LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

Audited

For Year Ended June 30, 2015

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2014 – 2015

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LONGWOOD UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

INSTITUTIONAL PROFILE

Longwood, located in Farmville, was founded in 1839 and is one of the oldest colleges in Virginia. It was the first Virginia public institution of higher education for women. In 2002, it officially became Longwood University. As the only four-year public institution in south central Virginia, Longwood serves as a catalyst for regional prosperity and advancement.

Historically, Longwood has been a leader in the education of future teachers. It continues that leadership today while also offering strong programs in liberal arts and sciences, business and in professional and pre-professional programs. Longwood University is a coeducational, comprehensive institution offering more than 100 majors, minors and concentrations to over 5,000 students. Longwood University educates Virginians, with over 95 percent of the student body coming from the Commonwealth, and is a residential campus with over 70 percent of its undergraduate students living in University managed housing.

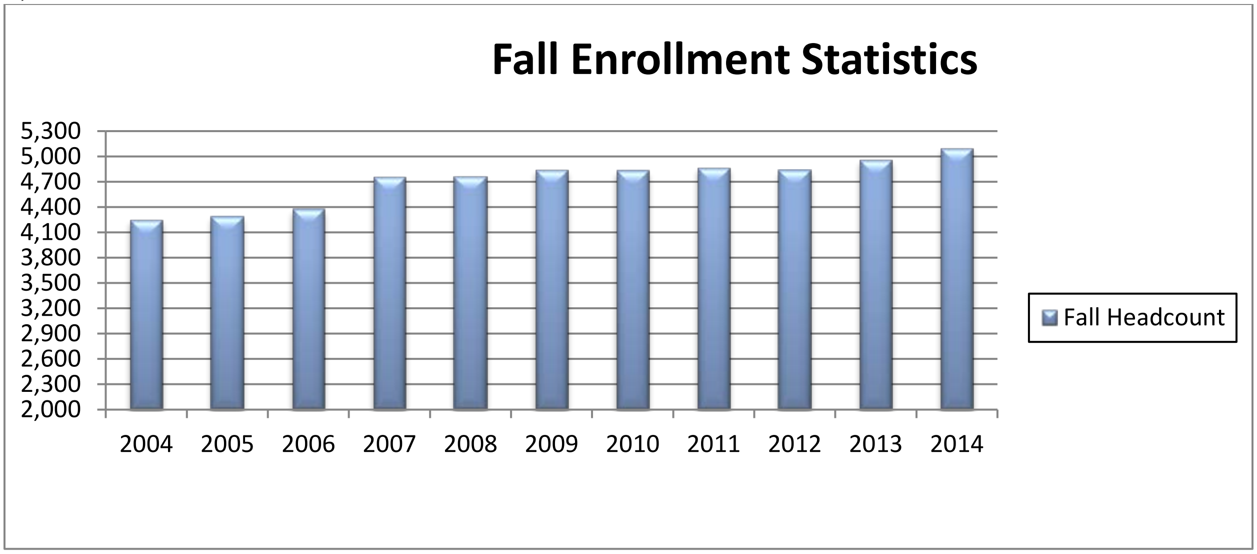
Building upon its strong foundation in the liberal arts and sciences, the University provides an environment in which exceptional teaching fosters student learning, scholarship and achievement. Longwood is dedicated to the development of citizen leaders who are prepared to make positive contributions to the common good of society. The University requires all students, in order to graduate, to participate in an internship related to their major or conduct a significant research project working with a faculty member on a major-related topic. The University prides itself on being a public institution with a "private" feel, its student/faculty ratio of 18 to 1, and the vast educational and social opportunities afforded its students.

Longwood University is for the 17th consecutive year ranked among the best colleges in the annual *U.S. News & World Report* survey. This year's "Best Colleges" report ranks Longwood No. 9 in the Top Public Schools category for Regional Universities in the South. Among all Regional Universities in the South, including private institutions, Longwood is ranked in the top tier at No. 28. Additionally, *The Princeton Review*, an education services company, selected Longwood as one of "Best in the Southeast" in its 2016 *Best Colleges: Region by Region* website feature.

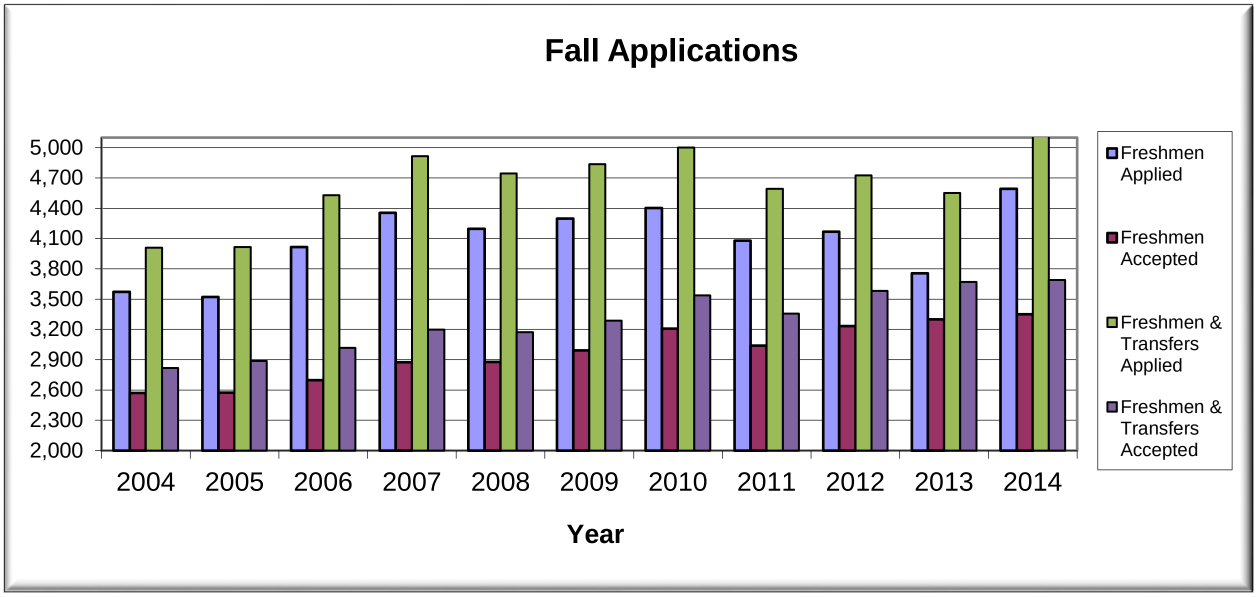
Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Comprehensive Annual Financial Report (CAFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

ENROLLMENT AND ADMISSIONS

A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Headcount enrollment has increased from 4,252 in fall 2004 to 5,096 in fall 2014.



The fall 2014 entering freshmen class remained academically competitive with a grade-point average of 3.41, an average SAT score of 940 - 1080, and an average ACT score of 19 - 23. Total freshman applications increased from 4,167 in fall 2012 to 4,593 in fall 2014.



FINANCIAL OVERVIEW

Management's Discussion and Analysis (MD&A) is a supplement to the University's financial statement designed to assist readers in understanding the financial information presented. This MD&A provides an analysis of the institution's financial position and performance during the fiscal year ended June 30, 2015, with comparative information presented for the fiscal year ended June 30, 2014, where applicable. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service. Net position accumulates only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the accompanying financial statements and notes that follow. The financial statements, notes and this discussion are the responsibility of management. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). GASB principles establish standards for external reporting for public colleges and universities. The University's financial report is comprised of three basic financial statements and related notes. Those statements include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

The University's affiliated foundations are also included in these statements consistent with GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement 14, and GASB Statement 61 *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements 14 and 39. The University has two foundations whose financial information is presented in the statements under the columns titled "Component Unit" and one foundation that is designated as a blended component unit. While affiliated foundations are not under the direct control of the University's Board of Visitors, this presentation provides a more holistic view of resources available to support the University and its mission. The foundations are not part of this MD&A; however, additional detail regarding their financial activities can be found in the **Notes to Financial Statements**. Transactions between the University and these component units have not been eliminated in the financial statements.

Summary of the Change in Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Total operating revenues	$88,851,194	$85,560,302	$3,290,892	3.85%
Total operating expenses	121,621,938	118,326,714	3,295,224	2.78%
Operating (loss)	(32,770,744)	(32,766,412)	-4,332	0.01%
Net nonoperating revenues	32,183,286	32,006,808	176,478	0.55%
Other revenue	9,216,320	13,008,706	-3,792,386	-29.15%
Total decrease	$8,628,862	$12,249,102	-$3,620,240	-29.56%

On a summary basis, operating revenues increased by $3.3 million or 3.8% from fiscal year 2014 to fiscal year 2015. Operating expenses increased $3.2 million or approximately 2.8% from fiscal year 2014 to fiscal year 2015.

The operating loss was offset by $32.0 million in net non-operating revenues and expenses and $9.2 million in other revenues. Net non-operating revenues and expenses consisted of $29.2 million state appropriations, $4.5 million in Pell revenue, $0.3 million in investment revenue and $18,138 in insurance revenue offset by interest on capital asset related debt of $1.9 million and losses on disposal of capital assets of $7,500.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the institution. The difference between total assets and total liabilities is net position, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2015. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, "Net investment in capital assets," depicts the University's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The second "Restricted" category is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third, "Unrestricted" category represents resources available to the University for any lawful purpose of the institution.

Summary of the Statement of Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Assets				
Current assets	$52,994,565	$57,590,756	($4,596,191)	-7.98%
Noncurrent assets:				
Restricted cash and cash equivalents	3,169,292	4,881,698	(1,712,406)	-35.08%
State appropriations	-	42,139	(42,139)	-100.00%
Capital assets, net	229,656,347	224,053,976	5,602,371	2.50%
Other	1,125,038	1,106,448	18,590	1.68%
Total noncurrent assets	233,950,677	230,084,261	3,866,416	1.68%
Total assets	286,945,242	287,675,017	(729,775)	-0.25%
Deferred Outflows of Resources				
Deferral on Debt Defeasance - loss	3,165,777	2,396,878	768,899	32.08%
Deferred outflows of resources (GASB 68)	3,504,892	-	3,504,892	100.00%
Total Deferred Outflows of Resources	6,670,669	2,396,878	4,273,791	178.31%
Liabilities				
Current liabilities	17,790,897	21,960,939	(4,170,042)	-18.99%
Noncurrent liabilities	83,547,741	52,360,295	31,187,446	59.56%
Total liabilities	101,338,638	74,321,234	27,017,404	36.35%
Deferred Inflow of Resources				
Deferral on Debt Defeasance - gain	7,250	14,500	(7,250)	-50.00%
Deferred inflows of resources	6,211,000	-	6,211,000	100.00%
Total Deferred Inflows of Resources	6,218,250	14,500	6,203,750	42784.48%
Net position				
Net investment in capital assets	182,117,222	173,056,475	9,060,747	5.24%
Restricted expendable	1,047,769	1,196,775	(149,006)	-12.45%
Unrestricted	2,894,032	41,482,911	(38,588,879)	-93.02%
Total net position	$186,059,023	$215,736,161	-$29,677,138	-13.76%

Evaluation of Statement of Net Position for Fiscal Years 2014 and 2015

The University's total assets decreased by $0.7 million between fiscal years 2014 and 2015. Current assets decreased $4.6 million primarily due to a decrease in cash and cash equivalents of $2.3 million, and a decrease in unrestricted cash equivalents of $2.6 million. Noncurrent assets increased by $4.0 million primarily due to an increase in capital assets of $5.6 million offset by a decrease in restricted cash and cash equivalents of $1.7 million due to bond reimbursements from SNAP accounts. Construction in progress decreased by $3.3 million, which was a combination of the completion of the University Technology Center (French Renovation) which decreased Construction in Progress and continued renovations in the Blackwell Alumni Center, University Center and Stubbs Renovations all which increased Construction in Progress. Depreciable capital assets increased $18.0 million due primarily to the completion of the University Technology Center (French Renovations). Current liabilities decreased $4.2 million primarily due to a $2.4 million decrease in accounts payable and $2.7 million decrease in obligations under securities lending.

Noncurrent liabilities increased approximately $31.2 million and Unrestricted Net Position decreased approximately $38.3 million which was primarily due to the increased pension liability. Effective fiscal year 2015, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement 68. These reporting changes require the University to record its portion of the pension liabilities and expenses from the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan. Prior to the implementation of GASB 68, VRS did not measure assets and pension benefit obligations separately for individual state institutions. Therefore, for the purpose of the MD&A, fiscal year 2014 comparative numbers have not been restated. As of a result of this change in reporting, the University has recorded its proportionate share of the net pension liability, pension expense, deferred outflows and inflows in the financial statements presented within. Footnote 2 to the financial statements includes the summary of significant accounting policies for pensions. Footnote 17 and the required supplementary information discloses information on the pension plans available to all full-time, salaried permanent employees of Longwood University, along with detail on pension liability and pension expense, and pension contributions by the University.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the operating results as well as the non-operating revenues and expenses of the University. State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University's state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Operating revenues	$ 88,851,194	$ 85,560,302	$ 3,290,892	3.85%
Operating expenses	121,621,938	118,326,714	3,295,224	2.78%
Operating (loss)	(32,770,744)	(32,766,412)	(4,332)	0.01%
Nonoperating revenues/(expenses)				
State appropriations	29,284,509	29,147,075	137,434	0.47%
Pell grant revenue	4,486,617	4,579,553	(92,936)	-2.03%
Other nonoperating revenues and expenses	(1,587,840)	(1,719,820)	131,980	-7.67%
Net nonoperating revenues and expenses	32,183,286	32,006,808	176,478	0.55%
Income/(loss) before other revenues and reductions	(587,458)	(759,604)	172,146	-22.66%
Capital appropriations	7,499,652	12,270,435	(4,770,783)	-38.88%
Other gifts	1,716,668	738,271	978,397	132.53%
Total other revenues	9,216,320	13,008,706	(3,792,386)	-29.15%
Total decrease in net position	8,628,862	12,249,102	(3,620,240)	-29.56%
Net position, beginning of year	177,430,161	203,487,059	(26,056,898)	-12.81%
Net position, end of year	$186,059,023	$215,736,161	($29,677,138)	-13.76%

Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2014 and 2015

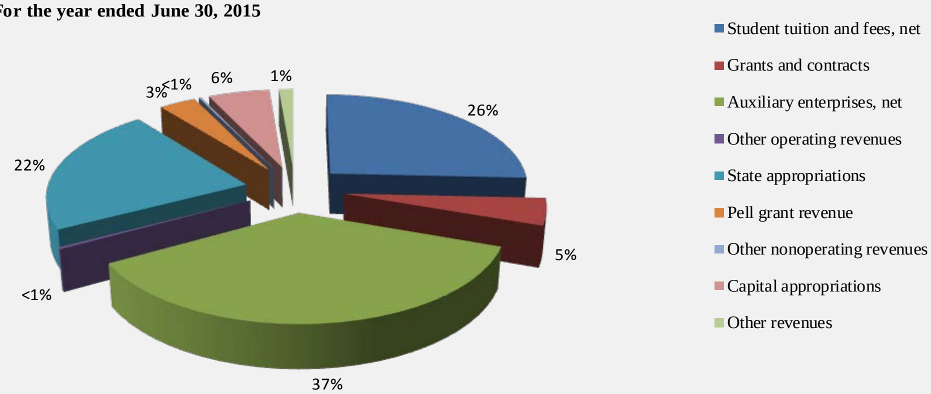
Summary of Revenues

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was an increase of 3.8% totaling $3.2 million from fiscal year 2014 to fiscal year 2015 due to an increase in student tuition and fee charges and enrollment as is evidenced in the previous **Enrollment and Admissions** section.

Total non-operating revenues increased approximately $37,000 due to an increase in state appropriations of approximately $137,434 and a decrease in Pell of $92,936. Other revenues decreased by $3.8 million primarily due to a decrease in capital appropriations.

Summary of Revenues

For the year ended June 30, 2015



Summary of Revenues
For the years ended June 30, 2015 and 2014

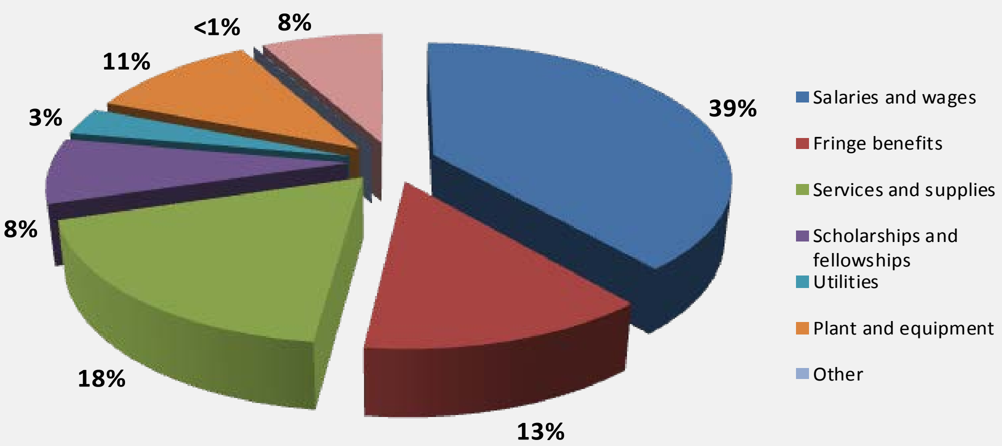
	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Operating revenues:				
Student tuition and fees, net	$34,000,390	$31,406,179	$ 2,594,211	8.26%
Grants and contracts	6,163,747	6,446,454	(282,707)	-4.39%
Auxiliary enterprises, net	48,257,813	47,333,604	924,209	1.95%
Other operating revenues	429,244	374,065	55,179	14.75%
Total operating revenues	88,851,194	85,560,302	3,290,892	3.85%
Nonoperating revenues:				
State appropriations	29,284,509	29,147,075	137,434	0.47%
Pell grant revenue	4,486,617	4,579,553	(92,936)	-2.03%
Other nonoperating revenues	314,321	322,289	(7,968)	-2.47%
Total nonoperating revenues	34,085,447	34,048,917	36,530	0.11%
Other revenues				
Capital appropriations	7,499,652	12,270,435	(4,770,783)	-38.88%
Other revenues	1,716,668	738,271	978,397	132.53%
Total other revenues	9,216,320	13,008,706	(3,792,386)	-29.15%
Total revenues	$132,152,961	$132,617,925	$ (464,964)	-0.35%

Summary of Expenses

A summary of the University's operating expenses for the years ended June 30, 2015 and 2014 is shown below. Overall, total operating expenses increased approximately $3.3 million in fiscal year 2015 compared to the previous fiscal year. This represents a 2.8% increase.

Summary of Operating Expenses by Natural Classification

For the year ended June 30, 2015

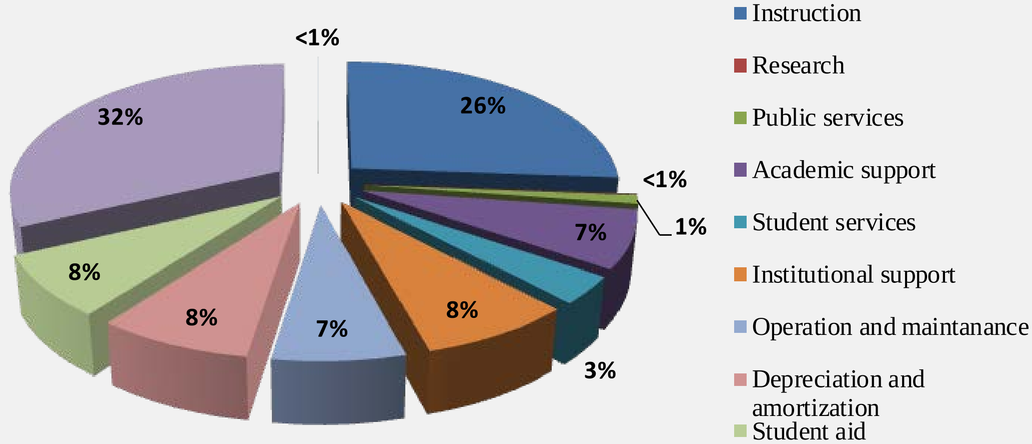


Operating Expenses by Natural Classification
For the years ended June 30, 2015 and 2014

			Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Salaries and wages	$ 46,724,430	$ 45,980,739	$ 743,691	1.6%
Fringe benefits	16,766,165	15,467,483	1,298,682	8.4%
Services and supplies	23,019,162	21,653,406	1,365,756	6.3%
Scholarships and fellowships	9,414,040	9,103,516	310,524	3.4%
Utilities	2,700,746	3,809,813	(1,109,067)	-29.1%
Plant and equipment	13,692,699	12,979,469	713,230	5.5%
Other	26,862	31,730	(4,868)	-15.3%
Depreciation/amortization	9,277,835	9,300,558	(22,723)	-0.2%
Total operating expenses	$ 121,621,938	$ 118,326,714	$ 3,295,224	2.8%

Summary of Operating Expenses by Function

For the year ended June 30, 2015



Operating Expenses by Function
For the years ended June 30, 2015 and 2014

			Increase/(Decrease)	
	2015	**2014**	**Amount**	**Percent**
Operating expenses:				
Instruction	$31,402,205	$ 30,985,884	$ 416,321	1.3%
Research	47,049	66,266	(19,217)	-29.0%
Public services	1,316,810	1,276,062	40,748	3.2%
Academic support	8,563,851	8,506,420	57,431	0.7%
Student services	4,301,737	4,035,502	266,235	6.6%
Institutional support	9,629,662	9,287,167	342,495	3.7%
Operation and maintanance	8,425,991	7,929,442	496,549	6.3%
Depreciation and amortization	9,277,835	9,300,558	(22,723)	-0.2%
Student aid	9,414,040	9,103,516	310,524	3.4%
Auxiliary activities	39,215,896	37,804,167	1,411,729	3.7%
Other operating expenses	26,862	31,730	(4,868)	-15.3%
Total operating expenses	$ 121,621,938	$ 118,326,714	$ 3,295,224	2.8%

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows. The Statement of Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position to the cash used by operating activities.

Condensed Statement of Cash Flows

	2015	**2014**	**Increase/ (Decrease)**
Cash Provided (used) by:			
Operating activities	$ (24,197,936)	$ (23,305,542)	($892,394)
Noncapital financing activities	33,800,185	33,859,465	(59,280)
Capital financing activities	(13,937,611)	(13,472,406)	(465,205)
Investing activities	296,182	322,289	(26,107)
Net increase/(decrease) in cash	(4,039,180)	(2,596,194)	(1,442,986)
Cash - Beginning of year	52,069,037	54,665,231	(2,596,194)
Cash - End of year	$48,029,857	$52,069,037	($4,039,180)

Evaluation of Statement of Cash Flows for Fiscal Years 2014 and 2015

For fiscal year 2015, significant sources of operating cash include student tuition and fees of $34.1 million, auxiliary enterprise receipts of $48.2 million, and grants and contracts of $6.3 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $63.8 million and payments to suppliers and utilities of $26.0 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $29.3 million.

Capital and Debt Activities

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 7 of the **Notes to Financial Statements** describes the University's significant investment in capital assets. During fiscal year 2015, total capital assets net of depreciation increased by $5,602,371 is due primarily to the completion of the University Technology Center.

Note 10 of the Notes to Financial Statements notes that Long-term debt decreased from $54,164,758 in 2014, to $50,907,730 in 2015 as a result of debt payments made during the fiscal year. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 5.1 percent at the end of fiscal year 2014 and 5.2 percent at the end of fiscal year 2015. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

Longwood University is one of the 100 oldest colleges and universities in the nation, and the third-oldest public university in Virginia, following the College of William & Mary and the University of Virginia. Founded in 1839, Longwood is dedicated to the development of citizen leaders who are prepared to make positive contributions to the common good of society. Longwood University was selected by the Commission on Presidential Debates to host the 2016 Vice Presidential Debate which will occur on October 4, 2016.

As one of Virginia's public higher education institutions, Longwood is dependent upon ongoing financial and political support from the Commonwealth. The University's economic outlook is tied to various factors, including our ability to recruit and retain students, our State funding (in the form of both operating and capital construction appropriations), and our ability to raise revenue through tuition and fees, grants and contracts, and private funds. A review of the economic factors significant to the State of Virginia may be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

The *Virginia Higher Education Opportunity Act* passed in 2011 bears witness to Virginia's commitment to higher education. However, demands on the State budget and constrained revenues continue to put pressure on State general fund support. Consequently, the original FY 2015 budget provided level funding for public higher education. *Virginia Higher Education Opportunity Act* legislation evidences the importance of State goals specific to accessibility and increased enrollments, as well as restructuring initiatives. Longwood will continue to examine the impacts of recommendations made by the Higher Education Advisory Committee. Programs and strategies specific to objectives outlined in the Act are documented within the University's Six-Year Plan.

In his address to the Joint Money Committees of the General Assembly on August 15, 2014, Governor McAuliffe announced a $346 million budget shortfall in FY 2015. Virginia's FY 2014 general fund revenue collections were down from FY 2013, and fell behind the State's revenue forecast. This marks the first time that Virginia revenues have declined outside of a national recession. As a result, state agencies, including higher education institutions, were required to submit plans for cutting 5 percent in the first year of the budget and 7 percent in the second year of the budget. Fortunately for Longwood, our required reduction for FY 2015 was approximately 2.2 percent, which will be addressed with savings resulting from position vacancies. The University's required reduction for FY 2016 is not known at this time.

The need to recruit and retain quality students during this period of rising costs and difficult economic conditions is a concern. While the Commonwealth affords Boards of Visitors the authority to establish tuition and fee rates, significant emphasis has been placed on slowing the rate of tuition increases for Virginia undergraduate students. Longwood continues to be sensitive to the issue of affordability and accessibility. In-state undergraduate tuition and mandatory fees for the coming academic year were increased by just 2.1 percent. The University has placed significant focus on both increasing enrollment and student retention. Longwood's enrollment has been steady, and nongeneral fund revenues have increased as a result of tuition and fee rate increases, as well as our enrollment and retention efforts. Additionally, gifts and commitments made to the Longwood University Foundation continue to be strong, affording increases in student scholarship awards and support for various academic programming.

Longwood University is committed to delivering its students exceptional educational and social opportunities, and will continue to employ business process improvements and efficiencies in an effort to contain costs, to enhance or develop alternative revenue streams, to examine opportunities to reallocate funding, and to invest in strategic initiatives. Long-term planning is critical to ensuring that the University not only protects its core academic programs, but also invests strategically in the future. The new planning and budgeting process that was piloted in FY 2013 continues to be utilized by the University.

Management believes that Longwood has and will maintain a solid financial foundation. Increases in the University's net assets are indicative of the sound and prudent use of financial resources. The University is responsive to the rapidly changing higher education environment. It will continue to closely monitor its resources to ensure its ability to react to both internal and external factors that impact the institution's financial position, and to embrace innovation and flexibility in its pursuit of institutional goals.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET POSITION
As of June 30, 2015

Assets	Longwood University	Component Unit Longwood University Foundation, Inc.	Component Unit Longwood University Real Estate Foundation
Current assets:			
Cash and cash equivalents (Note 3)	$ 44,860,565	$ 5,673,444	$ 749,227
Securities Lending - Cash and cash equivalents (Note 3)	1,641,678	-	-
Short-term investments (Note 3)	59,419	23,909,999	-
Accounts receivable, net of allowance for doubtful accounts o	1,711,564	-	290,737
Notes receivable	135,160	-	1,840
Contributions receivable, net (Note 23)	-	727,436	-
Due from Foundation (Note 5)	159,583	-	-
Due from the Commonwealth (Note 6)	775,872	-	-
Inventory	594,414	-	-
Prepaid expenses	3,056,310	8,993	44,582
Total current assets	$ 52,994,565	$ 30,319,872	$ 1,086,386
Noncurrent assets:			
Restricted cash and cash equivalents (Note 3)	3,169,292	509,490	-
Restricted Investments	-	36,098,374	4,834,232
Other non-current assets	-	108,011	914,950
Notes receivable, net (Note 4)	1,125,038	-	-
Contributions receivable, net (Note 23)	-	2,746,083	-
Non-depreciable capital assets, net (Note 7)	36,573,869	5,994,490	10,026,974
Depreciable capital assets, net (Note 7)	193,082,478	1,127,991	76,177,124
Total noncurrent assets	233,950,677	46,584,439	91,953,280
Total assets	$ 286,945,242	$ 76,904,311	$ 93,039,666
Deferred Outflow of Resources			
Deferral on Debt Defeasance - loss	3,165,777	-	-
Deferred outflows of resources - GASB 68	3,504,892	-	-
Total Deferred Outflows of Resources	6,670,669	-	-
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (Note 9)	7,520,715	204,092	1,073,346
Line of Credit	-	-	3,795,156
Unearned revenue	2,398,026	-	-
Obligations under securities lending	1,701,097	-	-
Deposits held in custody for others	600,010	-	-
Long-term liabilities - current portion (Note 10)	5,352,461	56,620	595,654
Total current liabilities	17,572,309	260,712	5,464,156
Noncurrent liabilities (Note 10)	83,766,329	1,199,350	103,817,214
Total liabilities	$ 101,338,638	$ 1,460,062	$ 109,281,370
Deferred Inflow of Resources			
Deferral on Debt Defeasance - gain	7,250	-	-
Deferred inflows - GASB 68	6,211,000	-	-
Total Deferred Inflows of Resources	$ 6,218,250	-	-
Net Position			
Net Investment in Capital Assets	182,117,222	7,122,482	(8,343,881)
Restricted:	-	-	-
Nonexpendable:	-	-	-
Permanently restricted	-	36,410,616	-
Expendable:	-	-	-
Loans	99,981	-	-
Temporarily restricted	-	23,235,412	-
Other	947,788	-	-
Unrestricted	2,894,032	8,675,739	(7,897,823)
Total net position	$ 186,059,023	$ 75,444,249	$ (16,241,704)

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

Longwood University
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

	Longwood University	Component Unit Longwood University Foundation	Component Unit Longwood University Real Estate Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $3,508,335	$ 34,000,390	$ -	$ -
Gifts and contributions	-	1,969,879	-
Federal grants and contracts	1,808,434	-	-
State grants and contracts	661,969	-	-
Nongovernmental grants and contracts	3,693,344	-	-
Auxiliary enterprises, net of scholarship allowances of $4,517,168	48,257,813	-	-
Other operating revenues	429,244	91,420	10,203,064
Total operating revenues	88,851,194	2,061,299	10,203,064
Operating expenses (Note 16)			
Instruction	31,402,205	-	-
Research	47,049	-	-
Public service	1,316,810	63,587	-
Academic support	8,563,851	568,677	-
Student services	4,301,737	54,573	-
Institutional support	9,629,662	1,223,137	1,140,069
Operation and maintenance - Plant	8,425,991	2,652,550	2,882,719
Depreciation	9,153,972	-	3,630,037
Amortization	123,863	-	29,055
Student aid	9,414,040	1,429,455	-
Auxiliary activities	39,215,896	294,988	-
Administrative and fundraising	-	-	-
Other expenditures	26,862	-	74,565
Total operating expenses	121,621,938	6,286,967	7,756,445
Operating gain (loss)	(32,770,744)	(4,225,668)	2,446,619
Nonoperating revenues (expenses):			
State appropriations (Note 15)	29,284,509	-	-
Pell Grant Revenue	4,486,617	-	-
Insurance Revenue	18,138	-	-
Investment revenue (loss)	296,182	2,016,020	-
Interest on Capital Asset-Related Debt	(1,894,660)	-	(4,019,908)
Unrealized gain on swap	-	-	(2,838,465)
Increase in split interest agreements	-	-	-
Decrease in split interest agreements	-	(91,306)	-
Realized gain on investments	-	-	-
Unrealized loss on investments	-	-	-
Loss on disposal/sale of plant assets	(7,500)	7,000	20,049
Net nonoperating revenues	32,183,286	1,931,714	(6,838,324)
Income before other revenues, expenses, gains or lo	(587,458)	(2,293,954)	(4,391,705)
Contributions to permanent endowments	-	955,446	-
Contributions to term endowments	-	1,243,897	-
Capital appropriations	7,499,652	-	-
Other Gifts	1,716,668	491,657	-
Net other revenues	9,216,320	2,691,000	-
Increase (decrease) in net position	8,628,862	397,046	(4,391,705)
Net position - Beginning of year (Note 1)	177,430,161	75,047,203	(11,849,999)
Net position - End of year	$ 186,059,023	$ 75,444,249	$ (16,241,704)

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

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Student tuition and fees	$ 34,127,711
Grants and contracts	6,305,425
Auxiliary enterprises	48,202,711
Payments to employees	(63,778,424)
Payments to suppliers and utilities	(26,020,646)
Payments for operation and maintenance of facilities	(13,912,998)
Payments for scholarships and fellowships	(9,414,040)
Collection of loans to students	(109,244)
Other operating receipts	428,431
Payments for other expenses	(26,862)
Net cash provided (used) by operating activities	(24,197,936)
Cash flows from noncapital financing activities:	
State appropriations	29,284,509
Other non-operating	4,486,617
Change in agency balances	29,059
Net cash provided (used) by noncapital financing activities	33,800,185
Cash flows from capital and related financing activities:	
Capital appropriations	8,197,860
Capital grants and contributions	1,713,310
Proceeds from Capital Debt	233,242
Acquisition and construction of capital assets	(17,993,849)
Principal paid on capital debt, leases, and installments	(3,796,996)
Insurance Payments	18,138
Interest paid on capital debt, leases, and installments	(2,309,316)
Net cash provided (used) by capital financing activities	(13,937,611)
Cash flows from investing activities:	
Investment/interest revenue	296,182
Net cash provided (used) by investing activities	296,182
Net increase in cash	(4,039,180)
Cash and cash equivalents - Beginning of the year	52,069,037
Cash and cash equivalents - End of the year	$ 48,029,857

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

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

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

Operating (loss)	$ (32,770,744)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	9,277,835
Changes in assets, liabilities, and deferred outflows:	
Receivables, net	(52,863)
Inventory	(189,550)
Prepaid expenses	(714,226)
Notes receivable, net	(109,244)
Accounts payable and accrued expenses	555,661
Deferred revenue	269,698
Pension Obligation	(495,892)
Accrued compensated absences	31,389
Net cash provided (used) by operating activities	$ (24,197,936)

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

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NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2015

1. REPORTING ENTITY

Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, 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.

The University has three component units as defined by the Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14, *The Financial Reporting Entity*. These organizations are described in Note 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

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.

<u>Cash and Cash Equivalents</u>

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting*, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity date of three months or less.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, 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 non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Prepaid Expenses

Prepaid expenses of the University include such items as insurance premiums, membership dues, and registrations for next fiscal year that were paid in advance, as well as publications, subscriptions, and contracts which include initial and renewal annual subscriptions that continue into the next fiscal year.

Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method.

Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at cost or fair market value at date of donation. Library materials are valued at actual cost and average cost at time of donation. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing $5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing $25,000 or more and other intangibles costing $100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than $100,000. Normal repairs and maintenance are expensed in the year in which the expense is incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The estimated useful life of Library materials is 10 years. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years; all other intangibles vary based on type and expected useful life.

Non-current 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 non-current assets are classified as non-current assets in the Statement of Net Position.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employment Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held with VRS are reported at fair value.

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The university is required under this guidance to include *Management's Discussion and Analysis*, and basic financial statements, including notes, in its financial statement presentation.

The following GASB statements of standards became effective in fiscal year 2015: Statement 68, *Accounting and Financial Reporting for Pensions – an* *amendment of Statement 27*, Statement 69, *Government Combinations and Disposals of Government Operations*, and Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of Statement 6*8. Statement 68 improves information provided by state and local governments whose employees are provided pensions. Statement 68 requires government employers that sponsor defined benefit plans to recognize a net pension liability (unfunded accrued liability) in their statement of net position. Longwood University recognized its proportionate share of the Virginia Retirement System's net pension liability in the amount of $35,104,000 for the fiscal year ending June 30, 2015. Additionally, Statement 68 resulted in a net reduction in the unrestricted net position of $38,306,000. Statement 68 also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to pensions. Pension expense is now based on the net pension liability change between reporting dates, with some sources of the changes recognized immediately in expense and others amortized over years. Statement 71 amends Statement 68 to allow the reporting government to recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year when it is not practical to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. Longwood University recognized deferred outflows of $3,504,892 and deferred inflows of $6,211,000 for the Virginia Retirement System's Defined Contribution pension plan for the fiscal year ending June 30, 2015. Additionally Statement 68 mandates an extensive footnote disclosure as well as required Supplementary Information. See Note 17 for additional pension information. Statement 69 establishes accounting and financial reporting standards related to government combination and disposals of government operations. Longwood University had no activities that would be reportable under the conditions in this statement.

<u>Recently Adopted Accounting Pronouncements</u>

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, an amendment of GASB Statement 68. The provisions of this Statement was required to be applied simultaneously with the provisions of Statement 68; and therefore, effective for the University's fiscal year beginning July 1, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 for the University.

Unearned Revenue

Unearned revenue primarily includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the period after June 30, 2015.

	2015
Student tuition and related fees	$ 2,251,867
Auxiliary enterprise fees	146,159
Total	$ 2,398,026

Accrued Compensated Absences

The amount of leave earned but not taken by classified salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, all unused vacation leave, overtime leave, compensatory leave, and the amount payable upon termination under the Commonwealth of Virginia's 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 financial assistance programs including Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Perkins Loans, and Direct Lending. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Compliance Supplement.
Under the Federal Direct Lending Program, the University receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loans and disburses these funds to eligible students. The Direct Lending programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position.*

Net Position

The University's net position is classified as follows:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

- **Restricted net position, expendable –** Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The University's restricted net position is expendable.

- **Restricted net position, nonexpendable –** Nonexpendable restricted net position is comprised of endowment and similar types where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.

- **Unrestricted net position –** Unrestricted net position represents resources derived primarily from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources, and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

Income Taxes

The University, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating 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 and interest income.

Non-operating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. 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 students' behalf. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating 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.

Long-Term Liabilities

Bond premiums are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premiums. The amortization of bond premiums are reported as debt service expenditures. The debt as shown in the Statement of Net Position is divided between current and non-current liabilities (see Note 10). The Statement of Revenues, Expenses, and Changes in Net Position reflects the interest expense which is recognized as a non-operating expense when paid.

Beginning Balance Adjustment

The university's beginning net position, as of July 1, 2014 has been adjusted. The adjustment is due to the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Prior year balances were not restated for GASB Statement 68; only the beginning balances for fiscal year 2015 were adjusted. The adjustment is as follows:

Net Position, July 1, 2014	$215,736,161
University portion of VRS Net Pension Liability (NPL) as of June 30, 2013	(40,501,000)
University contributions made to VRS plans during fiscal year 2014	2,195,000
Adjusted net position, July 1, 2014	$177,430,161

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. In accordance with GASB Statement 9 definition of cash and cash equivalents, cash represents cash with the Treasurer, cash on hand, and cash deposits including certificates of deposits, and temporary investments with original maturities of three months or less.

At June 30, 2015, the carrying amount of cash with the Treasurer of Virginia was $44,283,629. The carrying amount of cash not held by the Treasurer of Virginia is $2,122,444. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2015, in the amount of $2,199,852 adjusted for reconciling items such as: outstanding checks and deposits in transit. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Investments

The majority of University funds is held by the Treasurer of Virginia and, therefore, is not invested by the University. Local funds held by the University are available for investment, per the Board of Visitors approved investment policy. In fiscal year 2015, local funds were not invested. Rather, they were held in a governmental checking account.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2015, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP) and the Local Government Investment Pool (LGIP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2015, the carrying amount of the cash equivalents held in the SNAP program with the Bank of New York was $1,623,590 and with the Treasurer of Virginia was $194.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

Securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Position, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains and losses are realized, the actual gains and losses are recorded by the affected agencies.

Securities Lending Balances as of June 30, 2015:

Unrestricted cash equivalents	$1,641,678
Short term investment	59,419
Total Securities Lending	$1,701,097

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015:

Student tuition and fees	$ 1,229,476
Library	1,764
Auxiliary enterprises	483,455
Federal, state, and nongovernmental grants and contracts	146,128
Total	$ 1,860,823
Less: Allowance for doubtful accounts	(149,259)
Net accounts receivable	$ 1,711,564

Notes Receivable consisted of the following at June 30, 2015:

Current portion:	
Federal student loans	$ 135,160
Non-current portion:	
Federal student loans	1,217,906
Less allowance for doubtful accounts	(92,868)
Net non-current notes receivable	$ 1,125,038

5. DUE FROM FOUNDATIONS

Due from foundation consisted of the following at June 30, 2015:

Longwood University Foundation	$ 59,583
Longwood University Trust	100,000
	$159,583

6. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2015, funding has been provided to the University from two programs: 21st Century bond program and Equipment Trust Fund program (ETF). Both the 21st Century bond and Equipment Trust Fund programs are managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the university and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2015, in the "Capital Appropriations" line item for equipment and facilities obtained with funding under these two programs.

<u>Capital Appropriations</u>

VCBA 21st Century Program	$6,938,730
VCBA ETF Program	560,922
	$7,499,652

The line item, "Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2015, represents pending reimbursements from the follow programs:

21st Century Bonds	$758,586
ETF	17,286
Total Due from Commonwealth of Virginia	$775,872

7. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2015, is presented as follows:

	Beginning Balance 6/30/2014	Additions	Reductions	Ending Balance 6/30/2015
Non-Depreciable Capital Assets				
Land	$5,125,564			$5,125,564
CIP	34,786,423	17,247,952	(20,586,070)	31,448,305
Total Non-Depreciable Capital Assets	39,911,987	17,247,952	(20,586,070)	36,573,869
Depreciable Capital Assets				
Buildings	230,058,363	17,331,022	-	247,389,385
Equipment	19,060,683	456,959	(150,000)	19,367,642
Infrastructure	44,006,723	-	-	44,006,723
Library Materials	11,015,740	437,843	(120,042)	11,333,541
Software Projects	6,439,847	-	-	6,439,847
Total Depreciable Capital Assets, Cost	310,581,356	18,225,824	(270,042)	328,537,138
Accumulated Depreciation				
Buildings	72,258,820	5,974,755	-	78,233,575
Equipment	11,921,843	1,587,888	(142,500)	13,367,231
Infrastructure	27,639,956	1,127,872	-	28,767,828
Library Materials	8,544,151	463,457	(120,042)	8,887,566
Software Projects	6,074,597	123,863	-	6,198,460
Total Accumulated Depreciation	126,439,367	9,277,835	(262,542)	135,454,660
Depreciable Capital Assets, Net	184,141,989	8,947,989	(7,500)	193,082,478
All Capital Assets, Net	$224,053,976	$26,195,941	($20,593,570)	$229,656,347

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2015, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$1,498,652
Deferred loss - VCBA Pooled Bonds/Notes Payable Refundings	1,667,125
Deferred Pension Liability	3,504,892
Total deferred outflows of resources:	$6,670,669

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2015:

Employee salaries, wages, and fringe benefits payable	$4,018,851
Vendors and suppliers accounts payable	2,706,231
Retainage payable	281,120
Interest payable	514,513
Total accounts payable and accrued expenses	$7,520,715

10. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 11), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2015, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	$ 17,417,591	$ 3,873,492	$ 5,592,991	$ 15,698,092	$ 1,753,417
Unamortized Premium	1,946,007	740,904	255,067	2,431,844	297,148
	19,363,598	4,614,396	5,848,058	18,129,936	2,050,565
VCBA Pooled Bonds	31,810,000	7,305,000	10,005,000	29,110,000	2,310,000
Unamortized Premium	2,753,098	1,079,430	368,791	3,463,737	405,612
	34,563,098	8,384,430	10,373,791	32,573,737	2,715,612
Installment Purchases	238,062	-	34,005	204,057	45,098
Total Long Term Debt	54,164,758	12,998,826	16,255,854	50,907,730	4,811,275
Accrued Compensated Absences	1,691,727	950,964	919,575	1,723,116	541,186
Federal Loan Program Contribution	1,383,944			1,383,944	
Pension Liability	-	35,104,000		35,104,000	-
Total Long Term Liabilities	$ 57,240,429	$ 49,053,790	$ 17,175,429	$ 89,118,790	$ 5,352,461

11. LONG-TERM INDEBTEDNESS

9(c) General Obligation Bonds Payable

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

General Obligation Bonds payable at June 30, 2015, consist of the following:

	Interest Rates	Maturity	Amount
Residence hall:			
Renovate housing facilities, 2006-B 1	4.00 - 5.00%	2026	270,000
Renovate housing facilities, 2007-B 1	4.00 - 5.00%	2027	575,000
Renovate housing facilities, 2008-B 1	4.00 - 5.00%	2028	615,000
2005 Refunded Portion Fac. Renovations, 2009, D 1	4.00 - 5.00%	2022	1,340,000
2006 Refunded Portion Fac. Renovations, 2009, D 2	4.00 - 5.00%	2022	1,655,000
2012 Housing Facilities Ren - 2005 Ref Portion, 2012, A 2	4.00 - 5.00%	2024	544,804
2013 Housing Facilities Ren - 2005A Ref Portion, 2013, B 1	3.00 - 5.00%	2025	471,682
2013 Housing Facilities Ren - 2006B Ref Portion, 2013, B 2	4.00 - 5.00%	2026	1,851,882
2013 Ren Cox Hall - 2007B Ref Portion, 2013, B 3	4.00 - 5.00%	2025	2,460,583
2014 B 1 99 Ref of Residence hall improvements, 2004-B Ref	4.00 - 5.00%	2019	773,427
2015 B 1 Renovate Cox Hall - 2007B Ref Portion	4.00 - 5.00%	2027	1,088,762
2015 B 2 Renovate Cox Hall - 2008B Ref Portion	4.00 - 5.00%	2028	2,784,730
Dining hall:			
Dining hall, series 2012-A 1	4.00 - 5.00%	2016	821,692
2014 B 2 99 Ref of Dining Hall - 2004B Ref Portion	4.00 - 5.00%	2019	445,532
Total bonds payable			$ 15,698,094

A summary of future principal requirements of long-term debt for General Obligation bonds payable as of June 30, 2015 follows:

Year ending June 30	**Principal**	**Interest**
2016	$ 1,753,417	$ 737,991
2017	1,360,515	654,766
2018	1,424,030	586,740
2019	1,485,572	518,518
2020	1,114,263	446,489
2021-2025	6,356,714	1,392,049
2026-2030	2,203,582	177,789
Total	$ 15,698,094	$ 4,514,342
Add: Unamortized Premium	2,431,842	
Total	$ 18,129,936	
Less: Deferred Loss	(895,652)	
Add: Gain on Refunding	7,250	
	$ 17,241,534	

VCBA Pooled Bonds Payable

The University received Virginia College Building Authority loans to cover construction expenses. These notes are due as shown below:

Virginia College Building Authority:

Notes payable:

	Interest Rates	Maturity	Amount
Soccer fields, Lancer gym, and Blackwell, Fitness center 2005-A	3.00 - 5.00%	9/2025	560,000
Fitness center, Blackwell, and heating plant III, Baseball/softball 2006-A	3.00 - 5.00%	9/2026	2,225,000
Lacrosse/field hockey complex, baseball/ softball, heating plant phase II & III 2007-A	3.00 - 5.00%	9/2027	2,030,000
Fitness center and parking garage 2007-B	3.00 - 5.00%	9/2022	1,565,000
Athletic offices, heating plant phase III Student union 2009-A	3.00 - 5.00%	9/2028	2,840,000
Fitness Center and parking garage 2010-B	3.00 - 5.00%	9/2022	2,265,000
Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating Plant II 2012-A	3.00 - 5.00%	9/2025	10,320,000
Soccer fields, Lancer gym, Baseball/softball Blackwell, and heating plant phase II & III 2014B	3.00 - 5.00%	9/2028	7,305,000
			29,110,000

A summary of future principal requirements of VCBA Pooled Bonds Payable as of June 30, 2015, follows:

Year ending June 30	Principal	Interest
2016	$2,310,000	$1,304,306
2017	2,390,000	1,192,694
2018	2,495,000	1,076,875
2019	2,595,000	954,500
2020	2,425,000	832,819
2021-2025	12,800,000	2,258,169
2026-2030	4,095,000	221,369
Total	29,110,000	$7,840,732
Less: Deferred Loss	(1,240,965)	
Add: Unamortized Premium	3,463,736	
Total	$31,332,771	

12. DEFERRED INFLOWS OF RESOURCES

The composition of deferred inflows of resources at June 30, 2015 is summarized as follows:

Deferred gain - 9(c) General Obligation Bonds Refundings	$7,250
Deferred Pension	6,211,000
Total deferred inflows of resources:	$6,218,250

13. COMMITMENTS

Construction Contracts

As of June 30, 2015, outstanding commitments for capital outlay projects totaled approximately $6,478,187.

Operating Leases

The University is committed under various operating lease agreements primarily for buildings and equipment. Rental expense for the fiscal year ended June 30, 2015, was $1,171,323. The University has, as of June 30, 2015, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2016	$975,432
2017	716,412
2018	509,465
2019	177,587
2020	72,228
2021 - 2025	302,388
Total	$2,753,512

Installment Purchase Agreements

The University has entered into an installment purchase contract to finance the acquisition of software and equipment. The remaining length of the purchase agreement is one year. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2016	$ 45,096
2017	45,096
2018	31,596
2019	31,596
2020	39,582
2021 - 2025	11,091
Total	$ 204,057

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $10,299,071 pursuant to a support agreement related to student housing (Lancer Park, Longwood Landings, Longwood Village, and North Campus). The University was also contractually committed to payments totaling $168,925 relative to an energy performance contract. The University has, as of June 30, 2015, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2016	$ 9,006,778
2017	1,318,942
2018	13,948
2019	14,380
2020	14,827
2021	15,287
2022	15,761
2023 - 2029	68,073
Total	$ 10,467,996

14. LONG-TERM DEBT DEFEASANCE

On May 6, 2015 the Commonwealth, on behalf of the University, issued $3,873,492 in General Obligation bonds, Series 2015-B with a true interest cost (TIC) of 2.263734% to advance refund $4,050,000 of outstanding Series 2007-B and 2008-B. The bonds were issued to provide funds to provide debt service savings for the Commonwealth. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The defeasance will reduce the University's total debt service payments for these bonds by $316,006 over the next fourteen years.

On October 22, 2014 the VCBA sold $186,035,000 in Educational Facilities Revenue Bonds, Series 2014-B with rates of 3% to 5% to refund Series 2005-A, 2006-A and 2007-A bonds. The University issued $7,785,000 in notes payable for its share of the refunding. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The defeasance will reduce the University's total debt service payments for these bonds by $749,273 over the next fourteen years.

In addition to the bond series noted above, certain Higher Education Bonds were defeased by the University in prior years. As with the 2015-B Higher Education Bonds noted above, the net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. As of June 30, 2015, $22,949,602 of the defeased bonds are outstanding.

15. STATE APPROPRIATIONS

During the year ended June 30, 2015, the following changes were made to the University's original operating appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 665.

Original Appropriation:	
Educational and General Programs	$25,085,661
Student Financial Assistance	4,182,842
Supplemental Adjustments:	
Central Fund Adjustments	29,105
Carryforward	20
VIVA	8,001
SVRTC	58,905
Military Survivors	30,600
2-Year Transfer Grant	55,397
HEETF Payment	(54,746)
Capital Out-of-State Fee	(111,276)
Adjusted Appropriations	$ 29,284,509

16. 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 and Wages	Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Utilities	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	$ 21,776,933	$ 6,760,434	$ 2,047,240	$ -	$ 646	$ 816,952	$ -	$ -	$ 31,402,205
Research	15,402	8,522	13,029	-	-	10,096	-	-	47,049
Public service	880,589	262,329	151,236	-	1,667	20,989	-	-	1,316,81
Academic support	4,183,125	1,407,643	1,123,865	-	2,036	1,847,182	-	-	8,563,851
Student services	2,527,051	1,067,889	649,446	-	-	57,351	-	-	4,301,737
Student aid	-	-	-	9,414,040	-	-	-	-	9,414,040
Institutional Support	4,831,839	2,590,437	1,294,931	-	40	912,415	-	-	9,629,662
Operation & Maintenance of Plant	2,689,444	1,563,066	2,360,646	-	1,178,139	634,696	-	-	8,425,991
Depreciation	-	-	-	-	-	-	-	9,153,972	9,153,972
Amortization	-	-	-	-	-	-	-	123,863	123,863
Auxiliary activities	9,820,047	3,105,845	15,378,769	-	1,518,218	9,393,018	-	-	39,215,896
Other Expenses	-	-	-	-	-	-	26,862	-	26,862
Total	$ 46,724,430	$ 16,766,165	$ 23,019,162	$ 9,414,040	$ 2,700,746	$ 13,692,699	$ 26,862	$ 9,277,835	$ 121,621,93

17. PENSION PLAN

PLAN DESCRIPTION

All full-time, salaried permanent employees of state institutions are automatically covered by the VRS State Employee Retirement Plan (SERP) or the VaLORS Retirement Plan upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program described in Note 18. These plans are single-employer plans treated as cost-sharing plans for financial reporting purposes. They are administered by the Virginia Retirement System (VRS, or the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid, and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are discussed below.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who are eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2, were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State Employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia law Officer's Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contribution that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined

		contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** Defined Benefit Component: See definition under Plan 1. Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS**: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 of Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65 **VaLORS:** Age 60	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Define Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not Applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increases (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1, after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1 **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./After that on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2015 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan and 17.67% of covered employee compensation for employees in the VaLORS Retirement Plan. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2015. Contributions from Longwood University to the VRS State Employee Retirement Plan were $2,937,326 and $2,081,007 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions from Longwood University to the VaLORS Retirement Plan were $89,566 and $75,728 for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, Longwood University reported a liability of $33,984,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,120,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Longwood University's proportion of the Net Pension Liability was based on Longwood University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, Longwood University's proportion of the VRS State Employee Retirement Plan was .61% as compared to .60% at June 30, 2013. At June 30, 2014, Longwood University's proportion of the VaLORS Retirement Plan was .17% as compared to .17% at June 30, 2013.

For the year ended June 30, 2015, Longwood University recognized pension expense of $2,440,000 for the VRS State Employee Retirement Plan and $91,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, Longwood University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERP		VaLORS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	-	-	-	-
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,066,000	-	116,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	478,000	-	-	29,000
Employer contributions subsequent to the measurement date	2,937,326	-	89,566	-
Total	$3,415,326	$6,066,000	$89,566	$145,000

A total of $3,026,892 ($2,937,326 for SERP and $89,566 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Longwood University's contributions subsequent to the measurement date will be reorganized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reorganized in pension expenses as follows:

Year ended June 30	SERP	VaLORS	Total
2016	(1,350,000)	(40,000)	(1,390,000)
2017	(1,350,000)	(40,000)	(1,390,000)
2018	(1,370,000)	(36,000)	(1,406,000)
2019	(1,518,000)	(29,000)	(1,547,000)

SERP Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement - RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

VaLORS Actuarial Assumptions

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement - RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 5 years and females were set back 3 years.

Post-Retirement - RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement - RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2014, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	SERP	VaLORS
Total pension liability	$21,766,933	$1,824,577
Plan fiduciary net position	16,168,535	1,150,450
Employers' net pension liability (asset)	$5,598,398	$674,127
Plan fiduciary net position as a percentage of the total pension liability	74.28%	63.05%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Avergage Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by Longwood University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the state agency's proportionate share of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00)	Current Discount Rate (7.00)	1.00% Increase (8.00)
Longwood University's proportionate share of the SERP net pension liability	49,783,000	33,984,000	20,736,000
Longwood University's proportionate share of the VaLORS net pension liability	1,530,000	1,120,000	782,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18. OTHER POST RETIREMENT BENEFITS

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in two optional retirement plans, which include: Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Fidelity. These are defined contribution plans where retirement benefits received are based upon employer and employee contributions plus interest and dividends. Total contributions to employees who became members prior to July 1, 2010, were 10.4 percent (employer paid). Total contributions to employees who became members on or after July 1, 2010, were 13.5 percent (8.5 percent employer paid and 5 percent employee paid).

Individual contracts issued under the plan provide for full and immediate vesting of both the University and the participant's contributions. Total pension costs under these plans were approximately $1,621,165 for the year ended June 30, 2015. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $16,506,519.

Deferred Compensation

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 $201,251 for the fiscal year ended June 30, 2015.

19. 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 employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service. Information relating to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

20. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2015, Longwood University estimates that no material liabilities will result from such audits.

21. RISK MANAGEMENT

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 and workers' compensation plans are 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 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 of Virginia's Comprehensive Annual Financial Report.

22. PENDING LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

23. COMPONENT UNITS

The Financial reporting entity is defined by GASB Statement 14, *The Financial Reporting Entity*, and GASB Statement 39, *Determining Whether Certain Organizations are Component Units*. The reporting entity consists of the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion could cause the financial statements to be misleading or incomplete. These statements address the conditions under which institutions should include associated fund-raising foundations as component units in their basic financial statements and how such component units should be displayed in the basic financial statements.

The University has three component units as defined by GASB Statement 39. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the

University. Two of the component units, Longwood University Foundation, Inc. and Longwood Real Estate Foundation are included in the body of the financial statements as discrete component units and the Longwood University Trust, Inc. will be included as a blended component unit. The Longwood University Trust financial statements are audited by Elliott Davis.

The Longwood University Foundation assists the University in raising, investing, and distributing funds to support various University operating and endowment programs. The thirty-two 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 the resources, or income from the resources, that 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 benefits of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

The Longwood University Foundation's financial statements include the accounts of the Foundation and its supporting organizations, the Duvahl Ridgeway Hull and Andrew W. Hull Charitable Foundation and the Hull Springs Farm Foundation. The Foundation receives 85% of the Hull Foundation's net income. The Hull Foundation includes two charitable remainder trusts and other investments. The Foundation's financial statements are audited by Cherry Bekaert, LLP. Complete financial statements can be obtained from the Longwood University Foundation at 201 High Street, Farmville, Virginia 23909.

The Longwood Real Estate Foundation is operated to receive, maintain, and administer assets in perpetuity exclusively for charitable and educational purposes and assists the University in real property acquisition, management, and maintenance. The Foundation's Board of Directors consists of nine members; six directors appointed by the Longwood University Board of Visitors and three ex-officio directors consisting of the University Vice President for Administration and Finance, the University's Real Property Manager, and the Vice President for Facilities Management. The University does not control the day-to-day activities of the Real Estate Foundation; however, the majority of Real Estate Foundation activity is for the benefit of the University.

The Longwood University Real Estate Foundation's financial statements include the accounts of the Real Estate Foundation and its wholly owned subsidiaries, Longwood Housing Foundation, LLC, Longwood Woodland Pond Housing Foundation, LLC, Longwood Woodland Pond Development Foundation, LLC, and Longwood North Campus Housing Foundation, LLC (collectively, the "Foundation"). The Real Estate Foundation's financial statements are audited by Elliott Davis, LLC. Complete financial statements can be obtained from the Longwood University Real Estate Foundation at 315 West Third Street, Farmville, VA 23901.

The Longwood University Trust, Inc. (the Trust) began operations during the year ended June 30, 2014. The Trust is also a legally separate organization, and its purpose is to support the educational and charitable purposes of the University. The initial three member board of the Trust consists of the President of the University, Vice President for Administration and Finance of the University, and the Rector of the University's Board of Visitors. Because of the nature of its relationship with the University, under GASB Statement 39 standards, the Longwood University Trust, Inc. is considered part of the reporting entity and will be presented in the University's financial statements as a blended component unit. Due to the timing of its formation, the activity of the Longwood University Trust, Inc. was not included in the University's financial statements for fiscal year 2015.

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Investments of the Longwood Foundation

Investments and the beneficial interest in the perpetual trust portfolio are comprised of the following at June 30, 2015:

	2015	
	Cost	Market Value
Cash and cash equivalents	$ 6,182,934	$ 6,182,934
Investments:		
Government bonds, corporate obligations, and fixed income securities	3,408,226	3,408,416
Corporate stocks and mutual funds	692,073	939,458
Limited partnership	42,429,432	53,370,930
Total investments	46,529,731	57,718,804
Beneficial interest in perpetual trust:	2,074,741	2,289,569
Total	$ 54,787,406	$ 66,191,307

Cash and cash equivalents includes operating cash of $4,913,484 as of June 30, 2015.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the year ended June 30, 2015 was $566,787.

In April 2010, the Longwood University Foundation became a partner in the Richmond Fund, LP, a Virginia limited partnership (the "Fund") managed by Spider Management Company, LLC, a Virginia limited liability company and wholly-owned subsidiary of the University of Richmond. The Fund is only available to tax-exempt organizations described in section 501(c) of the Internal Revenue Code to which contributions may be made that are deductible under Code section 170 and are "accredited investors" within the meaning set forth in Rule 501 (a) of Regulation D under the Securities Act of 1933, as amended.

The Fund's investment objective is to provide steady gains during market upswings through a diverse array of public/private and domestic/international investments, while preserving capital during market downturns. The Fund is invested as if it is part of the endowment of the University of Richmond, and the time weighted returns for the Fund and the University of Richmond are blended on a quarterly basis. The assets of the Fund, when combined with the University of Richmond's endowment assets on a pro forma basis, will be invested in accordance with the University of Richmond's Investment Policy Statement. The Longwood University Foundation's initial investment in the Fund on July 1, 2010 is subject to an initial five-year lockup period and certain withdrawal restrictions.

At June 30, 2015, the Fund consisted of 26 partners and the Foundation's interest in the Fund represents 3.33% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

The Longwood University Foundation has estimated the fair value of the investment in the Fund on the basis of the net asset value ("NAV") per share of the Fund (or its equivalent), as a practical expedient, because a) the underlying investment manager's calculation of the NAV is fair value based, and b) the NAV has been calculated as of the Foundation's fiscal year end date. The Longwood University Foundation believes that the stated value of the investment in the Fund is a reasonable estimate of fair value as of June 30, 2015, however, due to the absence of quoted market prices and the significance of unobservable inputs in determining the value of its partnership capital account, this investment is classified as Level 3 within the fair value hierarchy.

Longwood University Foundation Beneficial Interest in Perpetual Trust

The Longwood University Foundation is the beneficiary of the annual income earned from the Nellie Ward Nance Trust (the "Nance Trust") held by Wells Fargo Bank, N.A. The assets of the Nance Trust are neither in the possession nor under the control of the Foundation.

At June 30, 2015, the fair market value of the Nance Trust was $2,289,568, which is recorded in the Longwood University Foundation's consolidated statement of financial position. Income and unrealized gains on the Nance Trust for the year ended June 30, 2015, were $110,631 and ($107,536), respectively.

Longwood University Real Estate Foundation Restricted Deposits and Funded Reserves

In accordance with bond agreements, the Longwood University Real Estate Foundation has the following restricted deposits and funded reserves which are held by a Trustee:

Debt service reserve account	$3,000,000
Repair and replacement account	1,218,735
General fund	615,497
	$4,834,232

B. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Longwood University Foundation contributions receivable consisted of the following at June 30, 2015:

		2015
Cash pledges expected to be collected in:		
	Less than one year	$ 849,133
	One year to five years	370,178
	Over five years	5,232,563
		6,451,874
Less:		
	Discount to present value at 5%	(2,978,355)
	Total	$ 3,473,519

The use of funds from contributions receivable have been restricted by donors for future use as follows:

Temporarily Restricted	$ 2,060,548
Permanently Restricted	1,412,971
Total	$ 3,473,519

At June 30, 2015, the Foundation had received bequests and other intentions to give of approximately $7,160,291. These intentions to give are conditional and, therefore, are not recognized as assets. If they are received, they will generally be restricted for specific purposes as stipulated by the donors.

The Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

C. CAPITAL ASSETS

Longwood University Foundation

Land	$ 1,286,854
Longwood Center for Visual Arts Collection	4,472,146
Buildings	1,441,071
Property and Equipment	34,762
Vehicles	145,520
Total cost of capital assets	7,380,353
Less: accumulated depreciation	(493,361)
Total capital assets, net	$ 6,886,992

Longwood University Real Estate Foundation

Land	$ 9,001,473
Land Improvements	10,760,835
Buildings	75,612,867
Condominium units	1,590,946
Furniture and Equipment	3,667,530
Leasehold Improvements	603,369
Construction in progress	1,025,501
Total cost of capital assets	102,262,521
Less: accumulated depreciation	(16,058,423)
Total capital assets, net	$ 86,204,098

Interest expense capitalized was $0 for 2014.

D. LONG-TERM INDEBTEDNESS

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2014:

Variable Rate Educational Facilities Revenue Refunding Bonds, Series 2012B, total principal payments of $2,650,000 over a 4-year term with a balloon payment for the reamining principal due at maturity on August 31, 2017. The interest rate is equal to 1.50% plus 70% of LIBOR (1.61% at December 31, 2013).	$ 38,935,000
Fixed Rate Educational Facilities Revenue Bonds, Series 2012A, total principal payments of $1,180,000 over a three year term with a balloon payment for the remaining principal due at maturity on August 31, 2017, with a rate of 2.94%.	44,660,000
Deed of trust promissory note, 3.50%, due in monthly payments of principal and interest of $11,651, maturing December 30, 2016. Collateralized by the Woodland Ponds Condominium units and land.	1,789,112
Deed of trust note payable, 4.85%, due in monthly payments of principal and interst of $13,311, maturing July 28, 2028. Collateralized by the property known as the Lumber Yard.	1,580,490
Deed of trust note payable, 4.24%, due in monthly payments of principal and interest of $22,273, maturing July 28, 2033. Collateralized by the building at 315 West Third Street.	3,446,253
Deed of trust note payable, 4.24%, due in monthly payments of principal and interest of $7,410, maturing August 1, 2018. Collateralized by equipment at 315 West Third Street,	301,853
Deed of trust note payable, 4,75%, due in monthly payments of principal and interest of $2,880, maturing October 30, 2017. Collateralized by the property known as the Funeral Home.	504,499
Deed of trust note payable, 4,75%, due in monthly payments of principal and interest of $3,022, maturing September 8, 2017. Collateralized by the property known as the 100 Madison Street.	524,434
Deed of trust note payable, 7.09 %, due in monthly payments of principal and interest of $5,074, maturing February 7, 2032. Collateralized by the property known as the Old Tobacco Warehouse.	530,231
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00% (4.00% December 31, 2014), due in monthly principal payments of $5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	750,000
Uncollateralized promissory note payable, 30-day LIBOR plus 2.00% (2.16% December 31, 2013), due in monthly principal payments of $10,717, with a balloon payment for the remaining principal due at maturity on September 28, 2018.	1,136,019
	94,157,891
Less - current portion	(595,654)
	$ 93,562,237

During 2012, the Longwood University Real Estate Foundation received financing through the issuance of Educational Facilities Variable and Fixed Rate Demand Revenue and Refunding Bonds Series 2012A and 2012B and through the Industrial Development Authority of the Town of Farmville. The Series 2012A bonds were issued in the amount of $45,000,000 to finance the acquisition, construction, and equipping of student housing for the Longwood North Campus Student Housing Project. The Series 2012B bonds were issued in the amount of $40,400,000 to refund $41,855,000 in Educational Facilities Variable Rate Demand Revenue Bonds, Series 2007 and to finance the acquisition, construction, and equipping of student housing and a pedestrian bridge between the student housing and the Longwood University campus. The loan agreement is collateralized by a deed of trust which grants the credit institution a first priority lien on and a security interest in the property and equipment collateralized. The Series 2012A and 2012B bonds mature on August 31, 2017.

The Series 2012A and 2012B bonds are cross-collateralized under the debt agreement, thereby constituting both bonds to default if either of the bond obligations is defaulted against. Upon default of either bond, the Purchaser (the Bank) may at its option declare the entire principal balances and all accrued interest to be due and payable on demand.

The bond agreements require the establishment and maintenance of several reserve accounts for the collecting, holding and disbursement of funds related to the issuance of the bonds, payment of project costs, collection of project revenue, and repayment of principal and interest. The Foundation is required to deposit into the repair and replacement reserve account an amount equal to $150 per bed unit each year. By submitting a requisition to the Trustee, the Foundation may request withdrawals from this fund at any time, and there is no minimum balance requirement. These accounts are disclosed in Note 4 of the Longwood University Real Estate Foundation, LLC footnotes.

Under the bond agreement, the University will rent units in the projects only to students, faculty, and other persons under the same rental program it uses for its own student housing facilities. The agreement requires preferential treatments in that the University must assign all of its students in need of housing first to the Longwood Student Housing Projects, until 95% of the units in the Longwood Student Housing Projects have been filled.

The bond series is subject to a management agreement between the University and the Real Estate Foundation. The agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents (referred to as Project Revenue) and providing all personnel resident advisory and education staffing. The University will be responsible for all maintenance. The Real Estate Foundation will be required to furnish housekeeping, janitorial, utilities, and insurance.

The University will be charged with maintaining a Project Revenue account. Such funds are to be held by the University solely on behalf of the Real Estate Foundation and are not to be commingled with general University funds. These funds are to be used to pay the expenses of the University related to the projects as well as any principal or interest payments on the bonds as directed by the Real Estate Foundation.

The management agreements are effective for a five year period beginning at the settlement date of the bonds. Thereafter, they can be renewed for successive five year terms, unless terminated by either party.

Under the bonds, the Real Estate Foundation is required to meet certain debt coverage ratios. As of December 31, 2014, the Real Estate Foundation's management was not aware of any violations of compliance with the requirements of the loan agreements.

Maturities under long-term debt are as follows:

2015	$595,654
2016	2,744,774
2017	2,860,162
2018	986,423
2019	1,141,909
Thereafter	112,843,968
Total	$ 121,172,890

The Real Estate Foundation executed a fixed-to-floating interest rate swap agreement in order to reduce its exposure to interest rate risk in connection with the variable rate bonds. The agreement requires fixed rate payments of 4.065% on a notional amount that approximates the outstanding principal of the bonds. The swap agreement expires September 1, 2036, covering the life of the bonds. The agreement is recorded at fair value which was unfavorable to the organization in the amount of $10,254,977 at December 31, 2014. The swap is revalued each year and the change in value is reported in the consolidated statements of activities as a change in net position. The interest rate swap agreement was settled on May 28, 2015, by payoff of $10,301,000, upon the refunding of the Series 2012A and 2012B bonds with Series 2015 bonds.

Longwood University Real Estate Foundation Line of Credit

The Real Estate Foundation has an uncollateralized revolving line of credit with a bank in the amount of $4,000,000. This line is used to acquire, develop, improve, and operate real estate assets located in and around the Town of Farmville, including real estate which has been identified by the University as land or land improvements that fall within its Master Plan. Interest is charged at the Wall Street Journal Prime Rate plus 0.50%, with a floor of 4.00% (4.00% at December 31, 2014). Interest only payments are due monthly and principal is due upon expiration of the line on April 19, 2015. The outstanding balance on this line was $2,931,987 as of December 31, 2014. The Real Estate Foundation is required to meet certain debt coverage ratios under this line. As of December 31, 2014, the Real Estate Foundation's management was not aware of any violations of compliance with the requirements of the loan agreement.

In 2014, the Real Estate Foundation entered into an additional uncollateralized revolving line of credit with a bank in the amount of $900,000. Subsequent to year-end, the line of credit was increased to $1,400,000. Advances under the line are used for the purpose of financing the planning, design and pre-construction work of a student housing project known as "ARC Quad, Phase I." The line bears interest at a rate equal to the BBA LIBOR rate plus 2.00% (2.16% at December 31, 2014). The interest rate will be adjusted on the first day of every month and remain fixed until the next adjustment date. Interest only payments are due monthly and principal is due upon expiration of the line on May 28, 2015. The outstanding balance on the line was $863,169 at December 31, 2014.

E. COMMITMENTS

Longwood University Foundation Operating Lease

In November 1998, the Longwood University Foundation entered into an operating lease agreement for certain real estate for a term of six years. The Longwood University Foundation leased the real estate to the University for the same lease term. At June 30, 2004, an option to purchase the property for $555,000 was exercised by the Longwood University Foundation. The Longwood University Foundation continues to lease the property to the University on a month-to-month basis, with $20,000 of rental income recognized in the year ended June 30, 2015.

Longwood University Foundation Capital Lease Obligation

On July 1, 2009, the Foundation entered into a capital lease agreement with Longwood University Real Estate Foundation (the "Real Estate Foundation") to lease a storage building. The lease expired June 30, 2014, at which time the

Longwood University Foundation exercised its option to purchase the property for $1. The lease provides for a current annual rental payment of $17,000 plus interest of 7.10%.

The payment terms described above are consistent with the payment terms of a note payable between the Real Estate Foundation and a local bank. Prior to the execution of the capital lease agreement, the Board of Directors of the Longwood University Foundation agreed to original payment terms which included interest at 4.75%. As a result of the change in the final interest rate, the Real Estate Foundation agreed to refund the Longwood University Foundation the difference in the annual rental payment between interest at 7.10% and 4.75%. The refund of $1,112 each year is netted against administrative and general expenses in the Longwood University Foundation's consolidated statement of activities.

The total cost of depreciable property held under the capital lease obligation was $0 at June 30, 2015. Accumulated depreciation on such property was $0 at June 30, 2015.

Longwood University Foundation – Other Commitments

As of June 30, 2015, the Longwood University Foundation has a standby letter of credit agreement with a local bank in the amount of $700,000. This letter of credit, which is set to expire on August 24, 2015, was issued in favor of the Virginia Department of Environmental Quality as required in connection with the Hull Springs Farm wetland mitigation bank program.

Longwood University Real Estate Foundation - Longwood Landings

The Longwood University Real Estate Foundation owns property known as Longwood Landings at Mid-Town Square (Longwood Landings). The property combines student housing and commercial space in a series of four buildings together with associated parking and improvements. The Real Estate Foundation owns the student housing on the property together with the associated parking and improvements. The first floor commercial space is owned by the developer of the property. The ownership of the property is in the form of a commercial condominium, whereby the Real Estate Foundation owns the top three floors of each building while the developer retains ownership of the first floor of each building. The Real Estate Foundation is a member in the Midtown Square Condominium Association, Inc. (Association). As a unit holder in the Association, the Real Estate Foundation pays association dues that are used to pay common costs of the property. Dues of $45,121 were paid to the Association during 2014.

The Real Estate Foundation leases commercial space from the Association which is then subleased to the University for use as the University bookstore. The lease requires additional rent defined as the tenant's proportionate share of the operating costs, insurance, taxes, and other charges. The initial term of the lease is for six years, with two ten year optional renewal periods. The commencement date of the lease was August 1, 2011. Total amount paid by the Real Estate Foundation for the University under the sublease was $185,036 during 2014.

The Real Estate Foundation also leases commercial space from the Association for use as a student commons area. The lease requires additional rent defined as the tenant's proportionate share of the operating costs, insurance, taxes, and other charges. The initial term of the lease is for 10 years, expiring August 2016, with two 10-year renewal option terms. The amount paid by the Real Estate Foundation under the lease was $95,157 during 2014.

The future minimum rental payments required under these leases are as follows:

2015	238,813
2016	184,686
2017	108,983
	$532,482

Longwood University Real Estate Foundation – Leasing Activities

The Real Estate Foundation leases office space, storage, bed space, and parking lots to the University and the Longwood University Foundation under multiple non-cancelable operating leases with terms of one to ten years. These leases are separate from student housing project agreements. The following is a schedule by year of future minimum rental payments to be received under the leases at December 31, 2013:

2015	$703,837
2016	676,579
2017	595,125
2018	398,858
2019	70,828
	$2,445,227

Longwood University Real Estate Foundation – Lancer Park Athletic Fields

On May 22, 2008, the Longwood University Real Estate Foundation entered a ground lease with Longwood University Foundation, Inc. for land that is adjacent to the lancer park housing project for development and use as athletic fields, ancillary facilities, and recreation facilities for the University. The ground lease is for a term of 50 years, with options for five additional five year terms. No rent was due during the construction phase which ended July 1, 2009. Thereafter, rent is $10 per year. All improvements to the property remain the property of the Longwood University Real Estate Foundation until termination of the lease, at which time all improvements shall become the property of Longwood University Foundation, Inc.

Under the lease, the Longwood University Real Estate Foundation agreed to develop the property and make the property available for the University pursuant to the terms of the management agreement that was executed on the same day. The management agreement between the Longwood University Real Estate Foundation and the University appoints the University as manager of the project. The term of the management agreement is 50 years, or termination of the ground lease.

Longwood University Real Estate Foundation – Woodland Pond Condominiums

The Longwood University Real Estate Foundation owns property known as Woodland Pond Condominiums which consists of units that are held as available for sale or lease to the faculty of the Longwood University and 10 acres of undeveloped land. The Longwood University Real Estate Foundation has no intent on holding the properties for sale but utilizes the units as a recruiting mechanism in obtaining new faculty for which the faculty can determine whether to buy or rent the units.

When units are sold to faculty, the sales agreements for these properties are structured as seller financed non-negotiable wrap-around purchase money notes. The notes bear interest at 6%, are amortized over a 30-year period, and are payable in monthly installments with a final balloon payment due at maturity three years after closing. At December 31, 2014, the Longwood University Real Estate Foundation held two of these notes and they are classified as notes receivable on the Longwood University Real Estate Foundation's consolidated statements of financial position. The notes are collateralized by a wrap-around purchase money second deed of trust. The seller financing, interest, and second deed of trust are subordinate to the first deed of trust, lien, and security interests under the $2 million promissory note used to finance the Longwood University Real Estate Foundation's purchase of the property.

Under a special warranty deed, the Longwood University Real Estate Foundation has a first right of refusal to repurchase the units under bona fide arm's length terms and conditions. This deed also includes a reserved right to receive 50% of the net proceeds of any bona fide sale of the property to any third party for consideration in excess of the purchase price paid by the faculty member.

F. RELATED PARTY

Longwood University Real Estate Foundation

The Longwood University Real Estate Foundation receives substantially all rent from the University for office space, storage, bed space and parking lots. Outstanding receivables for rent from the University at December 31, 2014 were $257,588.

The Real Estate Foundation pays the University fees under management agreements related to facilities covered by tax-exempt bond issuances. These fees are based on costs to manage the specific properties. Total management fees paid for 2014 were $599,560. In addition, the Real Estate Foundation reimburses the University for operational costs paid directly by the University related to the housing projects. At December 31, 2014, the Real Estate Foundation had a payable to the University of $266,740, which is included in accounts payable and accrued expenses on the Real Estate Foundation's consolidated statement of financial position.

During 2013, the Real Estate Foundation sold the property known as 507 Pine Street to the University at a total purchase price of $151,962. The date of settlement was February 8, 2013.

Longwood University Foundation

The Foundation received contribution revenue from Board members in the amount of $136,297 for the year ending June 30, 2015. The amount of contributions receivable due from the Board members totaled $126,695 at June 30, 2015.

In conjunction with its mission to support the activities and operations of Longwood University, the Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets (including property) leased to the University was $2,342,253 for June 30, 2015 including land in the consolidated statements of financial position.

For the year ended June 30, 2015, the Foundation recognized $220,715 of in-kind contributions and fundraising expenses for services provided from Longwood University personnel that directly benefited the Foundation.

24. SUBSEQUENT EVENTS

On December 3, 2015, the Virginia College Building Authority (VCBA) issued bonds which the University received $1,225,000 from Educational Facilities Revenue Refunding Bonds, Series 2015B. The University will use the proceeds from the series to refund certain prior VCBA Bonds.

On December 3, 2015, the VCBA issued bonds which the University received a principal amount of $22,975,000, from the Educational Facilities Revenue Bonds Series A, Pooled Bond Program. The University will use the proceeds to construct a 84,000 square feet University Center on campus. Payment on the notes will be made semi-annually with an interest rate ranging from 3.0 to 5.0 percent. The final payment will be in fiscal year 2046.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Virginia State employee Retirement Plan and Virginia Law Officers Retirement Plan

Schedule of Longwood University's Employer Contributions
For the year ended June 30

	2015	
	SERP	VaLORS
Contractually required contribution	$2,937,326	$89,566
Contributions in relation to contractually required contribution	$2,937,326	$89,566
Contribution deficiency (excess)	-	-
Covered-employee payroll	$24,194,427	$506,879
Contributions as a percentage of covered-employee payroll	12.14%	17.67%

Schedule of Longwood University's Share of Net Pension Liability
For the year ended June 30

	2015	
	SERP	VaLORS
Proportion of net pension liability	0.61%	0.17%
Proportionate share of net pension liability	$33,984,000	$1,120,000
Covered-employee payroll	$24,148,561	$511,674
Proportionate share of net pension liability as a percentage of covered-employee payroll	140.73%	218.89%
Plan fiduciary net position as a percentage of total pension liability	74.28%	63.05%

Notes to Required Supplementary Information

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the system after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal. The following changes in actuarial assumptions were made for the retirement plans effective June 30, 2013 based on the most recent experience study of the system for the four-year period ending June 30, 2012:

VRS - State Employee Retirement Plan (SERP)

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

VaLORS Retirement Plan

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 27, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Longwood University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Longwood University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of Longwood University, which are discussed in Note 23 – Component Units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of Longwood University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of Longwood University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of Longwood University as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Longwood University implemented Governmental Accounting Standards Board's (GASB) Statements No. 68 and No. 71, related to pension accounting and financial reporting for employers. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 15, the Schedule of Employer's Share of the Net Pension Liability on page 74, Schedule of Employer Contributions on page 74, and the Notes to Required Supplementary Information on page 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2016, on our consideration of Longwood University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Longwood University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

JRQ/alh

LONGWOOD UNIVERSITY

Farmville, Virginia

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