LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2017

AUDITED

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2016 – 2017

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LONGWOOD UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

INSTITUTIONAL PROFILE

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, 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. Longwood University was selected by the Commission on Presidential Debates to host the 2016 Vice Presidential Debate which occurred on October 4, 2016. On this date, the eyes of the world were on Longwood University for the lone Vice Presidential Debate of the 2016 General Election and it was an unqualified success for the University.

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 close to 70 percent of its undergraduate students living in University managed housing.

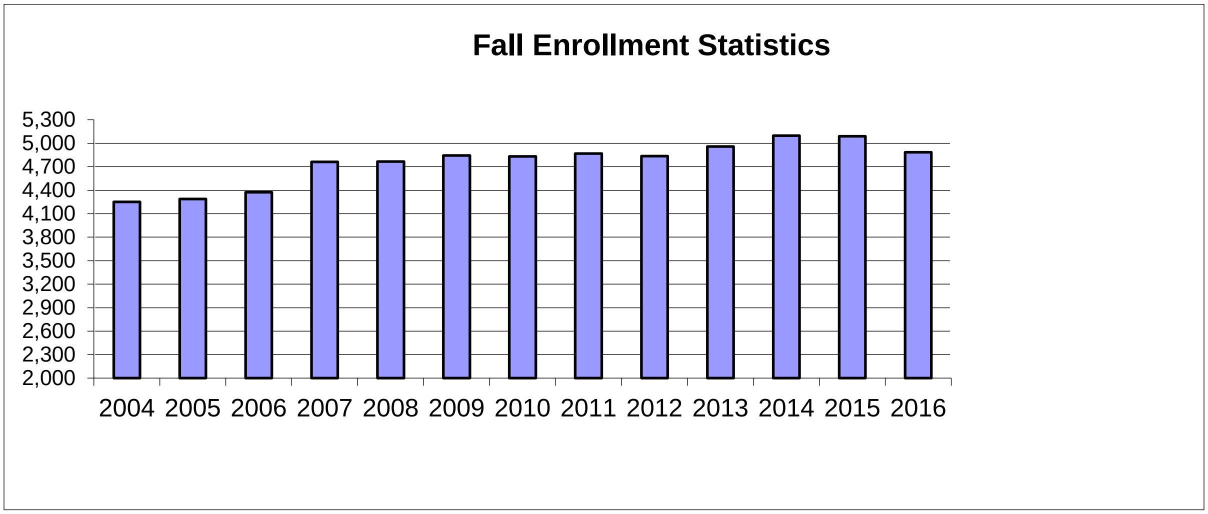
Building upon its strong foundation in the liberal arts and sciences, the University provides an environment in which exceptional teaching fosters student learning, scholarship and achievement. Longwood is dedicated to the development of citizen leaders who are prepared to make positive contributions 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 16 to 1, and the vast educational and social opportunities afforded its students.

Longwood is rising in national prominence, with increased application numbers and graduation rates among the factors helping to fuel a jump in two important new national rankings. In the *U.S. News & World Report* rankings issued September 2017, Longwood improved to the ninth-best public university in the magazine's Southern regional universities category and, for the first time, placed in the top 30 overall in that category. In just three years, Longwood has climbed six spots in those overall rankings—an unusual feat considering institutions typically move no more than one spot in either direction in a given year. Among public regional institutions, Longwood improved one slot from last year, and has jumped from No. 12 to No. 9 since 2014.

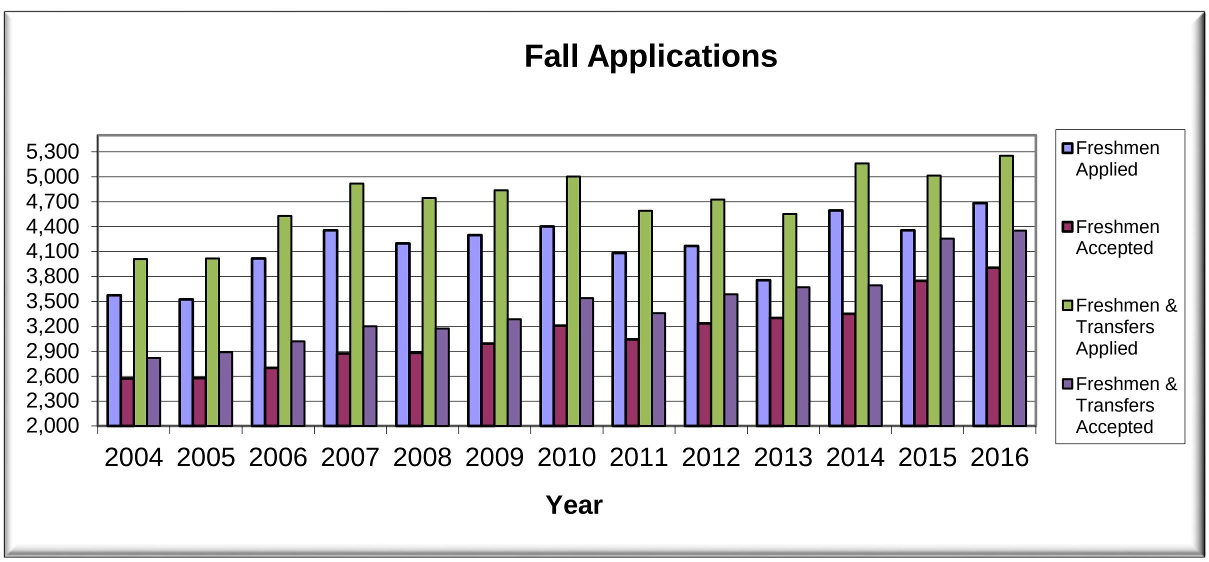
Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Comprehensive Annual Financial Report (CAFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

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 4,885 in fall 2016. Longwood did experience a decrease from 5,087 in fall 2015 to 4,885 in fall 2016.



The fall 2016 entering freshmen class remained academically competitive with a grade-point average of 3.42, an average SAT score of 890 - 1060, and an average ACT score of 18 - 23. Total freshman applications increased from 4,167 in fall 2012 to 4,683 in fall 2016.



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, 2017, with comparative information presented for the fiscal year ended June 30, 2016, 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". 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)	
	2017	2016	Amount	Percent
Total operating revenues	$83,657,597	$90,080,995	($6,423,398)	(7.13%)
Total operating expenses	138,247,134	131,949,062	6,298,072	4.77%
Operating (loss)	(54,589,537)	(41,868,067)	(12,721,470)	30.38%
Net nonoperating revenues & expenses	35,784,718	33,240,045	2,544,673	7.66%
Other revenue	10,293,808	11,200,026	(906,218)	(8.09%)

On a summary basis, operating revenues decreased by $6.4 million or 7.1% from fiscal year 2016 to fiscal year 2017. Operating expenses increased $6.3 million or approximately 4.8% from fiscal year 2016 to fiscal year 2017.

The operating loss was offset by $35.8 million in net non-operating revenues and expenses and $10.3 million in other revenues. Net non-operating revenues and expenses consisted of $32.3 million state appropriations, $4.3 million in Pell revenue, $0.3 million in investment revenue and $1.0 million in other revenue offset by interest on capital asset related debt of $1.5 million, losses on disposal of capital assets of $450,244 and $326,500 of other expenses.

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, 2017. 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)	
	2017	**2016**	**Amount**	**Percent**
Assets				
Current assets	$27,663,806	$46,422,107	($18,758,301)	(40.41%)
Noncurrent assets:				
Restricted cash and cash equivalents	19,322,100	25,333,619	(6,011,519)	(23.73%)
Restricted Appropriations Available	5,449,095	5,549,420	(100,325)	(1.81%)
Capital assets, net	242,239,219	227,981,105	14,258,114	6.25%
Other	897,928	1,114,125	(216,197)	(19.41%)
Total noncurrent assets	267,908,342	259,978,269	7,930,073	3.05%
Total assets	295,572,148	306,400,376	(10,828,228)	(3.53%)
Deferred Outflows of Resources				
Deferral on Debt Defeasance - loss	2,826,192	3,038,655	(212,463)	(6.99%)
Deferred outflows of resources (GASB 68)	6,703,784	4,421,616	2,282,168	51.61%
Total Deferred Outflows of Resources	9,529,976	7,460,271	2,069,705	27.74%
Liabilities				
Current liabilities	20,037,187	16,462,253	3,574,934	21.72%
Noncurrent liabilities	104,679,754	106,290,487	(1,610,733)	(1.52%)
Total liabilities	124,716,941	122,752,740	1,964,201	1.60%
Deferred Inflow of Resources				
Deferred inflows of resources (GASB 68)	1,117,000	2,793,000	(1,676,000)	(60.01%)
Total Deferred Inflows of Resources	1,117,000	2,793,000	(1,676,000)	(60.01%)
Net position				
Net investment in capital assets	194,412,207	184,336,024	10,076,183	5.47%
Restricted expendable	5,537,670	4,788,241	749,429	15.65%
Unrestricted	(20,681,694)	(809,358)	(19,872,336)	2455.32%
Total net position	$179,268,183	$188,314,907	$ (9,046,724)	(4.80%)

Evaluation of Statement of Net Position for Fiscal Years 2016 and 2017

The University's total assets decreased by $10.8 million between fiscal years 2016 and 2017. The University's total liabilities increased by $2.0 million between fiscal years 2016 and 2017. Current Cash and cash equivalents decreased by $18.7 million between fiscal years 2016 and 2017 due to the University hosting the 2016 Vice Presidential Debate and the completion of multiple projects around campus. Many of these projects will have a lasting impression on the campus aesthetics.

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)	
	2017	**2016**	**Amount**	**Percent**
Operating revenues	$ 83,657,597	$ 90,080,995	$(6,423,398)	(7.13%)
Operating expenses	138,247,134	131,949,062	6,298,072	4.77%
Operating (loss)	(54,589,537)	(41,868,067)	(12,721,470)	30.38%
Nonoperating revenues/(expenses)				
State appropriations	32,319,800	30,546,542	1,773,258	5.81%
Pell grant revenue	4,322,213	4,684,011	(361,798)	(7.72%)
Other nonoperating revenues and expenses	(857,295)	(1,990,508)	1,133,213	56.93%
Net nonoperating revenues and expenses	35,784,718	33,240,045	2,544,673	7.66%
Income/(loss) before other revenues and reducti	(18,804,819)	(8,628,022)	(10,176,797)	117.95%
Capital appropriations	10,188,360	10,061,804	126,556	1.26%
Other gifts	105,448	1,138,222	(1,032,774)	(90.74%)
Total other revenues	10,293,808	11,200,026	(906,218)	(8.09%)
Total decrease in net position	(8,511,011)	2,572,004	(11,083,015)	(430.91%)
Net position, beginning of year	187,779,194	185,742,903	2,036,291	1.10%
Net position, end of year	$179,268,183	$188,314,907	($9,046,724)	(4.80%)

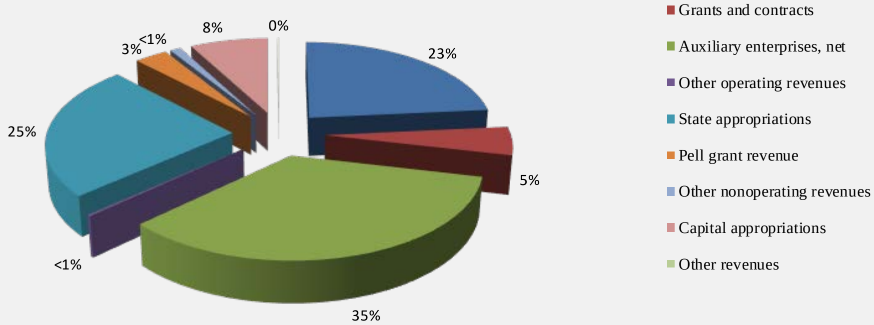
Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2016 and 2017

Summary of Revenues

Operating revenues primarily include tuition and fees and auxiliary enterprises. There was a decrease of 7.13% totaling $6.4 million from fiscal year 2016 to fiscal year 2017 due to an adjustment in the method of recognizing the Scholarship Allowance.

Summary of Revenues

For the year ended June 30, 2017



Summary of Revenues
For the years ended June 30, 2017 and 2016

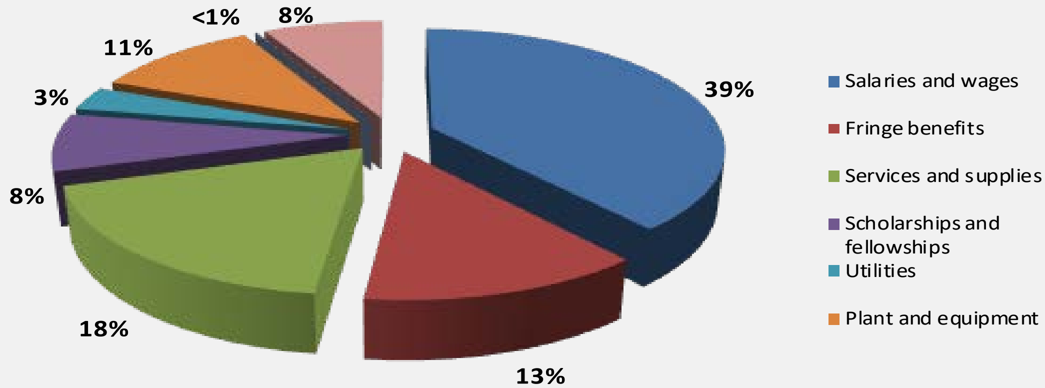
			Increase/(Decrease)	
	2017	**2016**	**Amount**	**Percent**
Operating revenues:				
Student tuition and fees, net	$30,991,761	$34,987,132	$ (3,995,371)	(11.42%)
Grants and contracts	6,762,505	6,368,184	394,321	6.19%
Auxiliary enterprises, net	45,519,124	48,282,448	(2,763,324)	(5.72%)
Other operating revenues	384,207	443,231	(59,024)	(13.32%)
Total operating revenues	83,657,597	90,080,995	(6,423,398)	(7.13%)
Nonoperating revenues:				
State appropriations	32,319,800	30,546,542	1,773,258	5.81%
Pell grant revenue	4,322,213	4,684,011	(361,798)	(7.72%)
Other nonoperating revenues	1,416,762	476,791	939,971	197.15%
Total nonoperating revenues	38,058,775	35,707,344	2,351,431	6.59%
Other revenues				
Capital appropriations	10,188,360	10,061,804	126,556	1.26%
Other revenues	105,448	1,138,222	(1,032,774)	(90.74%)
Total other revenues	10,293,808	11,200,026	(906,218)	(8.09%)
Total revenues	$132,010,180	$136,988,365	$ (4,978,185)	(3.63%)

Summary of Expenses

A summary of the University's operating expenses for the years ended June 30, 2017 and 2016 is shown below. Overall, total operating expenses increased approximately $6 million in fiscal year 2017 compared to the previous fiscal year. This represents a 4.8% increase.

Summary of Operating Expenses by Natural Classification

For the year ended June 30, 2017

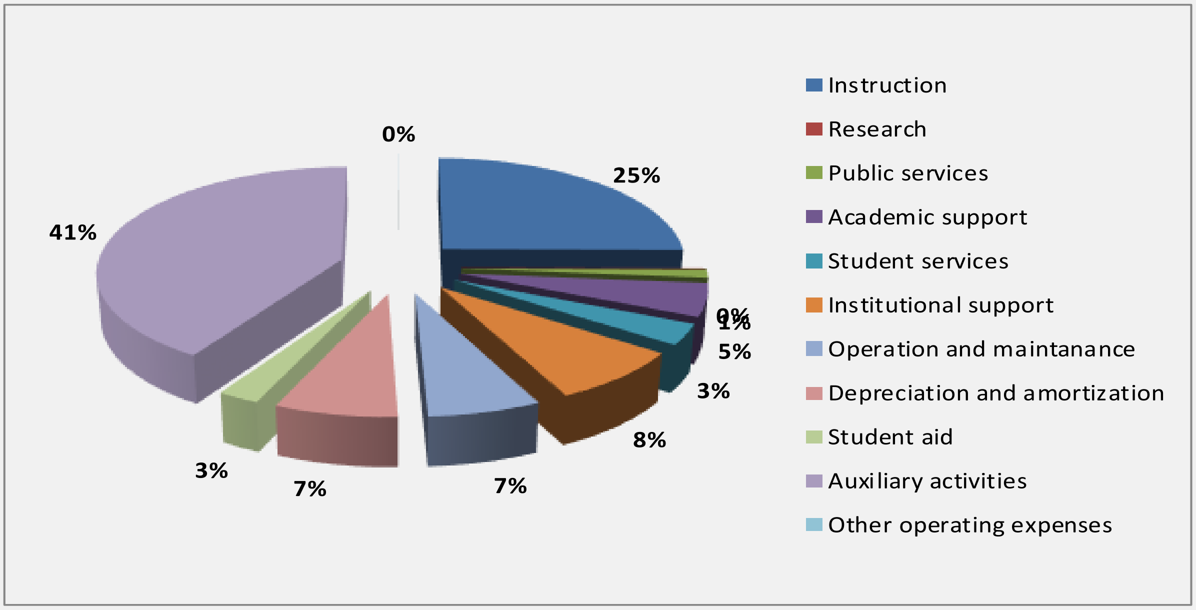


Operating Expenses by Natural Classification
For the years ended June 30, 2017 and 2016

			Increase/(Decrease)	
	2017	**2016**	**Amount**	**Percent**
Salaries and wages	$ 49,975,476	$ 48,912,979	$ 1,062,497	2.2%
Fringe benefits	19,363,331	17,962,014	1,401,317	7.8%
Services and supplies	31,940,625	27,283,638	4,656,987	17.1%
Scholarships and fellowships	3,365,969	9,812,965	(6,446,996)	(65.7%)
Utilities	2,405,124	2,710,559	(305,435)	(11.3%)
Plant and equipment	21,296,521	15,613,813	5,682,708	36.4%
Other	17,759	15,443	2,316	15.0%
Depreciation/amortization	9,882,329	9,637,651	244,678	2.5%
Total operating expenses	$ 138,247,134	$ 131,949,062	$ 6,298,072	4.8%

Summary of Operating Expenses by Function

For the year ended June 30, 2017



Operating Expenses by Function

For the years ended June 30, 2017 and 2016

			Increase/(Decrease)	
	2017	**2016**	**Amount**	**Percent**
Operating expenses:				
Instruction	$34,762,751	$33,052,240	$ 1,710,511	5.2%
Research	62,288	59,010	3,278	5.6%
Public services	1,704,393	1,585,253	119,140	7.5%
Academic support	6,956,741	7,896,235	(939,494)	(11.9%)
Student services	4,437,160	4,402,995	34,165	0.8%
Institutional support	11,236,690	9,993,340	1,243,350	12.4%
Operation and maintanance	9,076,642	9,309,926	(233,284)	(2.5%)
Depreciation and amortization	9,882,329	9,637,651	244,678	2.5%
Student aid	3,365,969	9,812,965	(6,446,996)	(65.7%)
Auxiliary activities	56,744,412	46,184,004	10,560,408	22.9%
Other operating expenses	17,759	15,443	2,316	15.0%
Total operating expenses	$ 138,247,134	$ 131,949,062	$ 6,298,072	4.8%

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.

	2017	**2016**	**(Decrease)**
Cash Provided (used) by:			
Operating activities	$ (44,138,355)	$ (32,328,468)	($11,809,887)
Noncapital financing activities	37,247,853	36,429,934	817,919
Capital financing activities	(18,091,501)	17,765,656	(35,857,157)
Investing activities	383,762	322,985	60,777
Net increase/(decrease) in cash	(24,598,241)	22,190,107	(46,788,348)
Cash - Beginning of year	70,219,964	48,029,857	22,190,107
Cash - End of year	$45,621,723	$70,219,964	($24,598,241)

Evaluation of Statement of Cash Flows for Fiscal Years 2016 and 2017

For fiscal year 2017, significant sources of operating cash include student tuition and fees of $31.0 million, auxiliary enterprise receipts of $45.7 million, and grants and contracts of $6.6 million. Major operating uses of cash include payments for salaries, wages, and fringe benefits of $69.8 million and payments to suppliers and utilities of $33.7 million. Longwood received state appropriations for the University's educational and general programs and financial aid of $32.3 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. From fiscal year 2016 to fiscal year 2017, Construction in Progress increased overall by $17,392,489 due primarily to the ongoing construction activities related to the Student Success Center and New University Center.

Note 10 of the Notes to Financial Statements notes that Long-term debt decreased from $69,946,973 in 2016, to $65,459,588 in 2017. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 5.3 percent at the end of fiscal year 2016 and 6.4 percent at the end of fiscal year 2017. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

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. The original FY 2017 state budget approved a 3% salary increase effective November 10, 2016. However due to revenue shortfalls the state budget was reforecast and the raises were rescinded. Longwood also saw a slight reduction in general fund support when our cash was reduced at year end in the amount of $326,500 for our share of VRS reimbursement. For FY18, the estimated reduction for Longwood is $217,667 due to VRS reimbursement.

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.

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 3.92 percent. The University has placed significant focus on both increasing enrollment and student retention. Longwood's enrollment has been steady, and non-general 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. During fiscal year 2017, Longwood received record philanthropic support from over 4,900 donors and gifts and commitments totaling $11.2M. Fiscal year 2017 also saw the establishment of 25 new scholarship funds, many of which will be unrestricted, need-based scholarships that are a high priority.

Longwood University is committed to delivering its students exceptional educational 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. In January 2016 a new charter was developed creating the University Planning Council.

Management believes that Longwood has and will maintain a solid financial foundation, thanks to steady enrollment and prudent use of financial resources, as well a growing national reputation and the increased innovation and operational flexibility it has implemented in recent years. Against the backdrop of a challenging and rapidly evolving higher education environment, Longwood will continue to monitor its resources to ensure its ability to react to internal and external factors that may have an impact on the university's financial position.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET POSITION
As of June 30, 2017

Assets	Longwood University		Component Unit Longwood University Foundation, Inc.		Component Unit Longwood University Real Estate Foundation
Current assets:					
Cash and cash equivalents (Note 3)	$ 20,850,528		$ 2,091,284		$ 2,489,231
Short-term investments	-		-		1,714,840
Accounts receivable, net of allowance for doubtful accounts of $132,021 (Note 4)	1,558,784		-		664,993
Notes receivable, (Note 4)	293,805		-		147,402
Contributions receivable, net (Note 22)	-		1,004,858		-
Due from Foundation/Trust (Note 5)	144,154				
Due from the Commonwealth (Note 6)	1,795,406		-		-
Inventory	466,197		-		-
Prepaid expenses	2,554,932		24,470		68,653
Total current assets	$ 27,663,806		$ 3,120,612		$ 5,085,119
Noncurrent assets:					
Restricted cash and cash equivalents (Note 3)	19,322,100		4,173,677		-
Restricted Appropriations Available/Due From Commonwealth (Note 6)	5,449,095		-		-
Unrestricted Investments	-		8,470,964		
Restricted Investments	-		51,641,737		11,826,527
Other non-current assets	-		2,586,255		-
Notes receivable, net of allowance for doubtful accounts of $127,013 (Note 4)	897,928		-		-
Contributions receivable, net (Note 22)			5,926,352		
Non-depreciable capital assets, net (Note 7)	32,594,684		6,548,854		16,496,208
Depreciable capital assets, net (Note 7)	209,644,535		113,393		97,318,471
Total noncurrent assets	267,908,342		79,461,232		125,641,206
Total assets	$ 295,572,148		$ 82,581,844		$ 130,726,325
Deferred Outflow of Resources					
Deferral on Debt Defeasance - loss (Note 8)	2,826,192		-		-
Deferred outflows of resources - GASB 68 (Notes 8 & 17)	6,703,784		-		-
Total Deferred Outflows of Resources	9,529,976		-		-
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses (Note 9)	11,561,266		699,534		5,286,972
Line of Credit	-		-		2,805,008
Unearned revenue (Note 2)	1,946,176		-		-
Deposits held in custody for others	580,325		-		-
Long-term liabilities - current portion (Note 10)	5,949,420		-		2,222,246
Total current liabilities	20,037,187		699,534		10,314,226
Noncurrent liabilities (Note 10)	104,679,754		1,373,961		140,516,184
Total liabilities	$ 124,716,941		$ 2,073,495		$ 150,830,410
Deferred Inflow of Resources					
Deferred inflows - GASB 68 (Notes 12 & 17)	$ 1,117,000				
Total Deferred Inflows of Resources	$ 1,117,000		-		-
Net Position					
Net Investment in capital assets	194,412,207		6,100,616		(13,913,325)
Restricted:					
Nonexpendable:					
Permanently restricted	-		42,629,359		-
Expendable:					
Capital Projects	4,581,165				
Loans	101,451		-		-
Temporarily restricted	-		21,163,151		-
Other	855,054		-		-
Unrestricted	(20,681,694)		10,615,223		(6,190,760)
Total net position	$ 179,268,183		$ 80,508,349		$ (20,104,085)

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, 2017

	University	Foundation	Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $7,888,187	$ 30,991,761	$ -	$ -
Federal grants and contracts	1,765,936	-	-
State grants and contracts	1,342,063	-	-
Nongovernmental grants and contracts	3,654,506	-	-
Auxiliary enterprises, net of scholarship allowances of $7,499,645	45,519,124	-	-
Other operating revenues	384,207	928,427	11,722,786
Total operating revenues	83,657,597	928,427	11,722,786
Operating expenses (Note 16)			
Instruction	34,762,751	-	-
Research	62,288	-	-
Public service	1,704,393	-	-
Academic support	6,956,741	-	-
Student services	4,437,160	-	-
Institutional support	11,236,690	2,287,443	1,616,091
Operation and maintenance - Plant	9,076,642	-	2,666,197
Depreciation	9,632,384	-	3,938,554
Amortization	249,945	-	46,771
Student aid	3,365,969	1,749,517	-
Auxiliary activities	56,744,412	-	-
Administrative and fundraising	-	1,357,447	-
Other expenditures	17,759	381,263	177,741
Total operating expenses	138,247,134	5,775,670	8,445,354
Operating gain (loss)	(54,589,537)	(4,847,243)	3,277,432
Nonoperating revenues (expenses):			
State appropriations (Note 15)	32,319,800	-	-
Pell Grant Revenue	4,322,213	-	-
Pension Special Payment	(326,500)	-	-
Investment revenue (loss)	383,762	619,974	11,014
Interest on Capital Asset-Related Debt	(1,497,313)	-	(3,096,643)
Pension Special Contribution Revenue	1,033,000		
Net Realized and unrealized gains	-	5,803,650	(2,322,927)
Gifts	-	3,936,437	-
Realized gain on investments	-	-	7,159
In-kind contribution - affiliated	-	625,798	-
Other non-operating revenues (expenses)	-	(26,198)	-
Loss on disposal/sale of plant assets	(450,244)	-	-
Net nonoperating revenues	35,784,718	10,959,661	(5,401,397)
Income before other revenues, expenses, gains or losses	(18,804,819)	6,112,418	(2,123,965)
Contributions to permanent endowments	-	5,033,596	-
Capital appropriations (Note 6)	10,188,360	-	-
Other Gifts	105,448	-	-
Net other revenues	10,293,808	5,033,596	-
Increase (decrease) in net position	(8,511,011)	11,146,014	(2,123,965)
Net position - Beginning of year (Note 2) as restated	187,779,194	69,362,335	(17,980,120)
Net position - End of year	$ 179,268,183	$ 80,508,349	$ (20,104,085)

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, 2017

Cash flows from operating activities:	
Student tuition and fees	$ 31,030,575
Grants and contracts	6,633,522
Auxiliary enterprises	45,744,994
Payments to employees	(69,801,007)
Payments to suppliers and utilities	(33,651,828)
Payments for operation and maintenance of facilities	(21,177,670)
Payments for scholarships and fellowships	(3,365,969)
Loans issued to students	(146,405)
Collection of loans to students	209,027
Other operating receipts	386,465
Payments for other expenses	(59)
Net cash provided (used) by operating activities	(44,138,355)
Cash flows from noncapital financing activities:	
State appropriations	32,319,800
Pension Special Contribution receipt	1,033,000
Gifts received for other than capital purposes	15,448
Federal student financial aid (Pell)	4,322,213
Federal Direct Lending Program - receipts	33,058,061
Federal Direct Lending Program - disbursements	(33,058,061)
Change in agency balances	(116,108)
Other non-operating expenses	(326,500)
Net cash provided (used) by noncapital financing activities	37,247,853
Cash flows from capital and related financing activities:	
Capital appropriations	9,868,514
Capital grants and contributions	90,000
Proceeds from Capital Debt	2,851,523
Acquisition and construction of capital assets	(22,036,942)
Principal paid on capital debt, leases, and installments	(7,348,882)
Interest paid on capital debt, leases, and installments	(1,515,714)
Net cash provided (used) by capital financing activities	(18,091,501)
Cash flows from investing activities:	
Investment/interest revenue	383,762
Net cash provided (used) by investing activities	383,762
Net decrease in cash	(24,598,241)
Cash and cash equivalents - Beginning of the year	70,219,964
Cash and cash equivalents - End of the year	$ 45,621,723

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

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

Operating (loss)	$ (54,589,537)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	9,882,329
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Receivables, net	108,579
Inventory	119,211
Prepaid expenses	290,544
Notes receivable, net	62,622
Accounts payable and accrued expenses	1,190,954
Unearned revenue	(184,947)
Deposits held for others	(116,108)
Deferred outflows of resources from net pension obligation	(2,282,168)
Deferred inflows of resources from net pension obligation	(1,676,000)
Net pension obligations	3,112,000
Accrued compensated absences	(55,834)
Net cash provided (used) by operating activities	$ (44,138,355)

NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:

Amortization of bond premium/discount and gain/loss on debt refinancing	$ (442,637)
Capitalization of interest revenue and expenses, net	$ (759,236)
Loss on disposal of capital assets	$ (450,244)
Special revenue allocation related to pensions	$ 1,033,000

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, 2017

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 two 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 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In 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, and GASB Statement 72, *Fair Value Measurement and Application*, 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. Inventories consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at acquisition value at date of donation. Library materials are valued at actual cost and average cost at time of purchase or donation. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. 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.

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling $759,236 for the fiscal year.

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

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

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. 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 Employee 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 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.

Recently Adopted and Future Accounting Pronouncements

The following GASB statements are effective for fiscal year 2017 and thereafter, none of these GASB statements had a significant effect upon the University's financial statements for the current year:

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (Note – Portions of GASB 73 were effective starting in fiscal year 2016),
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*
- GASB 77 – *Tax Abatement Disclosures,*
- GASB 78 – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.*
- GASB 79 – Certain External Investment Pools and Pool Participants (Note – Portions of GASB 79 were effective starting in fiscal year 2016), and
- GASB 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement 14.*
- GASB 82 – *Pension Issues* – An Amendment of GASB 68 and GASB 73. The early implementation resolved two outstanding issues from GASB 68 – the Presentation of Payroll Related Measures in RSI and the Classification of Employer-paid Member Contributions.

The following GASB statements are effective for fiscal year 2018 and thereafter:

- GASB 75 – *Accounting for Financial Reporting for Postemployment Benefits Other Than Pensions*,
- GASB 81 – *Irrevocable Split-Interest Agreements*, and
- GASB 85 – *Omnibus 2017*.

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, 2017.

	2017
Student tuition and related fees	$ 1,886,961
Auxiliary enterprise fees	59,215
Total	$ 1,946,176

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 Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Perkins Loans, and Direct Lending. Federal programs are audited in accordance with Title 2, Part 200 of the U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship and allowances are the difference between the actual charge for goods and services provided by the University and the amount that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. 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, 2016 has been adjusted. The adjustment is due to a correction to prior year construction in progress account. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2017 were adjusted. The adjustment is as follows:

Net Position, July 1, 2016	$188,314,907
Construction in Progress correction	(535,713)
Adjusted net position, July 1, 2016	$187,779,194

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. Cash and cash equivalents represent cash with the Treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program® (SNAP®). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79. SNAP® investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows or Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

At June 30, 2017, the carrying amount of cash with the Treasurer of Virginia was $20,300,479. The carrying amount of cash not held by the Treasurer of Virginia is $2,119,099. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2017, in the amount of $2,194,795 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.

Summary of the University's Cash and Cash Equivalents

Cash and cash equivalents	20,850,528
Restricted cash and cash equivalents	19,322,100
Total Cash and Cash Equivalents	**40,172,628**

Treasurer of Virginia	20,300,479
Held in custody of others	2,119,099
SNAP program	17,753,050
Total Cash and Cash Equivalents	**40,172,628**

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 2017, 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, 2017, 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, 2017, the carrying amount of the cash equivalents held in the SNAP program was $17,753,050 and with the Treasurer of Virginia was $0.

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.

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

Student tuition and fees	$ 836,854
Library	580
Auxiliary enterprises	553,625
Federal, state, and nongovernmental grants and contracts	299,746
Total	$ 1,690,805
Less: Allowance for doubtful accounts	(132,021)
Net accounts receivable	$ 1,558,784

Notes receivable consisted of the following at June 30, 2017:

Current portion:	293,805
Federal student loans	293,805
Non-current portion:	
Federal student loans	1,024,941
Less allowance for doubtful accounts	(127,013)
Net non-current notes receivable	$ 897,928

5. DUE FROM FOUNDATION/TRUST

Due from foundation consisted of the following at June 30, 2017:

Longwood University Foundation	$ 44,154
Longwood University Trust	100,000
Total Due from Foundations	$144,154

6. CAPITAL APPROPRIATIONS, 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 2017, 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, 2017, in the "Capital Appropriations" line item for equipment and facilities obtained with funding under these two programs. The University received $5,449,095 for General Fund Capital Appropriations for the Biomass Boiler, these funds were unspent at June 30, 2107.

Capital Appropriations

VCBA 21st Century Program	$3,882,065
VCBA ETF Program	857,200
General Fund Capital	5,449,095
	$10,188,360

The line item, "Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2017, represents pending reimbursements from the follow programs:

21st Century Bonds	$1,777,322
ETF	18,084
Total Due from Commonwealth of Virginia	$1,795,406

7. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2017, is presented as follows:

	Beginning Balance 6/30/2016	Additions	Reductions	Ending Balance 6/30/2017
Non-Depreciable Capital Assets				
Land	$5,276,120	$171,000	($416,000)	$5,031,120
CIP	10,171,075	24,002,399	(6,609,910)	27,563,564
Total Non-Depreciable Capital Assets	15,447,195	24,173,399	(7,025,910)	32,594,684
Depreciable Capital Assets				
Buildings	266,429,122	5,091,970	(89,330)	271,431,762
Equipment	19,800,278	1,138,397	(741,628)	20,197,047
Infrastructure	49,333,149	778,839	-	50,111,988
Library Materials	11,885,566	553,705	(237,717)	12,201,554
Software Projects	6,765,319	-	-	6,765,319
Total Depreciable Capital Assets, Cost	354,213,434	7,562,911	(1,068,675)	360,707,670
Accumulated Depreciation				
Buildings	82,117,763	6,760,138	(89,330)	88,788,571
Equipment	14,556,624	1,368,129	(707,384)	15,217,369
Infrastructure	30,011,942	1,050,021	-	31,061,963
Library Materials	9,272,237	454,096	(237,717)	9,488,616
Software Projects	6,256,671	249,945	-	6,506,616
Total Accumulated Depreciation	142,215,237	9,882,329	(1,034,431)	151,063,135
Depreciable Capital Assets, Net	211,998,197	(2,319,418)	(34,244)	209,644,535
All Capital Assets, Net	$227,445,392	$21,853,981	($7,060,154)	$242,239,219

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2017, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$1,192,903
Deferred loss - VCBA Pooled Notes Payable Refundings	1,633,289
Deferred Pension Liability	6,703,784
Total deferred outflows of resources:	$9,529,976

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2017:

Employee salaries, wages, and fringe benefits payable	$4,474,151
Vendors and suppliers accounts payable	5,648,782
Retainage payable	708,942
Interest payable	729,391
Total accounts payable and accrued expenses	$11,561,266

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, 2017, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	$ 13,944,675	$ -	$ 1,360,513	$ 12,584,162	$ 1,424,030
Unamortized Premium	2,024,920	-	264,771	1,760,149	262,513
	15,969,595	-	1,625,284	14,344,311	1,686,543
VCBA Pooled Notes	49,755,000	2,490,000	5,020,000	47,225,000	2,905,000
Unamortized Premium	4,046,369	371,497	611,850	3,806,016	470,654
	53,801,369	2,861,497	5,631,850	51,031,016	3,375,654
Installment Purchases	176,009	-	91,748	84,261	31,598
Total Long Term Debt	69,946,973	2,861,497	7,348,882	65,459,588	5,093,795
Accrued Compensated Absences	1,729,476	1,389,570	1,445,404	1,673,642	855,625
Federal Loan Program Contribution	1,383,944	-	-	1,383,944	-
Net Pension Liability	39,000,000	3,112,000	-	42,112,000	-
Total Long Term Liabilities	$112,060,393	$ 7,363,067	$ 8,794,286	$110,629,174	$ 5,949,420

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. The interest rates listed below are the rates at issuance.

General Obligation Bonds payable at June 30, 2017, consist of the following:

Residence Hall:	Interest Rates	Maturity	Amount
2008 B 1 - Renovate housing facilities	4.00 – 5.00%	2018	215,000
2009 D 1 – Housing Fac. Renovations, 2005 Refunded Portion	4.00 – 5.00%	2022	1,145,000
2009 D 2 – Renovate Housing Fac. 2006 B Refunded Portion	4.00 – 5.00%	2022	1,655,000
2012 A 2 - Housing Facilities Ren - 2005 Ref Portion	4.00 – 5.00%	2024	544,804
2013 B 1 - Housing Facilities Ren - 2005A Ref Portion	3.00 – 5.00%	2025	285,300
2013 B 2 - Housing Facilities Ren - 2006B Ref Portion	4.00 – 5.00%	2026	1,577,865
2013 B 3 - Ren Cox Hall - 2007B Ref Portion	4.00 – 5.00%	2025	2,460,584
2014 B 1 - 99 Ref of Residence hall improvements, 2004-B Ref	2.00 – 5.00%	2019	399,297
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:			
2014 B 2 99 Ref of Dining Hall – 2004B Ref Portion	2.00 – 5.00%	2019	427,820
Total Bonds Payable			12,584,162

A summary of future principal requirements of long-term debt for General Obligation bonds payable as of June 30, 2017 follows:

Year ending June 30	Principal	Interest
2018	$ 1,424,030	$ 586,740
2019	1,485,572	518,518
2020	1,114,263	446,489
2021	1,159,218	393,101
2022	1,220,347	335,140
2023-2027	5,832,849	824,203
2028	347,883	17,394
Total	$ 12,584,162	$ 3,121,585
Add: Unamortized Premium	1,760,149	
Total	$ 14,344,311	

VCBA Pooled Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9 (d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes. The interest rates listed below are the rates at issuance.

The following schedule describes each of the notes outstanding:

	Interest Rates	Maturity	Amounts
2007 A - Lacrosse/Field Hockey Complex, Baseball/Softball, Heating Plant Phase II & III	5.00%	9/2017	335,000
2007 B - Fitness center and Parking Garage	4.00 – 4.50%	9/2019	975,000
2009 A - Athletic offices, Heating Plant Phase III, Student Union	3.00 – 5.00%	9/2020	890,000
2010 B - Fitness center and Parking Garage	5.00%	9/2022	2,265,000
2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	3.00 – 5.00%	9/2024	9,320,000
2014 B - Fitness center 2003-A, Lacrosse/field hockey complex, Soccer fields, Lancer gym, Baseball/softball, Blackwell and Phase II and III Heating Plant	4.00 – 5.00%	9/2025	6,750,000
2015 A - University Center – 2015A	3.00 – 5.00%	9/2045	22,975,000
2015 B - Heating Plant III, Student Union 2009 A	3.00 – 5.00%	9/2028	1,225,000
2016 A – Refunding of 2006 A and 2007 A - Lacrosse/Field Hockey Complex, Baseball/Softball, Heating Plant Phase II & III, Fitness Center, Blackwell Hall & Bookstore	3.00 – 5.00%	9/2027	2,490,000
Total notes payable			47,225,000

A summary of future principal requirements of VCBA Pooled Notes Payable as of June 30, 2017, follows:

Year ending June 30	Principal	Interest
2018	$2,905,000	$1,959,243
2019	3,025,000	1,815,869
2020	2,880,000	1,672,063
2021	3,030,000	1,526,381
2022	3,145,000	1,372,069
2023-2027	13,600,000	4,722,094
2028-2032	4,465,000	2,958,462
2033-2037	4,255,000	2,298,019
2038-2042	5,075,000	1,469,122
2043-2046	4,845,000	397,300
Total	47,225,000	$20,190,622
Add: Unamortized Premium	3,806,016	
Total	$51,031,016	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources at June 30, 2017 is the Deferred Pension in the amount of $1,117,000.

13. COMMITMENTS

Construction Contracts

As of June 30, 2017, outstanding commitments for capital outlay projects totaled approximately $32,966,987.

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, 2017, was $999,612. The University has, as of June 30, 2017, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2018	$905,617
2019	464,356
2020	386,311
2021	111,753
2022	70,828
2023 - 2027	91,415
Total	$2,030,280

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 three years. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2018	31,598
2019	31,598
2020	21,065
Total	$ 84,261

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $12,153,152 pursuant to a support agreement related to student housing (Sharp & Register, Lancer Park, Longwood Landings, and Longwood Village). The University was also contractually committed to payments totaling $142,276 relative to an energy performance contract. The University has, as of June 30, 2017, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2018	$ 11,582,974
2019	598,506
2020	14,827
2021	15,287
2022	15,761
2023	16,251
2024	16,756
2025 - 2028	35,066
Total	$ 12,295,428

14. LONG-TERM DEBT DEFEASANCE

On July 12, 2016, the Virginia College Building Authority (VCBA) sold $231,880,000 in Educational Facilities Revenue Refunding Bonds, Series 2016-A with rates of 3% to 5% to refund portions of certain previously issued bonds. The University issued $2,490,000 in notes payable for its share of the refunded Series 2006-A and 2007-A bonds. 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 $313,027 over the next eleven years, resulting in a present value savings of $279,525.

In addition to the bond series noted above, certain Higher Education Bonds were defeased by the University in prior years. As with the 2016-A 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. Therefore, the related assets in trust as well as the defeased bonds are excluded from the Statement of Net Position. As of June 30, 2017, $8,560,000 of the defeased bonds are outstanding.

15. STATE APPROPRIATIONS

During the year ended June 30, 2017, 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	$25,112,973
Student Financial Assistance	4,784,935
State Grant	1,000
Supplemental Adjustments:	
Central Fund Adjustments	2,375,368
VIVA	7,166
SVRTC	108,905
Military Survivors	26,100
2-Year Transfer Grant	56,010
HEETF Payment	(54,746)
Capital Out-of-State Fee	(97,911)
Adjusted Appropriations	$ 32,319,800

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	$ 23,527,363	$ 8,034,776	$ 2,317,562	$ -	$ 686	$ 882,364	$ -	$ -	$ 34,762,751
Research	9,616	904	51,459	-	-	309	-	-	62,288
Public service	742,677	267,924	628,796	-	847	64,149	-	-	1,704,393
Academic support	3,692,264	1,256,223	948,173	-	2,004	1,058,077	-	-	6,956,741
Student services	2,448,856	1,058,747	828,251	-	-	101,306	-	-	4,437,160
Student aid	-	-	-	3,365,969	-	-	-	-	3,365,969
Institutional Support	5,378,117	3,097,864	2,066,353	-	4,067	690,289	-	-	11,236,690
Operation & Maintenance of Plant	2,981,373	1,797,475	2,059,708	-	1,087,940	1,150,146	-	-	9,076,642
Depreciation	-	-	-	-	-	-	-	9,632,384	9,632,384
Amortization	-	-	-	-	-	-	-	249,945	249,945
Auxiliary activities	11,195,210	3,849,418	23,040,323	-	1,309,580	17,349,881	-	-	56,744,412
Other Expenses	-	-	-	-	-	-	17,759	-	17,759
Total	$ 49,975,476	$ 19,363,331	$ 31,940,625	$ 3,365,969	$ 2,405,124	$ 21,296,521	$ 17,759	$ 9,882,329	$ 138,247,134

17. PENSION PLAN

PLAN DESCRIPTION

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment unless they are eligible faculty and choose to enroll in the optional retirement program described in the "OTHER POST RETIREMENT BENEFITS" section of this footnote. These plans are administered by the Virginia Retirement System (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 benefit 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	**Retirement Contributions**	**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.	State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	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	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a

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.		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. **Defined Contributions Component:** 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** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** 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 1.70%. **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** **<u>Defined Benefit Component:</u>** **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. **<u>Defined Contribution Component:</u>** 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** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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	**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	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

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 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	**Exceptions to COLA Effective Dates:** Same as Plan 1	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

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** **<u>Defined Benefit Component:</u>** 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 one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** 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 the 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, 2017 was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.05% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of $162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The contribution rate for the VaLORS Retirement Plan also reflects the transfer in June 2016 of $16,491,559 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Longwood University to the VRS State Employee Retirement Plan were $3,315,644 and $3,407,261 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions from Longwood University to the VaLORS Retirement Plan were $125,141 and $103,967 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, Longwood University reported a liability of $40,699,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,413,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, Longwood University's proportion of the VRS State Employee Retirement Plan was .62% as compared to .62% at June 30, 2015. At June 30, 2016, Longwood University's proportion of the VaLORS Retirement Plan was .18% as compared to .17% at June 30, 2015.

For the year ended June 30, 2017, Longwood University recognized pension expense of $3,530,000 for the VRS State Employee Retirement Plan and $165,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, 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, 2017, 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	174,000	1,107,000		6,000	3,000
Net difference between projected and actual earnings on pension plan investments	2,594,000			58,000	
Change in assumptions					
Changes in proportion and differences between employer contributions and proportionate share of contributions	362,000			69,000	7,000
Employer contributions subsequent to the measurement date	3,315,644			125,141	
Total	$6,445,644	$1,107,000		$258,141	$10,000

A total of $3,440,785 ($3,315,644 for SERP and $125,141 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Longwood University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30	**SERP**	**VaLORS**	**Total**
2018	(51,000)	31,000	(20,000)
2019	(244,000)	31,000	(213,000)
2020	1,256,000	38,000	1,294,000
2021	1,062,000	23,000	1,085,000
2022	-	-	-

SERP Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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, 2015 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, 2015, 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, 2016.

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, 2015 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, 2016, 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	$22,958,593	$1,985,618
Plan fiduciary net position	16,367,842	1,211,446
Employers' net pension liability (asset)	$6,590,751	$774,172
Plan fiduciary net position as a percentage of the total pension liability	71.29%	61.01%

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%.

<u>Discount Rate</u>

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 Longwood's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Longwood'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's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	57,277,000	40,699,000	26,781,000

The following presents Longwood's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what Longwood'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's proportionate share of the VaLORS Retirement Plan Net Pension Liability	1,891,000	1,413,000	1,019,000

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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 $1,780,009 for the year ended June 30, 2017. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $18,627,573.

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 $188,883 for the fiscal year ended June 30, 2017.

18. POST-EMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

The Group Life Insurance Program provides members basic group life insurance upon employment. In addition to benefits provided to active members during employment, the Virginia Sickness and Disability Program provides inactive members with long-term disability and long-term care benefits. The Retiree Health Insurance Credit Program provides members health insurance credits to offset the monthly health insurance premiums for retirees who have at least 15 years of service. The Line of Duty Act Program provides death and health insurance reimbursement benefits to eligible state employees, such as campus police, who die or become disabled as a result of the performance of their duties as a public safety officer. The University is required to contribute to the costs of participating in these programs.

The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. The plan provides the option for retirees who are not yet eligible to participate in Medicare to participate in the Commonwealth's healthcare plan for its active employees. The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of premiums for active employees.

Additional information related to all of these plans is available at the state-wide level in the Commonwealth's Comprehensive Annual Financial Report.

19. 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, 2017, Longwood University estimates that no material liabilities will result from such audits.

20. 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.

21. 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.

22. 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 two 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. The component units, Longwood University Foundation, Inc. and Longwood Real Estate Foundation are included in the body of the financial statements as discrete component. Both the Longwood University Foundation, Inc, and Longwood Real Estate Foundation follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the Governmental

Accounting Standards Board (GASB) presentation format for inclusion in Longwood University's financial statements.

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 Cherry Bekaert, LLP. Complete financial statements can be obtained from the Longwood University Real Estate Foundation at 315 West Third Street, Farmville, VA 23901.

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, 2017:

	2017	
	Cost	Market Value
Cash and cash equivalents	$ 6,264,961	$ 6,264,961
Investments:		
Government bonds, corporate obligations, and fixed income securities	2,819,306	2,808,915
Corporate stocks and mutual funds	783,057	1,162,968
Limited partnership	41,945,909	55,140,818
Total investments	45,548,272	59,112,701
Beneficial interest in perpetual trust:	1,993,014	2,232,377
Total	$ 53,806,247	$ 67,610,039

Cash and cash equivalents includes operating cash of $5,981,657 as of June 30, 2017.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the year ended June 30, 2017 was $574,288.

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.

At June 30, 2017, the Fund consisted of 32 partners and the Foundation's interest in the Fund represents 2.8% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

During the year ended June 30, 2017, the Foundation invested in the Hotel Weyanoke LLC ("Hotel Weyanoke") through a wholly-owned subsidiary, LUF Weyanoke, Inc. The Foundation's investment of $1,000,000 represents a 7.68% membership interest in Hotel Weyanoke which has been accounted for under the cost method. The Foundation is not the managing member and is required to maintain its investment in the Hotel Weyanoke for a period of seven years after which it may exercise its put option to sell its membership at a fair value determined by a qualified and licensed individual selected by the Foundation and the managing member. There is no requirement for additional capital or equity investment beyond the $1,000,000 contribution.

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, 2017, the fair market value of the Nance Trust was $2,232,377, 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, 2017, were $79,500 and $94,978, 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:

	2016
Debt service reserve fund	$6,009,812
Repair and replacement account	296,402
Principal and interest account	3,868,061
Subordinate expense fund	613,720
Surplus fund	1,026,183
Operating account	12,349
	$11,826,527

As of December 31, 2016 approximately 42% of the Longwood University Real Estate Foundation's restricted deposits and funded reserves are invested in a GIC administered by an independent professional investment corporation in a managed investment pool, with a guaranteed specified rate of interest of 2.51% per annum. Interest payments on the GICs are due to the Longwood University Real Estate Foundation semiannually.

B. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Longwood University Foundation contributions receivable consisted of the following at June 30, 2017:

		2017
Cash pledges expected to be collected in:		
	Less than one year	$ 1,004,858
	One year to five years	4,446,192
	Over five years	4,906,398
		10,357,448
Less:		
	Discount to present value	(3,426,238)
	Net Contributions Receivable	$ 6,931,210

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

Temporarily Restricted	$ 2,518,592
Permanently Restricted	4,412,618
Total	$ 6,931,210

At June 30, 2017, the Foundation had received bequests and other intentions to give of approximately $9,314,432. 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	$ 1,296,854
Longwood Center for Visual Arts Collection	4,690,369
Buildings	85,000
Property and Equipment	34,763
Wetlands Construction in-process	561,631
Vehicles	176,802
Total cost of capital assets	6,845,419
Less: accumulated depreciation	(183,172)
Total capital assets, net	$ 6,662,247

Longwood University Real Estate Foundation

Land	$	16,496,208
Land Improvements		10,830,588
Buildings		103,164,322
Condominium units		2,505,302
Furniture and Equipment		4,336,946
Total cost of capital assets		137,333,366
Less: accumulated depreciation		(23,518,687)
Total capital assets, net	$	113,814,679

D. LONG-TERM INDEBTEDNESS

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2016:

Fixed Rate Educational Facilities Revenue Bonds, Series 2015, total principal payments due each year of increasing amounts through maturity on January 1, 2046.The interest rate is fixed at 5.75%.	110,110,000
Deed of trust note payable, 4.85%, due in monthly payments of principal and interst of $13,311, maturing August 1, 2028. Collateralized by the property known as the Lumber Yard.	1,407,028
Deed of trust note payable, 4.24%, due in monthly payments of principal and interest of $22,273, maturing August 1, 2018. Collateralized by the building at 315 West Third Street.	3,209,316
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.	150,488
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.	482,248
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.	498,465
Deed of trust note payable, 3.24 %, due in monthly payments of principal and interest of $4,968, maturing March 7, 2032. Collateralized by the property known as the Old Tobacco Warehouse.	446,337
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00% (4.00% December 31, 2016), due in monthly principal payments of $5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	537,904
Uncollateralized promissory note payable, 30-day LIBOR plus 2.00% (2.24% December 31, 2016), due in monthly principal payments of $10,717, with a balloon payment for the remaining principal due at maturity on September 28, 2018.	878,806
Deed of trust promissory note payable, 5.25%, due in monthly payments of principal and interest of $2,166, maturing October 1, 2030. Collateralized by property known as the Moton Museum.	254,364
Deed of trust promissory note payable with the United States Department of Agriculture, 4.25%, due in monthly payments of principal and interest of $1,092, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	239,028
Deed of trust promissory note payable with the United States Department of Agriculture, 4.00%, due in monthly payments of principal and interest of $2,989, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	665,836
Deed of trust note payable, 3.12%, due in monthly payments of interest only through Januaru 10, 2018; thereafter monthly payments of principal and interest through December 10, 2021. Collateralized by property known as the Midtown CRE	8,250,000
Deed of trust note payable, 30-day LIBOR plus 0.25% (.87% December 31, 2016), interest only payments for 24 months, equal payments of principal assuming 20 year hypothetical amortization with a balloon payment due at June 30, 2019. Collateralized by property known as the Riverview, LLC.	5,400,000
Deed of trust note payable, interest payments of 7% from November 30, 2016 through November 29, 2017; 9% from November 30, 2017 through November 29, 2018; 11% from November 30, 2018 through November 29, 2019 with a balloon payment due at October 31, 2019. Collateralized by property known as the Riverview, LLC, but subordinate to the $5,400,000 deed of trust note payable, above.	675,000
Deed of trust note payable, 3.99%, due in monthly payments of principal and interest of $15,456, with a balloon payment due at November 15, 2021. Collateralized by the property known as Woodland Pond Condominiums.	2,504,838
	135,709,658
Less - loan costs, net	(1,199,980)
Less - current portion	(2,222,246)
	$ 132,287,432

In May 2015, the Longwood University Real Estate Foundation received financing through the issuance of Virginia Educational Facilities Revenue and Refunding Bonds, Series 2015 through the Industrial Development Authority of the Town of Farmville, Virginia. The Series 2015 bonds were issued in the amount of $110,610,000 to finance the acquisition and construction and equipping of the student housing facility known as “ARC Quad,” to refund Series 2012A ($45,000,000) and 2012B ($41,855,000) bonds and settle an existing interest rate swap. 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 financed under the 2012 series bonds consisting of student housing and a pedestrian bridge and the newly funded “ARC Quad” project. Additionally the Longwood University Real Estate Foundation pledges a security interest in its gross revenues. Interest is fixed at 5.75%. Principal and interest payments began on January 1, 2016. The Series 2015 bonds mature on January 1, 2046.

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, payment of repairs, and repayment of principal and interest. 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 at least 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 and makes a monthly payment to the Real Estate Foundation for use of the projects. The University provides all personnel for resident advisory, public safety, education staffing, maintenance, grounds, housekeeping, and janitorial services and bills the Real Estate Foundation for these costs. The Real Estate Foundation is required to furnish utilities and insurance. All expenses associated with the management of the projects are subordinated and paid to the Bond Trustee monthly. Twice a year (December and July) the Real Estate Foundation requests these subordinated expenses be paid by the Bond Trustee to the University. The management agreements are effective for thirty years beginning at the settlement date of the bonds (May 1, 2015).

Under the bonds, the Real Estate Foundation is required to meet certain debt coverage ratios. As of December 31, 2016, the Real Estate Foundation's management believes the Real Estate Foundation is in compliance with the requirements of the loan agreements.

Maturities under long-term debt are as follows:

2017	$2,222,246
2018	5,203,856
2019	15,019,950
2020	1,381,584
2021	3,723,431
Thereafter	108,158,591
Total	$ 135,709,658

In connection with its Series 2015 bond financing, the Longwood University Real Estate Foundation executed several interest rate agreements in order to reduce its exposure to interest rate risk through July 2022. The agreement contains the following general terms:

Total return swap:

The total return swap has a notional amount of $110,610,000 which amortizes consistent with payments required under the Series 2015 bond financing. The Longwood University Real Estate Foundation pays a floating rate of interest 70% of USD LIBOR plus a basis point spread 0.85% and receives a fixed rate of 5.75%. This agreement also requires a settlement payment at its expiration equal to the difference between the carrying amount of the outstanding bonds and the fair value of the bonds calculated under the terms of the agreement.

Interest rate swap:

The interest rate swap has a notional amount equal to 35% of the notional amount of the total return swap. The Longwood University Real Estate Foundation pays a fixed rate of interest 4.065% and receives a variable rate of interest of 70% of USD LIBOR.

Interest rate cap:

The interest rate cap was executed at bond issuance and was subsequently terminated and replaced with the interest rate collar in April 2016. The cap had a notional amount of 65% of the notional amount of the total return swap, provided that the Real Estate Foundation receive payments, thus reducing its interest expense, when and if, interest rates rose above 4.85% plus a basis point spread of 0.85% (which equals the contractual interest rate under the Series 2015 bond financing). The interest rate cap effectively eliminated the risk of additional interest expense created by variable rate exposure above 5.75%.

Interest Rate Collar

The interest rate collar was executed in April 2016 simultaneous with the termination of the interest rate cap. The collar, with a notional amount equal to 65% of the notional amount of the total return swap, caps the variable rate of interest (70% of USD LIBOR) at 2.115% with a floor of .43% through July 1, 2018 stepping to .61% until July 1, 2022.

The interest rate derivative agreements described above expire on July 1, 2022. The net interest receivable due from the counterparty is reflected in accrued interest receivable on the consolidated statement of financial position and the fair value of the aggregate total of the interest rate derivatives of $8,228,752 at December 31, 2016 is reflected in the consolidated statement of financial position. The changes in the fair value of the interest rate derivatives are included in the consolidated statement of activities as unrealized or realized gains or losses in interest rate derivatives.

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 $3,250,000 as of December 31, 2016. 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% (4.25% at December 31, 2016). Interest only payments are due monthly and principal is due upon expiration of the line on September 27, 2017. The outstanding balance on this line was $2,805,008 as of December 31, 2016.

E. COMMITMENTS

Longwood University Foundation – Other Commitments

As of June 30, 2017, 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, 2018, 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 - Midtown

The Longwood University Real Estate Foundation owns property known as Mid-Town Square. The property combines student housing known as Longwood Landings and commercial space in a series of four buildings together with associated parking and improvements. The ownership of the property is in the form of a commercial condominium. Prior to June 30, 2016, the Real Estate Foundation owned the student housing portion of the property consisting of the top three floors of each building while the developer of the property retained ownership of the first floor commercial space and parking areas. On June 30, 2016, the Real Estate Foundation purchased the first floor commercial space for $8,250,000.

Prior to June 30, 2016 when the commercial space was purchased, the Real Estate Foundation leased commercial space from the developer, paying $174,489 in occupancy expenses for the year ended December 31, 2016. For all of 2016 the Real Estate Foundation subleased a portion of this space to the University for use as the University bookstore. Total amounts received in rental income by the Real Estate Foundation from the University under the sublease were $206,367 during 2016.

Longwood University Real Estate Foundation – Leasing Activities

Lessor Activities - The Longwood University Real Estate Foundation owns multiple properties separate from the student housing projects that are leased to the University and others under multiple operating leases. Leases to the University are for office space, storage, non-student housing, and parking lots, with terms of one to ten years. Leases to faculty members for housing are on an annual basis. Commercial leases at Mid-Town Square are leased to non-University parties with terms of three to five years. The following is a schedule by year of future minimum rental payments to be received under the leases for the years ended December 31:

	University Related	Commercial	Total
2017	$713,023	$268,621	$981,644
2018	448,298	262,027	710,325
2019	94,176	172,864	267,040
2020	94,176	119,643	213,819
2021	90,285	111,407	201,692
Thereafter	197,657	55,663	253,320
	$1,637,615	$990,225	$2,627,840

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. 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 and staff 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, 2016, the Longwood University Real Estate Foundation held one of these notes which matures in 2017 and is classified as a note receivable on the consolidated statements of financial position. The note is 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

Outstanding receivables for rent from the University at December 31, 2016 were $337,110. At December 31, 2016, the Longwood University Real Estate Foundation also has outstanding receivables due from the University for other non-rental items of $28,346.

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 2016 were $679,366. Of the total management fees, there were accrued management fees of $364,018 as of December 31, 2016. 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, 2016, the Real Estate Foundation had a total payable to the University of $919,267, including the accrued management fees discussed above, which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

Longwood University Foundation

The Foundation received contribution revenue from Board members in the amount of $114,957 for the year ending June 30, 2017. The amount of contributions receivable due from the Board members totaled $55,100 at June 30, 2017.

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 leased (including property) to the University was $1,364,851 for June 30, 2017 including land in the consolidated statements of financial position. During the year ended June 30, 2017, the Foundation sold the Longwood Center for Visual Arts building to Longwood University for $1,081,445 recognizing a gain of $154,796 included in other revenue within the consolidated statement of activities.

For the year ended June 30, 2017, the Foundation recognized $625,798 of in-kind contributions and fundraising expenses for services provided from Longwood University personnel that directly benefited the Foundation.

23. SUBSEQUENT EVENTS

During the June 2017 meeting of the Longwood University Board of Visitors it was approved to transfer the Curry and Frazer high rise dormitories and land to the Longwood University Real Estate Foundation during the Fiscal Year 2018. This will allow the Longwood University Real Estate Foundation to proceed with the complete renovation of each tower at a cost of approximately $30 million for each tower.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Longwood University's Share of Net Pension Liability
VRS State Employee and VaLORS Retirement Plans
For the Year Ended June 30, 2017*

		2017	2016	2015
Employer's Proportion of the Net Pension				
Liability (Asset)	State Employees	0.62%	0.62%	0.61%
	VaLORS Employees	0.18%	0.17%	0.17%
Employer's Proportionate share of the Net Pension				
Liability (Asset)	State Employees	$40,699,000	$37,768,000	$33,984,000
	VaLORS Employees	1,413,000	1,232,000	1,120,000
	TOTAL	$42,112,000	$39,000,000	$35,104,000
Employer's Covered Payroll				
	State Employees	$25,657,086	$24,194,427	$24,148,561
	VaLORS Employees	547,193	506,879	511,674
	TOTAL	$26,204,279	$24,701,306	$24,660,235
Employer's Proportionate share of the Net Pension				
Liability (Asset) as a Percentage of it				
Covered Payroll	State Employees	158.63%	156.10%	140.73%
	VaLORS Employees	258.23%	243.06%	218.89%
Plan Fiduciary Net Position as a Percentage of				
the Total Pension Liability	State Employees	71.29%	72.81%	74.28%
	VaLORS Employees	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data are available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Longwood University's Employer Contributions
For the years ended June 30, 2015 - 2017

State Employees:

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	$ 3,315,644	$ 3,315,644	$ -	$ 24,578,532	13.49%
2016	3,407,261	3,407,261	-	25,657,085	13.28%
2015	2,937,326	2,937,326	-	23,822,599	12.33%

Schedule of Longwood University's Employer Contributions
For the years ended June 30, 2015 - 2017

VaLORS Employees

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	$ 125,141	$ 125,141	$ -	$ 594,492	21.05%
2016	100,355	100,355	-	547,193	18.34%
2015	89,566	89,566	-	506,879	17.67%

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years are available.

Notes to Required Supplemental Information

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made for the VRS – State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the system for the four-year period ending June 30, 2012:

- 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

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- 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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Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 1, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
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, 2017, and the related notes to the financial statements, which collectively comprise the 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 the University, which are discussed in Note 22. 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 the University, is based on the reports of the other auditors.

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

An audit 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, 2017, 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.

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 14, the Schedule of Longwood University's Share of Net Pension Liability on page 72, the Schedule of Longwood University's Employer Contributions on pages 72 and 73, and Notes to Required Supplementary Information on page 73 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 June 1, 2018, 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 the University's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

LONGWOOD UNIVERSITY

Farmville, Virginia

BOARD OF VISITORS

OFFICIALS