exercises or has the ability to exercise oversight authority for financial reporting purposes. Under Governmental Accounting Standards Board (GASB) Statement 61 standards, the Old Dominion University Educational and Real Estate Foundations⁶¹

Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, intangibles, and infrastructure assets such as campus lighting. Capital assets generally are defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year, including assets acquired under the Higher Education Equipment Trust Fund. Other assets are recorded at actual cost or estimated historical cost if purchased or constructed. Library materials are valued using published average prices for library acquisition.

Net Position

GASB Statement 34 and 63 requires that the Statement of Net Position report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is the difference between all other elements in a statement of net position and should be displayed in three components. Accordingly, the University's net position is classified as follows:

Net Investment in Capital Assets consists of total investments in capital assets, net accumulated depreciation and outstanding debt obligations.

Restricted Net Position:

Nonexpendable includes endowment and similar type assets whose use is limited by donors or

Federal Financial Assistance Programs

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents, and investments as of June 30, 2013. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk (Category 3 deposits and investments) - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University is not exposed to custodial credit risk at June 30, 2013.

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

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

Interest rate risk -

Cash and Cash Equivalents

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

Credit & Concentration of Credit Risks

Type of Investment	Percentage of Investments	Fair Value	Standard & Poor's Credit Quality Rating
<u>CASH EQUIVALENTS:</u>			
Mutual/Money Market Funds			
BB&T/Wachovia Securities	0.14%	\$ 37,345	
SNAP	0.05%	14,427	AAAm
Securities Lending	15.77%	4,368,276	

Interest Rate Risk: Maturities

Type of Investment	0-3 Months	4-12 Months	1-5 Years	6-10 Years
Cash Equivalents:				
Mutual/Money Market Funds				
BB&T/Wachovia Securities	\$ 37,345	\$ -	\$ -	\$ -
SNAP	14,427			
Securities Lending held with Treasurer	4,368,276			
Total Cash Equivalents	4,420,048			
Investments:				
Mutual/Money Market				
Intermediate Term Fund			6,299,707	
U. S. Treasury & Agency Securities				
U. S. Treasury Bond DTD			154,433	
U. S. Treasury Note DTD		15,117		169,087
Corporate Bonds				
AFLAC Inc DTD				25,562
AT&T INC DTD			20,609	
ACE INA HLDG Inc DTD			22,574	
Bear Stearns Company			23,815	
Berkshire Hathaway Inc			20,803	
Blackrock Inc DTD			20,807	
General Electric Capital Corporation DTD				21,939
Goldman Sachs Group Incorporated DTD			21,696	

NOTE 3: DONOR RESTRICTED ENDOWMENT

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

The Uniform Prudent Management of Institutional Funds Act, Code of Virginia Section 55-268.1 et. seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long-term and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying a predetermined rate to the twelve-quarter moving average of the market value of each endowment for the period ending on the previous September 30. For fiscal year 2013, the payout percentage was 4 ½ percent. The payout percentage is reviewed and adjusted annually as deemed prudent.

At June 30, 2013, net appreciation of \$449,553 is available to be spent, which is reported in the Statement of Net Position as Restricted for Expendable Scholarship and Fellowships.

NOTE 4: ACCOUNo1(TE)Pest p >>BDC -Ucentrit

NOTE 7: NONCURRENT LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 8) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2013 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
General obligations bonds	\$ 64,038,349	\$ 11,616,443	\$ 14,810,398	\$ 60,844,394	\$ 2,873,338
Revenue bonds	134,807,784	-	8,159,891	126,647,893	8,075,000
Installment purchases	2,233,867	-	315,986	1,917,881	308,772
Capital leases	69,137,724	-	2,102,069	67,035,655	2,394,385
Total long-term debt	<u>270,217,724</u>	<u>11,616,443</u>	<u>25,388,344</u>	<u>256,445,823</u>	<u>13,651,495</u>
Accrued compensated absences	7,487,662	6,608,991	6,551,318	7,545,335	5,501,562
Federal loan program contributions	39,293	87,434	-	126,727	-
Other liabilities	423,500	-	60,500	363,000	60,500
Total long-term liabilities	<u>\$ 278,168,179</u>	<u>\$ 18,312,868</u>	<u>\$ 32,000,162</u>	<u>\$ 264,480,885</u>	<u>\$ 19,213,557</u>

NOTE 8: LONG-TERM DEBT

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

Description	Interest Rates	Maturity	2013
Revenue bonds:			
Classrooms, Series 2004B	3.00% - 5.00%	2017	2,725,000
Classrooms, Series 2004B	3.00% - 5.00%	2020	425,000
Classrooms, Series 2007B	4.00% - 4.25%	2018	797,136
Recreation, Series 2004B	3.00% - 5.00%	2017	3,505,000
Recreation, Series 2004B	3.00% - 5.00%	2020	480,000
Recreation, Series 2007B	4.00% - 4.25%	2018	413,781
Recreation, Series 2007B	4.00% - 4.50%	2020	6,718,256
Recreation, Series 2010B	2.00% - 5.00%	2020	630,000
Recreation, Series 2010B	2.00% - 5.00%	2021	8,465,000
Parking, Series 2003A	2.00% - 5.00%	2024	90,000
Parking, Series 2004A	3.00% - 5.00%	2025	350,000
Parking, Series 2004B	3.00% - 5.00%	2017	1,695,000
Parking, Series 2004B	3.00% - 5.00%	2020	690,000
Parking, Series 2007A	4.50% - 5.00%	2028	7,095,000
Parking, Series 2007B	4.00% - 4.25%	2018	149,083
Parking, Series 2007B	4.00% - 4.50%	2020	2,551,744
Parking, Series 2009A	2.10% - 5.00%	2029	4,750,000
Parking, Series 2010B	2.00% - 5.00%	2020	360,000
Parking, Series 2010B	2.00% - 5.00%	2021	2,595,000
Parking, Series 2010B	2.00% - 5.00%	2020	450,000
Parking, Series 2012 1 Tt -0.003 Tw 3.950(-201a 1[(S)8(0)005 Tw 7094(8)1(1d)0 1(S)7.0802(203(0094(8)1(10)15)6(08%)])			

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>2013</u>
Installment purchases	4.23%	2023	1,917,881
Capital leases	Various	2011-41	<u>67,035,655</u>
Total bond, notes, installment purchases, and leases			<u>248,257,897</u>
Amortize bond premium, general obligation bonds			3,844,461
Amortize bond premium, revenue bonds			8,610,099
Deferred loss on early retirement of debt			<u>(4,266,634)</u>
Total bond, notes, installment purchases, leases, bond premium, and deferred loss			<u><u>\$ 256,445,823</u></u>

Long-term debt matures as follows:

payments over the next ten years by \$745,291 resulting in an economic gain of \$657,103 discounted at the rate of 1.859 percent for General Obligation bonds.

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous and current fiscal years for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University's financial statements. At June 30, 2013, \$37,650,000 of the defeased bonds was outstanding.

C. Assets Purchased Under Capital Leases

At June 30, 2013, assets purchased under capital leases were included in depreciable capital assets in the amount of \$68,466,119. The assets are net of accumulated depreciation.

NOTE 9: EXPENSES BY NATURAL CLASSIFICATIONS

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

	Salaries, Wages, and Fringe Benefits	Non-Personal Services/ Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
-	2,548,935					
Instruction	\$ 123,169,500	\$ 9,827,743	\$ -	\$ 2,602,068	\$ -	\$ 135,599,311
Research	4,750,219	2,534,613	-	488,284	-	7,773,116
Public service	246,961	190,574	-	6,658	-	444,193
Academic support	26,101,316	13,148,538	-	2,879,994	-	42,129,848
Student services	11,187,723	3,113,743	-	49,348	-	14,350,814
Institutional support	23,283,893	3,814,052		1,247,664	-	28,345,609
Operation and maintenance of plant						

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

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

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
<u>Statement of Net Position</u>				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,774,118	\$ 4,012,074	\$ 11,266,354	\$ 26,052,546
Accounts receivable	169,155	3,200,634	16,281,112	19,650,901
Contributions receivable, net	1,281,363	3,941,821	-	5,223,184
Travel advances	-	-	54,789	54,789
Prepaid expenses	38,568	36,781	404,367	479,716

Investments

The Foundations record investments at market except for real estate held for investment, which is recorded at the lower of cost or fair market value.

Summary Schedule of Investments

	Old Dominion Athletic Foundation	Old Dominion University Educational and Real Estate Foundations	Old Dominion University Research Foundation	TOTAL
U.S. treasury and agency securities	\$ 527,336	\$ 4,064,808	\$ 3,347,994	\$ 7,940,138
Common & preferred stocks	703,772	5,828,877	2,783	6,535,432
Mutual and money market funds	9,996,794	82,434,985	525,947	92,957,726
Real estate	-	259,000	-	-6(e)JTJ

Long-Term Liabilities

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

Other Significant Transactions with Old Dominion University

The University has entered into various Deed of Lease Agreements with Old Dominion University Real Estate Foundation. Under the agreements as of June 30, 2013, the University will repay \$66,880,505. At the expiration of the lease terms, the Old Dominion University Real Estate Foundation shall transfer the projects to the University. As such, Fion 44(R)6(5.228(r)-2(o)13(j)-3()-h)-5(on o(i)-5(4on U)5d [(F)2(n)16(9152 Tv)13((f)9((f)-2(er

Court reaffirmed the Circuit Court's ruling. Two property owners appealed the validity of the redevelopment plan with Supreme Court of Virginia. Another property owner missed the deadline to appeal but indicated a desire to do so. In September 2013, the court ruled in favor of one of the property owners. Based on this decision, negotiations with all three property owners began for the return of the property and/or for reimbursement to them for related costs. One settlement finalized in February 2014, one settled in May 2014, and the last one is pending. Amounts for these settlement costs were accrued as of December 31, 2013. Due to the on-going nature of the negotiations, those estimates are not disclosed. The capitalized acquisition costs for all three properties have been written off as of December 31, 2013.

Component Unit Subsequent Event

In February 2013, the Real Estate Foundation extended the line of credit in the amount of \$6,000,000 for the purposes of the 2013, 11(t)-5(h)11(s) [(l)-5(i)-5(n)11(e)-211(f)-4(c)9(r)-4(e)-2(d)116)-5(t) 20,000,000(a)(n w

NOTE 13: RETIREMENT PLANS

A. Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to the plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report (CAFR)*. The Commonwealth, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2013. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled approximately \$6,434,653 for the year ended June 30, 2013. The retirement contribution rate was 8.76% for state employees and 14.80% for Virginia Law Officers' Retirement System (VaLORS) for fiscal year 2013. Contributions to VRS were calculated using the base salary amount of approximately \$72,003,842 for the year ended June 30, 2013. The University's total payroll was approximately \$181,743,405 for the fiscal year ended June 30, 2013.

B. Optional Retirement Plan

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

Individual contracts issued under the plans provide for full immediate vesting of both the University's and employee's contributions. Total pension costs under these plans were approximately \$6,515,700 for the year ended June 30, 2013. Contributions to the optional retirement plans were calculated using the base salary amount of approximately \$65,049,787 for fiscal year 2013.

C. Deferred Compensation

Employees of the Uners3(b)13(1 Tn)2(t)-3(o)r Td [(i)-5 fioyees of te Un19(p)2(an)2(82(n)2(t)-3(b)BDC -1

NOTE 14: POST-EMPLOYMENT BENEFITS

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

NOTE 15: CONTINGENCIES

Grants and Contracts

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2013, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University is a party to various litigations. While the final outcome cannot be determined at this time, management is of the opinion that any ultimate liability to which the University may be exposed, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 16: RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care

Page Left Intentionally Blank

