UNIVERSITY OF MARY WASHINGTON

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

June 30, 2008

UNIVERSITY OF MARY WASHINGTON
ANNUAL FINANCIAL REPORT
As of June 30, 2008

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UNIVERSITY OF MARY WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
As Of June 30, 2008
(Unaudited)

The University's Management Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. The basic statements of the University are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The following analysis discusses elements from each of these statements and presents an overview of the University's activities. The MD&A provides summary level financial information and should be read in conjunction with the accompanying financial statements.

Enrollment and Admission Information

Applications to attend the University remained steady for undergraduate programs while continuing to increase for graduate and professional offerings. The University is continuing to focus enrollment growth on the Graduate and Professional Studies campus while preserving the small residential persona of the undergraduate liberal arts college. The University once again, was recognized by several national publications for its quality and affordability.

Statistical Abstract by Academic Year based on Fall Census

	2004-2005		2005-2006		2006-2007		2007-2008	
Enrollment data (headcount):								
Undergraduate	4,134		4,085		4,183		4,271	
Graduate	602		649		679		730	
Total	4,736		4,734		4,862		5,001	
Undergraduate application data:								
Applications received	5,117		5,468		6,103		5,131	
Applications accepted	3,261	64%	3,530	65%	4,484	73%	3,587	70%
Students enrolled	1,176	36%	1,238	35%	1,966	44%	1,200	33%
Graduate application data:								
Applications received	159		91		223		566	
Applications accepted	149	94%	67	74%	196	88%	399	70%
Students enrolled	133	89%	43	64%	137	70%	323	81%
Tuition and fees:								
Tuition (In-State)	$ 2,544		$ 2,806		$ 3,072		$ 3,256	
Fees	2,584		2,828		3,012		3,238	
Room and board	5,744		6,002		6,244		6,606	
Total	$ 10,872		$ 11,636		$ 12,328		$ 13,100	

Statement of Net Assets

The Statement of Net Assets presents the University's assets, liabilities, and net assets as of the end of the fiscal year. The purpose of the statement is to present the readers a fiscal snapshot as of June 30, 2008. Readers of the Statement of Net Assets are able to determine the assets available to continue the University's operations. They can also determine how much the University owes to vendors and employees or how much is held on behalf of others.

The University's net assets are one indicator of the University's financial health. Over time, increases and decreases in net assets are indicators of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

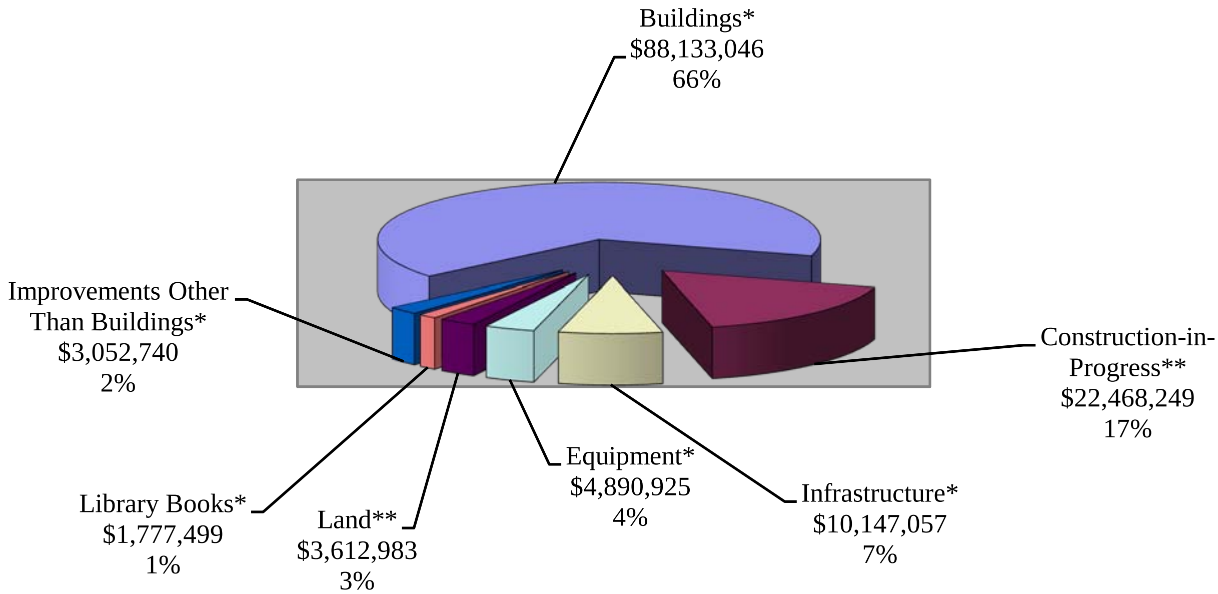
The following table reflects the condensed Statement of Net Assets for the University for fiscal years 2008 and 2007.

	2008	2007
Assets:		
Current assets	$ 15,291,338	$ 15,903,710
Non-current assets	$ 26,191,660	$ 14,473,065
Capital assets	$ 134,082,499	$ 123,117,016
Total assets	$ 175,565,497	$ 153,493,791
Liabilities:		
Current liabilities	$ 15,590,516	$ 12,963,143
Non-current liabilities	$ 30,669,601	$ 25,692,974
Total liabilities	$ 46,260,117	$ 38,656,117
Net assets:		
Invested in capital assets, net of related debt	$ 109,755,386	$ 97,348,246
Restricted	$ 14,581,784	$ 12,116,522
Unrestricted	$ 4,968,210	$ 5,372,906
Total net assets	$ 129,305,380	$ 114,837,674

Assets and liabilities are shown as current and non-current. Generally, non-current assets such as restricted investments are held for longer than one year. Appropriations available are used to construct capital assets.

The increase in non-current assets is related to state funding for several capital projects. That funding is reflected in amounts Due from the Commonwealth, restricted. The increase in non-current liabilities is due to the issuance of debt (notes payable) related to two new projects – the building of a new residential dormitory and the improvement of athletic playing fields. . Non-depreciable capital assets increased with the purchase of land near Belmont as well as increases in Construction in Progress as 22 construction projects remain on-going. Capital assets are shown net of accumulated depreciation due to the implementation of GASB Statements 34 and 35. All depreciable assets are depreciated over their useful lives. The breakdown of capital assets is as follows:

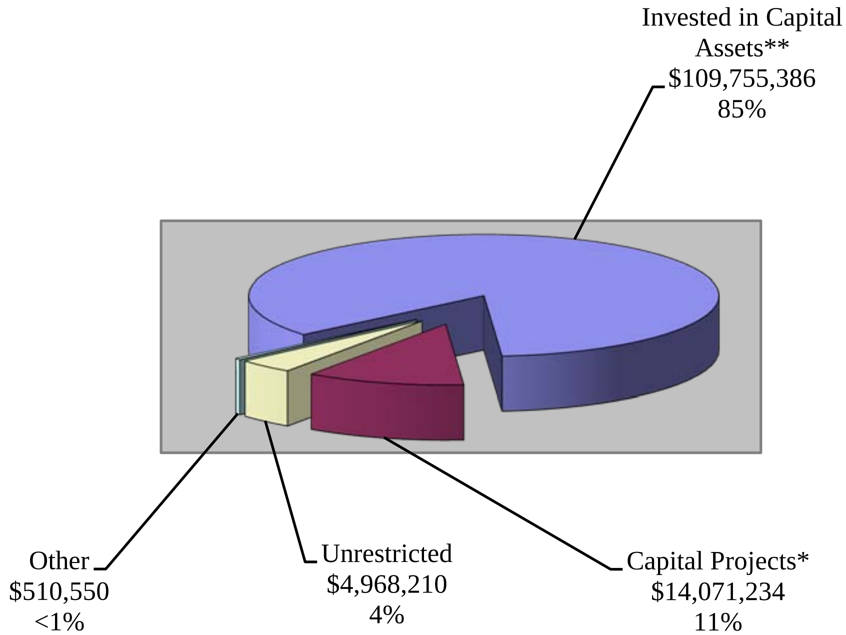
Capital Assets as of June 30, 2008



* Depreciable capital assets, net of accumulated depreciation
** Nondepreciable capital assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, shows the University's equity in property, infrastructure, and equipment owned by the University. The second category, restricted, is divided between expendable and nonexpendable net assets. Expendable restricted resources are available to spend for the purposes determined by the donor or entity that has placed the restriction on the use of the assets. The third category, unrestricted, shows the net assets available to the University for any lawful purpose. The net assets as of June 30, 2008, are as follows:

Net Assets as of June 30, 2008



Other includes: Research* $42,180 (8%): Scholarships and Fellowships* $390 (<1%): Sponsored Programs* $189,442 (37%); and Loans* $278,538 (55%)

* Restricted, expendable
** Net of related debt

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the changes in total net assets based on activity. Its purpose is to show the University's operating and non-operating revenues recognized and expenses incurred, as well as any other revenues, expenses, gains, and losses. Operating revenues are received for providing goods and services to the students and other customers of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services. Non-operating revenue is revenue received where no goods or services are provided. An example of non-operating revenues is state appropriations, since the state legislature does not directly receive commensurate goods and services in return for those revenues.

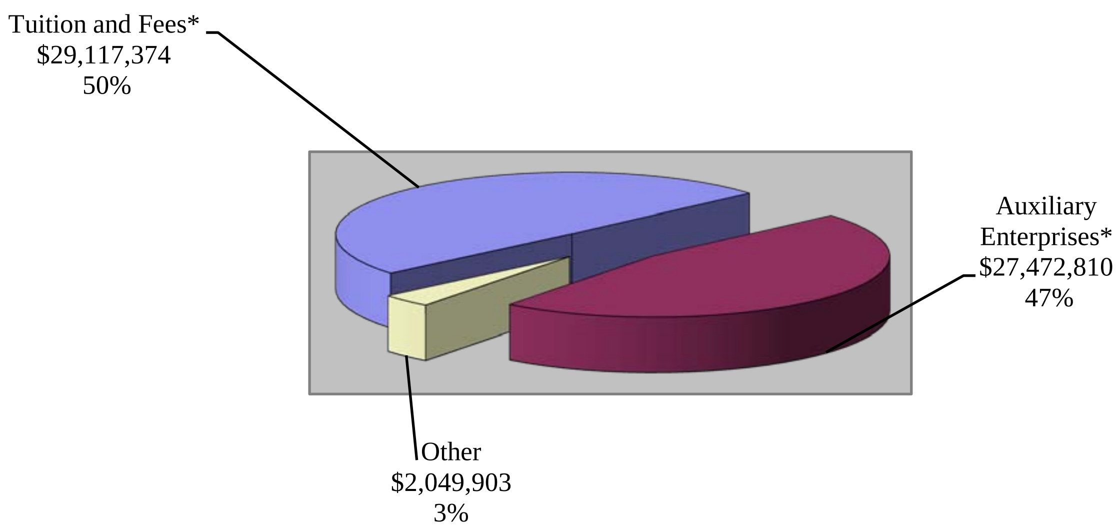
Operating revenues primarily include tuition and fees and auxiliary enterprises. Tuition and fees increased due to increases in enrollment and tuition and fee charges. Auxiliary revenues increased due to the increase in room and board participation and rates. General Fund appropriations increased $1,357,193 in fiscal year 2008.

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets for the University for fiscal years 2008 and 2007.

	2008	2007
Operating revenues	$ 58,640,087	$ 55,902,559
Operating expenses	86,255,603	78,731,853
Operating loss	(27,615,516)	(22,829,294)
Net non-operating revenues	24,942,163	22,743,994
Income before other revenues, expenses, gains, or losses	(2,673,353)	(85,300)
Net other revenues	17,141,059	19,839,812
Increase in net assets	$ 14,467,706	$ 19,754,512

The operating revenues and expenses for the year ended June 30, 2008 are as follows:

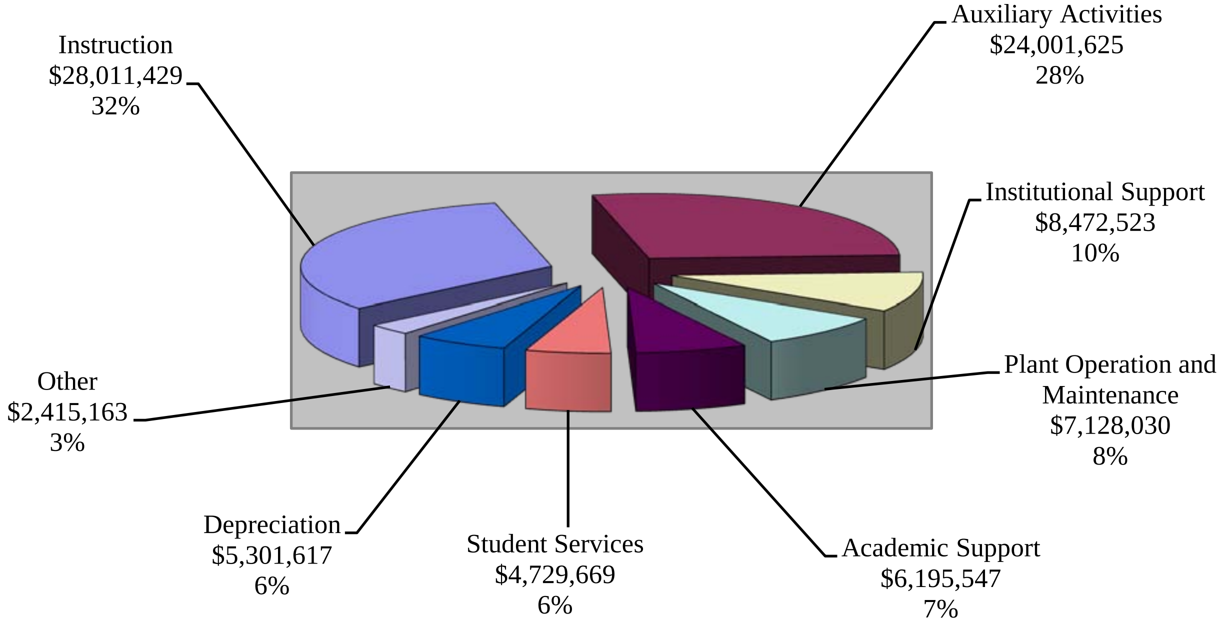
Operating Revenues for the Year Ended June 30, 2008



Other includes: Other Operating Revenues $746,922 (36%); Federal Grants and Contracts $699,629 (34%); State Grants and Contracts $36,957 (2%); and Nongovernmental Grants and Contracts $566,395 (28%).

* Net of scholarship allowances

Operating Expenses for the Year Ended June 30, 2008



Other includes: Research $419,410 (17%); Public Service $341,065 (15%); Student Aid $524,103 (22%); Museum and Cultural Services $830,853 (34%); and Historic Attraction Management $299,732 (12%).

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the University's cash activity during the year. Operating cash flows show the net cash used for operating activities. The major sources of cash are student tuition and fees, auxiliary enterprises, and grants and contracts. The major uses of cash are employee compensation, fringe benefits, and payments for services and supplies.

The next section of the statement shows cash flows from non-capital financing activities and includes the state appropriations for the University's educational and general programs and financial aid. The cash flows from capital financing shows cash used for acquisition and construction of capital and related items. The final section of the statement reconciles the net cash used by operations activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Due to a change in how the Commonwealth is accounting for multi-year appropriations for capital construction projects, the ending cash balance for fiscal year 2007 does not equal the beginning cash balance for fiscal year 2008. Funds, in the amount of $12,576,467, which were reported as cash in fiscal year 2007 are now reported as Due from the Commonwealth at the start of fiscal year 2008.

The following table reflects the condensed Statement of Cash Flows for the University for fiscal years 2008 and 2007.

	2008	2007
Cash provided/(used) by:		
Operating activities	$ (21,500,497)	$ (18,111,713)
Non-capital financing activities	25,531,821	22,423,549
Capital and related financing activities	2,091,701	(377,918)
Investing activities	878,568	1,168,168
Increase/(decrease) in cash	7,001,593	5,102,086
Cash, beginning of year (2008 as restated)	13,339,257	20,813,638
Cash, end of year	$ 20,340,850	$ 25,915,724

Capital Assets and Long Term Debt

During fiscal year 2008, new long-term debt was issued in the amount of $4,895,000 for the construction of new student dormitories and $1,935,000 for the improvement of athletic playing fields.

During fiscal year 2008, the following capital projects were completed:

- Gari Melchers Home Caretakers House Restoration
- Gari Melchers Home Roof Replacement
- Brompton Renovations
- FRED Bus Shelter

The following capital projects are still in progress:

- Athletic Fields Parking Lot
- Campus Center Deck Repair
- College Ave House Renovations
- Convergence Center
- Convocation Center
- Dahlgren GRE Institute
- Dodd Auditorium Renovation
- Emergency Siren Alert System
- Gari Melchers Home HVAC Renovation
- George Washington Hall Mold Remediation
- Goolrick Athletic Field Improvements
- James Monroe Museum and Law Library Renovation
- Jepson Renovations
- Lee Hall Renovation
- Melchers Hall HVAC Renovation
- Monroe Hall Renovations
- New Residence Hall
- Rowing Dock
- Upgrade Campus Computing Centers
- Woodard Hall Improvements

In addition, during fiscal year 2008, the University purchased a 1.6 acre parcel of land adjacent to the Gari Melchers Home and Studio at a cost of $231,114. The land will remain undeveloped to provide a buffer for the Melchers property.

Economic Outlook

As a state-supported higher education institution, the economic outlook for the University of Mary Washington is greatly impacted by the revenue and budgetary environment of the Commonwealth of Virginia. With a downturn in the Commonwealth's revenue collections during fiscal year 2009, the Governor implemented statewide budget reductions in October 2008. For the University of Mary Washington, the budget reduction totaled $1.6 million or about 7% of state support for educational and general programs. Prior to the state funding reductions, the University's Board of Visitors increased tuition for in-state undergraduate students by 4.0%, out-of-state tuition by 6.0%, comprehensive fees by 5.0%, and room and board by 6.5% for fiscal year 2009.

Additional tuition and fee increases are being proposed for fiscal year 2010 to offset additional increases in state funding reductions. In addition, as part of the federal American Recovery and Reinvestment Act of 2009, approximately $2.4 million of federal stimulus funding will be allocated to the University to help offset reductions in state funding.

Additional Items of Note

The University once again met all of the Management Standards for the Institutions of Higher Education in Virginia. These standards include:

- An unqualified opinion on the financial statements from the Auditor of Public Accounts (APA)
- No significant audit deficiencies attested to by the APA
- Compliance with the financial reporting standards endorsed by the State Comptroller
- Attainment of the accounts receivable standards
- Attainment of the accounts payable standards

UNIVERSITY OF MARY WASHINGTON
STATEMENT OF NET ASSETS
As of June 30, 2008

ASSETS

	UMW	UWM Real Estate Foundation	UMW Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ 12,680,471	$ 1,220,579	$ 1,263,536
Securities lending cash and cash equivalents (Note 2)	170,197	-	-
Accounts receivable, net of allowance for doubtful accounts (Note 3)	1,087,862	214,822	131,182
Pledges receivable, current portion (Note 3)	-	-	566,428
Due from the Commonwealth	226,227	-	-
Due from the Foundations	-	-	561
Due from the University (Note 11)	-	421,596	11,248
Inventories	767,417	-	28,000
Prepaid items	359,164	15,826	143,036
Other assets	-	516,217	257,723
Total current assets	**15,291,338**	**2,389,040**	**2,401,714**
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	7,660,379	-	-
Restricted investments (Note 2)	-	-	34,012,609
Due from the Commonwealth, restricted	17,133,737	-	-
Other restricted assets	756,413	-	-
Pledges receivable, noncurrent portion (Note 3)	-	-	5,013,875
Securities lending investments (Note 2)	641,131	-	-
Other long-term investments (Note 2)	-	807,248	2,269,492
Nondepreciable capital assets (Note 4)	26,081,232	20,909,088	676,250
Capital assets, net of accumulated depreciation (Note 4)	108,001,267	19,030,053	827,018
Total noncurrent assets	**160,274,159**	**40,746,389**	**42,799,244**
Total assets	**175,565,497**	**43,135,429**	**45,200,958**

LIABILITIES

	UMW	UWM Real Estate Foundation	UMW Foundation
Current liabilities:			
Accounts payable (Note 5)	8,954,397	337,488	182,555
Deferred revenue	1,093,476	35,361	52,235
Deposits held in trust	1,077,242	35,113	-
Obligations under Securities Lending Program (Note 2)	811,328	-	-
Amounts due to the Commonwealth	430,285	-	-
Amounts due to Foundations (Note 11)	432,844	561	-
Other liabilities	-	172,081	-
Long-term liabilities – current portion (Notes 6 and 7)	2,790,944	335,000	113,476
Total current liabilities	**15,590,516**	**915,604**	**348,266**
Noncurrent liabilities:			
Long-term liabilities – noncurrent portion (Notes 6 and 7)	30,130,170	32,155,052	812,638
Perkins loan	539,431	-	-
Total noncurrent liabilities	**30,669,601**	**32,155,052**	**812,638**
Total liabilities	**46,260,117**	**33,070,656**	**1,160,904**

UNIVERSITY OF MARY WASHINGTON
STATEMENT OF NET ASSETS
As of June 30, 2008

NET ASSETS

	UMW	UWM Real Estate Foundation	UMW Foundation
Invested in capital assets, net of related debt	109,755,386	7,795,152	1,204,213
Restricted for:			
Nonexpendable:			
Permanently restricted	-	-	25,567,771
Expendable:			
Capital projects	14,071,234	-	-
Loans	278,538	-	-
Sponsored programs	189,442	-	-
Research	42,180	-	-
Scholarships	390	-	-
Temporarily restricted	-	-	13,775,141
Unrestricted	4,968,210	2,269,621	3,492,929
Total net assets	**$129,305,380**	**$ 10,064,773**	**$ 44,040,054**

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

UNIVERSITY OF MARY WASHINGTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	UMW	UWM Real Estate Foundation	UMW Foundation
Operating revenues:			
Student tuition and fees, net of scholarship allowances of $3,050,635	$ 29,117,374	$ -	$ -
Federal grants and contracts	699,629	-	-
State grants and contracts	36,957	-	-
Nongovernmental grants and contracts	566,395	-	-
Auxiliary enterprises, net of scholarship allowances of $731,948	27,472,810	-	-
Foundation operations	-	1,870,790	3,065,016
Other operating revenues	746,922	-	-
Total operating revenues	**58,640,087**	**1,870,790**	**3,065,016**
Operating expenses:			
Instruction	28,011,429	-	-
Research	419,410	-	-
Public service	341,065	-	-
Academic support	6,195,547	-	-
Student services	4,729,669	-	-
Institutional support	8,472,523	-	-
Operation and maintenance of plant	7,128,030	-	-
Depreciation	5,301,617	494,221	31,895
Student aid	524,103	-	-
Auxiliary activities	24,001,625	-	-
Museum & cultural services	830,853	-	-
Historic attraction management	299,732	-	-
Foundation operations	-	271,266	5,357,593
Total operating expenses	**86,255,603**	**765,487**	**5,389,488**
Operating gain/loss	**(27,615,516)**	**1,105,303**	**(2,324,472)**
Nonoperating revenues/(expenses):			
State appropriations	24,449,417	-	-
Federal student financial aid – Pell grant	949,458	-	-
Investment income/(loss)	944,224	98,352	(1,277,638)
Gain/(Loss) on disposal of capital assets	(83,038)	-	3,754
Interest on capital asset related debt	(1,317,898)	(630,480)	(4,215)
Net nonoperating revenues/(expenses)	**24,942,163**	**(532,128)**	**(1,278,099)**
Income before other revenues, expenses, gains, or losses	**(2,673,353)**	**573,175**	**(3,602,571)**
Capital appropriations	16,958,617	-	-
Capital gifts	182,442	35,000	43,000
Additions to permanent endowments	-	-	1,813,993
Net other revenues, expenses, gains, or losses	**17,141,059**	**35,000**	**1,856,993**
Increase in net assets	**14,467,706**	**608,175**	**(1,745,578)**
Net assets – beginning of year	**114,837,674**	**9,456,598**	**45,785,632**
Net assets – end of year	**$129,305,380**	**$10,064,773**	**$44,040,054**

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

UNIVERSITY OF MARY WASHINGTON
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	UMW
Cash flows from operating activities:	
Student tuition and fees	$ 31,516,332
Grants and contracts	718,434
Auxiliary enterprises	28,204,059
Other receipts	1,292,005
Payments to employees	(41,761,465)
Payments for fringe benefits	(10,777,487)
Payments for services and supplies	(23,530,408)
Payments for utilities	(1,822,718)
Payments for scholarships and fellowships	(3,782,583)
Payments for noncapitalized plant and equipment	(1,458,544)
Loans issued to students	(174,877)
Collection of loans from students	76,755
Net cash used by operating activities	**(21,500,497)**
Cash flows from noncapital financing activities:	
State appropriations	24,427,790
Federal student financial aid – Pell grant	949,458
Agency receipts and payments (net)	154,573
Net cash provided by noncapital financing activities	**25,531,821**
Cash flows from capital financing activities:	
Capital appropriations	14,513,046
Purchase of capital assets	(16,268,707)
Proceeds from issuance of capital debt, leases, and installments	6,845,746
Principle paid on capital debt, leases, and installments	(1,690,590)
Interest paid on capital debt, leases, and installments	(1,307,794)
Net cash provided by capital financing activities	**2,091,701**
Cash flows from investing activities:	
Interest on investments	878,568
Net cash provided by investing activities	**878,568**
Net increase in cash	**7,001,593**
Cash – beginning of year, as restated (Note 17)	**13,339,257**
Cash – end of year	**$ 20,340,850**

UNIVERSITY OF MARY WASHINGTON
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	UMW
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	$(27,615,516)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	5,301,617
Changes in assets and liabilities:	
Accounts receivable	(186,768)
Inventories	(89,007)
Prepaid expenses	(359,164)
Other assets	(104,826)
Accounts payable	1,475,335
Deferred revenue	(486,921)
Deposits held in trust	584,004
Perkins loan liability	(36,035)
Due to Foundations	35,794
Due to Commonwealth (Operating portion)	(10,225)
Accrued leave liability	(8,785)
Net cash used by operating activities	**$(21,500,497)**
Noncash investing, noncapital financing, and capital and related financing transactions:	
Gift of capital assets	$182,442

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The University also benefits from a number of organizations that exist mainly to support the various purposes and activities of the University. In accordance with Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units*, the University is discretely presenting the financial position of the University of Mary Washington Real Estate Foundation (Real Estate Foundation) and the University of Mary Washington Foundation (UMW Foundation). The Real Estate Foundation is a non-profit organization incorporated under the laws of the Commonwealth of Virginia on December 20, 1989. Its purpose is to hold real estate for the University and to operate any corresponding rental operations. The UMW Real Estate Foundation includes the accounts of its wholly owned subsidiary, Eagle Village I, LLC. Eagle Village I, LLC was established to develop and hold property associated with student housing and a retail shopping village. The UMW Foundation is also a non-profit organization incorporated under the laws of the Commonwealth of Virginia on February 8, 1975. It was formed to seek, receive, hold, invest, administer, and distribute funds and property of all kinds, exclusively in furtherance of the educational activities and objectives of the University. Both Real Estate Foundation and the UMW Foundation issue their own audited financial statements in addition to being included in the statements of the University.

In addition, the University benefits from the University of Mary Washington Alumni Association. In accordance with GASB Statement 39 addressed above, the financial position and results of its operations are not discretely presented in conjunction with the University's financial statements. Summary information related to the University of Mary Washington Alumni Association is presented in Note 10. Audited financial statements are also issued by the Alumni Association.

All three organizations are separate legal entities from the University and the University exercises no control over them. Complete financial statements for the foundations and the Alumni Association can be obtained from the respective entity, 1119 Hanover Street, Fredericksburg, Virginia 22401-5412.

B. Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*.

The Foundations included are private non-profit organizations that do not report under the guidelines of the GASB, instead following the guidance of FASB, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the University's financial reporting entity for these differences. Information as to the significant accounting policies of the foundations can be obtained from their respective audited financial statements.

C. 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.

D. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair market value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

E. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, and infrastructure assets such as sidewalks, parking lots, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Library materials are valued using average prices for library acquisitions. Assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	50 years
Other improvements	15 or 30 years
Infrastructure	15-50 years
Equipment	5-15 years
Library materials	10 years

F. <u>Inventories</u>

Inventories are valued at the lower of cost (generally determined on the average cost method) or market. Inventories consist primarily of merchandise for resale in the University's Bookstore, the James Monroe Law Office Museum and Memorial Library, and the Gari Melchers Memorial, as well as expendable supplies held for consumption in the University's Central Storeroom.

G. <u>Prepaid Expenses</u>

As of June 30, 2008, the University's prepaid expenses included items such as insurance premiums, membership dues, and conference registrations for fiscal year 2009 that were paid in advances as well as publications, subscriptions, and maintenance contracts which include initial and renewal annual subscriptions that continue into fiscal year 2009.

H. <u>Collections</u>

The Gari Melchers Memorial maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. These collections were appraised in 1982 and 2001 for approximately $2,300,000 and $2,842,000 respectively.

In addition, the University Gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the University, but have not been appraised and total market value of the entire collection is unknown.

The items in all three collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available; in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

I. <u>Noncurrent Cash and Investments</u>

Cash and investments that are externally restricted for the Federal Department of Education Perkins Loan program and for the purchase or construction of capital and other non-current assets are classified as non-current assets in the Statement of Net Assets.

J. <u>Deferred Revenue</u>

Deferred revenue primarily includes amounts received for tuition and fees and certain auxiliary activities (resident housing deposits) prior to the end of the fiscal year, but related to the period after June 30, 2008.

K. <u>Accrued Compensated Absences</u>

The amount of leave earned, but not taken by non-faculty salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, 2008, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer related taxes payable on the eventual termination payment is also included.

L. Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

M. Net Assets

GASB Statement 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets, not fund balances. Net assets are classified as Invested in capital assets, net of related debt; Restricted; and Unrestricted. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net assets are reported as “restricted” when constraints on the net asset use are either externally imposed by creditors, grantors, or contributors or imposed by law. Unrestricted net assets consist of net assets that do not meet either definition above.

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

O. Scholarship Discounts and Allowances

Student tuition and fees revenue and certain other revenues from students are reported net of scholarship discounts and allowances in the Statements of Revenue, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student’s behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or 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.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

For reporting periods beginning after June 15, 2004, GASB Statement 40, *Deposit and Investment Risk Disclosures* became effective. This is an amendment of GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The statement modifies disclosure requirements related to both deposit risks and investment risks.

With respect to deposit risks, there are custodial credit risk and foreign currency risk. With respect to investments, there are credit risk (both custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. These risks are defined as follows:

Custodial Credit Risk – The risk that in the event of the failure of a depository financial institution or the counterparty to an investment transaction, the University will not be able to recover deposits or the value of investments that are in the possession of an outside party. The University does not have a policy limiting the ratings type of investment choices. Additional information is included below.

Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an deposit or investment. The University has no foreign currency risk policy, nor does it have any foreign deposits or investments at June 30, 2008.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from disclosure. The University does not have a policy limiting the amount that can be invested in any one issuer. Additional information is included below.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a policy limiting investment maturities as a means of managing interest rate risk. Additional information is included below.

A. Cash and Cash Equivalents

In accordance with the GASB Statement 9, *Reporting Cash Flows*, definition of cash and cash equivalents, cash represents cash with the Treasurer of the Commonwealth, cash on hand at the University, and cash deposits at financial institutions including certificates of deposits and any temporary investments with original maturities of three months or less (such as money market funds).

Pursuant to Section 2.1-177, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are either FDIC insured or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. FDIC insured deposits are in the amount of $100,000 while deposits collateralized in accordance with the Virginia Security for Public Deposits Act are in the amount of $9,672,189.

B. Investments

The Board of Visitors establishes the University's investment policy. Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days, but less than or equal to one year. Long-term investments have an original maturity greater than one year.

The University's cash and cash equivalents, short-term investments, and long-term investments are as follows:

	Market Value As of June 30, 2007	Credit Rating	Investment Maturity
Cash and cash equivalents:			
Cash with the Treasurer	$ 3,343,857		
Deposits with financial institutions	$ 9,772,189		
Collateral held for securities lending	$ 170,197		< 3 months
State non-arbitrage program (SNAP)	$ 7,224,804	S&P AAAm	< 3 months
Total	$ 20,511,047		
Short-term Investments			
Collateral held for securities lending	$ 641,131		<1 year

C. Securities Lending Transactions

Collateral held for securities lending and the securities lending transactions reported on the financial statements represent the University's allocated share of cash received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

D. Real Estate Foundation Investments

Financial instruments, which potentially subject the Real Estate Foundation to concentration of credit risk, consist principally of temporary cash investments and certificates of deposit (CDs). The Real Estate Foundation places its temporary cash investments and CDs with high credit quality financial institutions. At June 30, 2008, the Real Estate Foundation had deposits of $507,674 in excess of the Federal Deposit Insurance Corporation limit.

E. UMW Foundation Investments

Financial instruments that potentially subject the UMW Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The UMW Foundation places its temporary cash investments with high credit quality financial institutions. At June 30, 2008, the Foundation had cash deposits of $1,364,722 in excess of the Federal Deposit Insurance Corporation limit. Investments are diversified and managed by several different managers. The UMW Foundation monitors its investments receivables to minimize credit risk.

Investments are reported at fair market values. The market value of investments as of June 30, 2008 is as follows:

	Market Value As of June 30, 2008
Cash	$ 1,860,924
Bond Mutual Funds	5,397,341
Stocks	3,385,417
Stock Mutual Funds	15,892,862
Partnerships	9,745,557
Total	$ 36,282,101

Investment income includes the following components for the year ended June 30, 2008:

Interest and dividends	$ 586,695
Unrealized gain (loss)	(2,136,875)
Realized gain	272,542
Total	$ (1,277,638)

The Foundation has investments and future investment commitments in partnerships that are subject to capital calls and mandatory lock periods. The following is a schedule of commitments and lock in periods.

	Dollars Committed	Dollars Called to Date	Market Value	Lock in Period
Private Advisors Distresssed Opportunities	$ 1,250,000	$ 1,250,000	$ 1,656,684	12/31/2008
TIFF ARP II - Series I	1,000,000	1,000,000	1,291,916	12/31/2008
TIFF ARP II - Series I	1,000,000	1,000,000	1,520,958	12/31/2009
TIFF Secondary Partners I	1,000,000	652,015	662,084	11/6/2015
TIFF Partners V - United States	500,000	350,000	371,971	12/31/2015
TIFF Partners V - International	500,000	245,000	235,764	12/31/2015
Property investment Advisors PH IV	500,000	475,266	466,840	9/19/2015
Private Advisors Small Company Buyout	2,000,000	320,000	262,818	9/22/2023
MA Resource Fund I	1,200,000	84,000	61,518	1/3/2023
Metropolitan Real Estate Distressed 2008	1,500,000	330,000	330,000	12/31/2015

The UMW Foundation has beneficial interest in various split-interest agreements. The contribution portion of an agreement is recognized as revenue when the UMW Foundation has the unconditional right to receive benefits under the agreement and is measured at the expected future payments to be received. Any assets received under a trust agreement are recorded at fair value. Any liabilities to third-party beneficiaries are recorded at the present value of the expected payments. All present value calculations are made using federal discount rates and life expectancy tables. During the term of the agreement, any changes in actuarial assumptions are recognized as “changes in value of split-interest agreements”.

The Foundation is the remainder beneficiary and trustee of twenty seven charitable gift annuities and three charitable remainder trusts, dated to 2008. The discount rates range from 3.8% to 10.6% and are paid either monthly or quarterly. Total annuity payments for the year ended June 30, 2008 were $107,074.

3. ACCOUNTS AND PLEDGES RECEIVABLE

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

Student tuition and fees	$	883,771
Auxiliary enterprises		274,841
Other activities		75,108
Total	$	1,233,720
Less: Allowance for doubtful accounts		(145,858)
Net accounts receivable	$	1,087,862

UMW Foundation had unconditional pledges receivable consisting of the following at June 30, 2008:

Pledges due within one year	$	566,428
Pledges due in two to five years		5,641,171
Pledges due after five years		-
Total		6,207,599
Less: Discounts to net present value (using a discount rate of 5%)		(627,296)
Net pledges receivable	$	5,580,303

UMW Foundation loan receivable consists of $75,000 previously loaned to a related party, a former key employee of the University. Principal is payable in $25,000 annual installments and matures February 2011. Payments are relieved by designated donations received in each year. The stated interest rate of 5% per annum has been forgiven by the Foundation.

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 3,381,870	$ 231,113	$ -	$ 3,612,983
Construction in Progress	8,538,866	15,154,872	(1,225,489)	22,468,249
Total nondepreciable capital assets	11,920,736	15,385,985	(1,225,489)	26,081,232
Depreciable capital assets:				
Buildings	129,852,631	709,383	-	130,562,014
Equipment	13,695,642	1,114,289	(691,636)	14,118,295
Infrastructure	30,304,560	12,757	-	30,317,317
Improvements other than buildings	4,660,050	208,348	-	4,868,398
Library books	10,673,052	250,095	(18,518)	10,904,629
Total depreciable capital assets at historical cost	189,185,935	2,294,872	(710,154)	190,770,653
Less accumulated depreciation for:				
Buildings	40,292,219	2,136,749	-	42,428,968
Equipment	7,999,887	1,730,851	(503,368)	9,227,370
Infrastructure	19,265,596	904,664	-	20,170,260
Improvements other than buildings	1,658,529	157,129	-	1,815,658
Library books	8,773,424	372,224	(18,518)	9,127,130
Total accumulated depreciation	77,989,655	5,301,617	(521,886)	82,769,386
Depreciable capital assets, net	111,196,280	(3,006,745)	(188,268)	108,001,267
Total capital assets, net	$ 123,117,016	$ 12,379,240	$ (1,413,757)	$ 134,082,499

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 9,885,000	$ 9,455,000	$ -	$ 19,340,000
Construction in Progress	-	1,569,088	-	$ 1,569,088
Total nondepreciable capital assets	9,885,000	11,024,088	-	20,909,088
Depreciable capital assets:				
Buildings	11,088,783	9,537,415	-	20,626,198
Equipment (Furniture and Fixtures)	477,065	-	-	477,065
Improvements other than buildings	20,305	-	-	20,305
Total depreciable capital assets at historical cost	11,586,153	9,537,415	-	21,123,568
Less accumulated depreciation for:				
Buildings	1,388,469	443,937	-	1,832,406
Equipment	205,635	48,930	-	254,565
Improvements other than buildings	5,190	1,354	-	6,544
Total accumulated depreciation	1,599,294	494,221	-	2,093,515
Depreciable capital assets, net	9,986,859	9,043,194	-	19,030,053
Total capital assets, net	$ 19,871,859	$ 20,067,282	$ -	$ 39,939,141

The Real Estate Foundation owns two parcels of real estate that were donated with restricted deeds. While both deeds restrict the use of the land by requiring them to be used by an accredited institution of higher learning, one of the deeds also prohibits the land from being used for dormitories or other residential purposes. The combined donated value of the two parcels is $8,600,000.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	$ 288,000	$ 135,000	$ -	$ 423,000
Construction in progress	87,266	-	(87,266)	-
Artwork and antiquities	210,250	43,000	-	253,250
Total nondepreciable capital assets	585,516	178,000	(87,266)	676,250
Depreciable capital assets:				
Buildings	571,208	286,713	-	857,921
Equipment	86,248	-	(24,915)	61,333
Total depreciable capital assets at historical cost	657,456	286,713	(24,915)	919,254
Less accumulated depreciation for:				
Buildings	40,950	20,819	-	61,769
Equipment	43,061	11,076	(23,670)	30,467
Total accumulated depreciation	84,011	31,895	(23,670)	92,236
Depreciable capital assets, net	573,445	254,818	(1,245)	827,018
Total capital assets, net	$ 1,158,961	$ 432,818	$ (88,511)	$ 1,503,268

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Vendors and supplies accounts payable	$ 3,605,337
Employee salaries, wages, and fringe benefits payable	$ 4,824,652
Retainage payable on construction contracts	$ 508,418
Other accounts payable	15,990
Total accounts payable	$ 8,954,397

6. NONCURRENT LIABILITIES

The University’s noncurrent liabilities consist of long-term debt (further described in Note 7), and accrued compensated absences. A summary of changes in noncurrent liabilities for the year ending June 30, 2008, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	$ 10,017,741	$ -	$ (964,275)	$ 9,053,466	$ 999,265
Notes payable	13,431,842	8,991,506	(2,666,824)	19,756,524	743,281
Installment purchases	2,913,028	-	(171,100)	2,741,928	188,722
Total long-term debt	26,362,611	8,991,506	(3,802,199)	31,551,918	1,931,268
Other non-current liabilities:					
Accrued compensated absences	1,377,980	882,799	(891,583)	1,369,196	859,676
Total long-term liabilities	$ 27,740,591	$ 9,874,305	$ (4,693,782)	$ 32,921,114	$ 2,790,944

7. LONG TERM DEBT

A. Bonds Payable

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. A summary of all bonds payable as of June 30, 2008, is presented as follows:

Details of Bonds Payable	Outstanding June 30, 2008
Higher Education Bonds, Series 1998R, issued $2,094,152 to refund a portion of the 148 bed dormitory bond, Series 1992C, the balance to finance construction of new parking lots and athletic fields, the balance payable in annual installments from $14,835 to $262,822 with interest of 3.5% to 4.7% payable semiannually, the final installment of $262,822 due June 1, 2013	$1,201,876
Higher Education Bonds, Series 2001A, issued $1,925,000 to renovate dormitories, the balance payable in annual installments from $65,000 to $145,000 with interest of 4% to 5% payable semiannually, the final installment of $145,000 due June 1, 2021	400,000
Higher Education Bonds, Series 2002R, issued $2,646,766 to refund a portion of the telecommunications bond, Series 1993B, the balance payable in annual installments from $114,232 to $340,000 with interest of 2.5% to 5.0% payable semiannually, the final installment of $340,000 due June 1, 2013	1,577,374
Higher Education Bonds, Series 2003R, issued $1,460,829 to refund a portion of the Series 1993R bonds which refunded a portion of the Series 1990B residence hall bond, the balance payable in annual installments from $183,098 to $235,186 with interest of 2.5% to 5.0% payable semiannually, the final installment of $235,186 due June 1, 2010.	478,981
Higher Education Bonds, Series 2004R, issued $1,036,316 to refund a portion of the Series 2001A bonds for renovation of dormitories, the balance payable in annual installments from $1,835 to $125,264 with	

interest of 2% to 5% payable semiannually, the final installment of $125,153 due June 1, 2025.	1,006,868
Higher Education Bonds, Series 2005A, issues $4,730,000 to renovate dining facilities, the balance payable in annual installments from $155,000 to $350,000 with interest of 3.5% to 5% payable semi-annually, the final installment of $350,000 due June 1, 2025.	4,388,367
Total Bonds Payable	$9,053,466

Annual debt service requirements to maturity for bonds payable are as follows:

Year Ending June 30,	Principle	Interest	Total
2009	999,265	420,129	1,419,394
2010	1,041,080	378,263	1,419,343
2011	838,861	330,542	1,169,403
2012	872,841	291,735	1,164,576
2013	918,530	250,132	1,168,662
2014-2018	1,758,971	869,016	2,627,987
2019-2023	1,913,228	423,979	2,337,207
2024-2025	710,690	48,250	758,940
Total	$ 9,053,466	$ 3,012,046	$ 12,065,512

B. 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) issued 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. A summary of all notes payable as of June 30, 2008, is presented as follows:

Details of Notes Payable	Outstanding June 30, 2008
VCBA Bonds, Series 1999A, issued $1,045,000 to finance replacement of the tennis courts, the balance payable in annual installments from $40,000 to $50,000 with interest of 4.5% to 6% payable semiannually, the final installment of $50,000 due September 1, 2009.	95,000
VCBA Bonds, Series 2000A, issued $4,690,000 to finance construction of a fitness center, the balance payable in annual installments from $170,000 to $370,000 with interest of 4.25% to 5.75% payable semiannually, the final installment of $370,000 due September 1, 2020.	1,220,000
VCBA Bonds, Series 2002A, issued $2,335,000 to finance construction of an Indoor Tennis Facility, the balance payable in annual installments from $60,000 to $180,000 with interest of 3.00% to 5.25% payable semiannually, the final installment of $180,000 due September 1, 2022.	1,187,566

VCBA Bonds, Series 2004R, issued $725,000 to partially refund the Series 1997A bonds to finance construction of Jepson Science Building, the balance payable in annual installments from $65,000 to $115,000 with interest of 3% to 5% payable semiannually, the final installment of $115,000 due September 1, 2017	734,286
VCBA Bonds, Series 2004R, issued $695,000 to partially refund the Series 1999A bonds for replacement of the Tennis Courts, the balance payable in annual installments from $45,000 to $80,000 with interest of 3% to 5% payable semiannually, the final installment of $80,000 due September 1, 2019	648,750
VCBA Bonds, Series 2004R, issued $1,385,000 to partially refund the Series 2000A bonds to finance construction of a Fitness Center, the balance payable in annual installments from $180,000 to $370,000 with interest of 3% to 5% payable semiannually, the final installment of $370,000 due September 1, 2020.	1,340,882
VCBA Bonds, Series 2004A, issued $5,665,000 to finance Construction of a Parking Deck, the balance payable in annual installments from $185,000 to $425,000 with interest of 3.00% to 5.00% payable semiannually, the final installment of $425,000 due September 1, 2026.	5,540,376
VCBA Bonds, Series 2007R, issued $860,000 to partially refund the Series 2002A bonds to finance construction of an Indoor Tennis Facility, the balance payable in annual installments from $5,000 to $150,000 with interest of 4.00% to 4.50% payable semiannually, the final installment of $150,000 due September 1, 2019.	877,172
VCBA Bonds, Series 2007R, issued $1,030,000 to partially refund the Series 2000A bonds to finance construction of a Fitness Center, the balance payable in annual installments from $5,000 to $345,000 with interest of 4.00% to 4.50% payable semiannually, the final installment of $345,000 due September 1, 2019.	1,012,975
VCBA Bonds, Series 2007R, issued $190,000 to partially refund the Series 1997A bonds to finance construction of the Jepson Science Center, the balance payable in annual installments from $75,000 to $115,000 with interest of 4.00% to 4.25% payable semiannually, the final installment of $115,000 due September 1, 2017.	189,675
VCBA Bonds, Series 2007A, issued $1,935,000 to finance Improvements to Goolrick Athletic Fields, the balance payable in annual installments from $30,000 to $115,000 with interest of 4.50% to 5.00% payable semiannually, the final installment of $115,000 due September 1, 2038.	1,957,925
VCBA Bonds, Series 2007A, issued $4,895,000 to finance Construction of a new Residence Hall, the balance payable in annual installments from $75,000 to $295,000 with interest of 4.50% to 5.00% payable semiannually, the final installment of $295,000 due September 1, 2038.	4,951,917
Total Notes Payable	$19,756,524

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending June 30,	Principle	Interest	Total
2009	743,281	902,212	$ 1,645,493
2010	773,281	867,612	1,640,893
2011	803,281	830,863	1,634,144
2012	843,280	791,113	1,634,393
2013	873,280	748,300	1,621,580
2014-2018	5,091,956	3,044,219	8,136,175
2019-2023	4,752,654	1,843,238	6,595,892
2024-2028	2,470,417	989,906	3,460,323
2029-2033	1,518,687	597,488	2,116,175
2034-2038	1,886,407	218,588	2,104,995
Total	$ 19,756,524	$10,833,539	$ 30,590,063

C. Installment Purchases

The University has entered into various installment purchase contracts to finance the acquisition of energy savings, computer, and telecommunications equipment. The purchase agreements continue for another thirteen years with interest rates from 2.99% to 4.31%. A summary of the remaining installment purchases payable debt as of June 30, 2008, is presented as follows:

Year Ending June 30,	Principal	Interest	Total
2009	188,722	116,165	304,887
2010	196,943	107,944	304,887
2011	205,523	99,364	304,887
2012	214,477	90,411	304,888
2013	223,820	81,067	304,887
2014-2018	1,274,137	250,298	1,524,435
2019-2020	438,306	19,025	457,331
Total	$ 2,741,928	$ 764,274	$ 3,506,202

D. Prior Year Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are, therefore, considered defeased. Accordingly, the trust account's assets and the liabilities for the defeased bonds are not included in the University's financial statements. On June 30, 2008, $1,025,000 of the bonds and $3,850,000 of the notes considered defeased remained outstanding.

E. UMW Foundation Line of Credit

The Foundation has a revolving line of credit up to $2.2 million bearing interest monthly at the London Interbank Offered Rate (LIBOR) plus .8%. The line of credit is collateralized by the full faith and credit of the Foundation and written pledges from the Alumni Executive Center donors. The line also assesses fees on the undrawn balance at a rate of .10% per annum, paid quarterly in arrears. The maturity date of the line of credit is four years from the date of closing, February 23, 2004; however, the Foundation is permitted to prepay the line at any time without penalty. At June 30, 2008, the line was fully repaid.

The Foundation complied with required financial covenants and ratios, including a working capital ratio, while the line of credit was outstanding.

F. UMW Foundation Loan Payable

In April 2008, the Foundation purchased a building with the intent of converting it into office space for the Foundation. The acquisition was financed by a promissory note in the amount of $300,000 to be repaid over 20 years based on a 30 year amortization with a balloon payment due at maturity. The note has a fixed interest rate of 5.5%. A summary of the remaining promissory note debt as of June 30, 2008, is presented as follows:

Year Ending June 30,	Principal	Interest	Total
2009	4,049	16,579	20,628
2010	4,281	16,347	20,628
2011	4,526	16,102	20,628
2012	4,741	15,887	20,628
2013	5,056	15,572	20,628
Thereafter	276,402	234,101	510,503
Total	$ 299,055	$ 314,588	$ 613,643

G. Real Estate Foundation Loan Payable

In December 2007, the Foundation purchased a shopping center near the University campus with the intent of building student dormitories and developing a retail shopping village. A bank line of credit, with a commitment not to exceed $25 million, was obtained to finance the $18,750,000 purchase and associated costs of acquisition and to fund initial development efforts. The loan is secured by a deed of trust, an assignment of rents and leases and a guarantee by the University of Mary Washington Foundation. Interest is payable quarterly, at the rate of 4.95%, until the loan matures on December 10, 2010 at which time the outstanding balance of the loan is payable. During 2008, interest on the loan totaled $568,344, of which $166,478 has been capitalized as a cost of project development and is included in construction in progress.

H. Real Estate Foundation Bonds Payable

During the fiscal year ended June 30, 2004, the Foundation obtained $11,140,000 in tax exempt financing through an Industrial Development Housing Facility Revenue Bond (Bonds) with the City of Fredericksburg, Virginia. The Series 2003 Bonds consist of $5,555,000 in serial bonds with staggered maturities through April 1, 2020, $2,170,000 in term bonds due April 1, 2024, and $3,415,000 in term bonds due April 1, 2029. The Foundation used the proceeds to refinance the costs of acquisition and renovation of property which will be operated and managed by the University as part of its student housing system. The loan agreement is collateralized by a deed of trust to the trustee, SunTrust Bank.

The bond indenture and related agreements provide for the payment of principal and interest to a bond sinking fund semiannually. For the term bonds due April 1, 2024, and April 1, 2029, interest is payable at a rate of 5.20% and 5.35%, respectively. For the $5,555,000 serial bond issue, interest is payable at the rates ranging from 2.1% to 5.25% depending on maturity dates.

The Bond agreement also requires a Series Repair and Replacement Reserve Account for each Series of Bonds that has the requirement. The Repair and Replacement Reserve Requirement for the Series 2003 Bonds was $350,000 upon the issuance of the Bonds. Thereafter, the Real Estate Foundation is to deposit into this account each fiscal year an amount equal to the product of $200 times number of beds in the project. Deposits for 2008 totaled $71,000. By submitting a requisition to the Trustee, the Real Estate Foundation may request withdrawals from this fund at any time and there is no minimum balance.

The Bond agreement requires the Foundation to meet a long-term debt coverage ratio of not less than 1.20. As of June 30, 2008, management believes the Foundation met the required ratio.

Sinking fund payments for the bonds, including principal and interest, for future fiscal years ending June 30 are as follows:

Year Ending June 30,	Principle	Interest	Total
2009	295,000	500,458	795,458
2010	305,000	490,280	795,280
2011	320,000	478,843	798,843
2012	330,000	466,042	796,042
2013	345,000	452,018	797,018
Thereafter	8,415,087	4,259,844	12,674,931
Total	$ 10,010,087	$ 6,647,485	$ 16,657,572

In February 2007, the Foundation purchased a building adjacent to the University campus to be operated and managed by the University as part of its faculty offices. The acquisition was financed by a short-term bank loan in the amount of $2,100,000 to be repaid with all accrued interest by November 28, 2007. The bank note accrued interest at the London Interbank Offered Rate (LIBOR) plus 0.5% (5.82% at June 30, 2007) and was secured by assignment of rents from the University. Interest totaling $41,758 had accrued at June 30, 2007.

During August 2007, the Foundation obtained $2,500,000 in tax exempt financing through a bond pool issuance with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia with an original issue discount of $25,185. Proceeds from the bond sale paid off the $2,100,000 short-term not payable and the related accrued interest. The remaining proceeds were used to pay bond issuance costs and construction and renovation costs. Interest on the bonds is payable at 4.73% over a 30-year period. The original issue discount of $25,185 and bond issuance costs of $122,896 are being amortized over the life of the bonds using the straight-line method. The bonds are secured by a deed of trust and a Support Agreement with the University.

Sinking fund payments for the bonds, including principal and interest, for future fiscal years ending June 30 are as follows:

Year Ending June 30,	Principle	Interest	Total
2009	40,000	112,150	152,150
2010	45,000	110,450	155,450
2011	45,000	108,650	153,650
2012	50,000	106,750	156,750
2013	50,000	104,750	154,750
Thereafter	2,245,584	1,565,250	3,810,834
Total	$ 2,475,584	$ 2,108,000	$ 4,583,584

At June 30, 2008, the carrying value of the bonds payable is shown net of unamortized original issue discount of $104,329. Amortization of the discount is reported as interest expense.

8. 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 Assets 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	Utilities	Plant and Equipment	Depreciation	Total
Instruction	$ 22,091,910	$ 4,580,519	$ 1,095,180	$ 111	$ 243,709	$ -	$ 28,011,429
Research	231,393	22,444	173,946	-	(8,373)	-	419,410
Public service	154,427	80,611	103,027	3,000	-	-	341,065
Academic support	4,095,182	1,015,111	569,023	-	516,231	-	6,195,547
Student services	2,606,543	684,273	1,409,632	-	29,221	-	4,729,669
Institutional support	3,637,548	1,376,942	3,277,937	(6,558)	186,654	-	8,472,523
Operation and maintenance of Plant	1,389,997	1,178,396	2,761,962	1,802,044	(4,369)	-	7,128,030
Depreciation	-	-	-	-	-	5,301,617	5,301,617
Student aid	337,565	30,499	139,165	-	16,874	-	524,103
Museum & Cultural Services	500,104	104,230	186,428	35,566	4,525	-	830,853
Historic Attraction Management	166,685	31,750	95,778	5,519	-	-	299,732
Auxiliary activities	7,691,516	2,006,490	13,846,511	(16,964)	474,072	-	24,001,625
Total	$ 42,902,870	$ 11,111,265	$ 23,658,589	$ 1,822,718	$ 1,458,544	$ 5,301,617	$ 86,255,603

9. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for re-appropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 847:	
Educational and general programs	$ 23,186,737
Student financial assistance	1,319,591
Museum and cultural services	339,471
Historic attraction management	205,494
Supplemental adjustments:	
Faculty and staff salary increases	391,779
Health insurance and VSDP rate increases	328,317
Tuition incentive proceeds	120,363
Retiree benefit and group life rate increases	120,286
Eminent Scholars funding	53,075
Employee group life increases	23,221
Virtual Library of Virginia (VIVA) allocation	13,270
Additional state scholarship funding	10,000
Miscellaneous supplemental adjustments	314
Equipment Trust Fund debt transfers	(97,063)
State capital outlay fee	(102,204)
General fund budget reductions	(1,463,234)
State appropriation revenue, adjusted	$ 24,449,417

10. AFILIATED FOUNDATIONS

The financial statements do not include the assets, liabilities, and net assets of the University of Mary Washington Alumni Association. The purpose of this organization is to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. This organization is a separately incorporated entity and the related financial statements are examined by other auditors. The following condensed summary is based solely upon the reports of other auditors at and for the year ended June 30, 2008.

Assets:	
Cash and investments	$ 101,966
Other assets	4,302
Total assets	$ 106,268
Liabilities and net assets:	
Liabilities	$ 7,468
Net assets	98,800
Total liabilities and net assets	$ 106,268

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University were $290,946 and $356,278, respectively, for the year ended June 30, 2008.

11. RELATED PARTY TRANSACTIONS

A. Between The University of Mary Washington and The Real Estate Foundation

Pursuant to the Industrial Revenue Bond issue, the Real Estate Foundation has entered into a support and management agreement with the University. The support agreement requires preferential treatment in that the University must assign all of its students in need of housing first to the Series 2003 University of Mary Washington apartment project, until at least 95% of the units in the project have been assigned. The management agreement appoints the University as the property facilities manager, and requires the University to establish annual operating budgets that facilitate the Real Estate Foundation's compliance with the financial covenants of the bond financing agreement. Under the agreement, a Project Revenue Fund is established at the University to collect revenues and pay expenses of operating, maintaining, and insuring the facility. These net project revenues are held by the University on the Real Estate Foundation's behalf and are to be used for debt service payments and required reserve funding. The balance of this Project Revenue Fund held by the University at June 30, 2008 was $374,741.

The support agreement remains in effect for as long as the Series 2003 Bonds are outstanding. The term of the management agreement extends to June 30, 2030. The management agreement may be terminated by either party after June 30, 2009 with certain restrictions. A termination of the management agreement shall in no way terminate the support agreement or affect the University's obligations under the support agreement.

Pursuant to the 2007 Industrial Development Authority (IDA) Bond issue, the Foundation entered into a support and management agreement with the University. The University shall operate and manage the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices. Subject to this agreement and upon consultation with the Foundation, the University shall be responsible for all aspects of the operation of the 2007 Project. On each January 15 and July 15, commencing July 15, 2008, the University shall transfer to the Foundation the amounts set forth in the 2007 Project budget for the succeeding six month period of such fiscal year. The amount of the transfer shall include, without limitation, the amount necessary for the Foundation to satisfy its payment and other obligations under the 2007 project loan agreement and the Deed of Trust during such period. In addition, promptly upon the request of the Foundation, the University shall transfer to the Foundation any other amount requested by the Foundation necessary to pay any amount due and payable under the 2007 project loan agreement or the Deed of Trust, including any additional payments as defined in the loan agreement. The amounts received are to be pledged to the IDA as security for the Foundation's obligations under the 2007 Project Loan agreement and the Deed of Trust. Amounts due from the University under this agreement at June 30, 2008 were $46,855.

B. Between the University of Mary Washington and the UMW Foundation

The Foundation provides financial support to the University. Advances to the University include $11,248 for student scholarships at June 30, 2008.

The University pays the Foundation for certain program services which amounted to $173,700 in 2008. At June 30, 2008, the Foundation had $14,901payable to the University.

C. Between the UMW Foundation and the University of Mary Washington Alumni Association

The Foundation has an agreement to give the Alumni Association annually 20% of unrestricted alumni gifts, with a minimum of $50,000 each year. For the year ended 2008, the UMW Foundation gave the Alumni Association $189,666. The Alumni Association directs all royalty revenue to the Foundation for scholarships. Under these arrangements, the Foundation had a net receivable from the Alumni Association of $7,068 at June 30, 2008.

D. Between the UMW Foundation and other related parties

The Foundation has a consultant agreement with a related party, the former President of the University, who is to provide consulting services in the areas of fundraising and charitable giving, strategic planning, and legislative relations. The agreement began on July 1, 2007 and will continue until June 30, 2009, or until such earlier time as the consultant and the Foundation may agree in writing. The terms of the agreement call for an annual fee of $172,500 to be paid in quarterly installments to the consultant. The parties may mutually agree to renew the agreement for one additional two-year term at a daily rate of $2,000, with the former President performing services on an "on-call" basis. During 2008, $173,677 of expense was incurred under this agreement. Quarterly installment of $43,125 under this agreement was prepaid at June 30, 2008.

The Foundation also has an agreement with a related party, the former President of the University. The terms of the agreement state that the Foundation shall pay the individual's estate $5,100 per month, should he decease within 180 months of his retirement. The commitment declines each month and ceases in its entirety at June 30, 2021. Payments under this agreement are funded by the death benefit of a life insurance policy on the former President, of which the Foundation is the beneficiary.

12. COMMITMENTS

A. University Commitments

At June 30, 2008, the University was a party to construction and other contracts with outstanding commitments of $10,253,794. In addition, $508,418 was held by the University as retainage on ongoing projects for which work had been performed. The retainage will be remitted to the contractors upon satisfactory completion of the project.

The University is committed to an operating lease for office space for the Warsaw office of the Rappahannock Small Business Development Center run by the University. The lease is a three year term beginning in July 2007. Rental expense was $4,977 for the year ended June 30, 2008.

The University is committed to two operating leases for office space for administrative offices of the University. The first lease is a five year lease beginning in September 2006. Rental expense was $240,924 for the year ended June 30, 2008. The second lease is a two year lease beginning in May 2007. Rental expense was $170,508 for the year ended June 30, 2008.

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

Year Ending June 30	Operating Lease Obligation
2009	$ 410,514
2010	276,328
2011	279,492
2012	46,536
Total	$ 1,012,870

B. UMW Foundation Commitments

At June 30, 2008, the Foundation was committed to the University for construction of several campus projects. The estimated costs-to-complete the projects is approximately $116,500.

During 2008, the Foundation entered into an agreement to guarantee a $25,000,000 line of credit for a subsidiary of the University of Mary Washington Real Estate Foundation. The line bears interest at a rate of 4.6% and matures on December 10, 2010. The balance on the line at June 30, 2008 was $20,004,381.

The UMW Foundation leases two vehicles under noncancellable operating leases expiring in 2011 with minimum future rental payments totaling $23,000. Expense incurred for 2008 under operating leases totaled $11,039.

C. Real Estate Foundation Commitments and Contingencies

The Real Estate Foundation is in the initial phase of developing the shopping center, to include the construction of student dormitories, a parking garage, a pedestrian bridge to the University campus and a small retail and office complex. A real estate development consultant has been hired to manage the development and construction of the dormitories and to initiate the master planning for the development of the retail shopping center. The consultant contract requires a fee equal to 3.75% of the total project cost, payable in monthly installments of $40,000 during the year ended June 30, 2008 and increasing to $65,000 beginning October 2008. The Real Estate Foundation has also entered into a contract with a real estate brokerage firm to manage the leasing, operations and accounting for the retail shopping center. The management fee for these services is 3% of gross receipts or $4,000 per month, whichever is greater. Project development fees and shopping center management fees totaled approximately $274,000 and $26,517, respectively.

During 2008, the Real Estate Foundation entered into a construction contract in relation to the 2007 bond project totaling $171,899. As of June 30, 2008, $59,650 of cost had been incurred.

In March 2008, the Real Estate Foundation entered into a $3,000,000 purchase agreement for property. The agreement is contingent on the seller locating an Internal Revenue Code Section 1031 exchange property. Settlement will occur 30 days after this contingency is met. In April 2008, the Foundation entered into a $1,500,000 purchase agreement for property to be settled in January 2009. Long-term financing would fund these purchases through the issuance of tax exempt bonds.

13. RETIREMENT PLANS

A. Virginia Retirement System

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

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Therefore, all information relating to this plan is available at the statewide level only and can be found in the Commonwealth's *Comprehensive Annual Financial Report* (CAFR). The Commonwealth of Virginia, not the University, has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfounded pension benefit obligation at June 30, 2008. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to VRS, which totaled $2,377,694 for the year ended June 30, 2008. These contributions included the 11.15% employee contribution assumed by the employer. Contributions to VRS were calculated using the base salary amount of approximately $21,324,610. The University's total payroll was approximately $42,902,870 for the year ended June 30, 2008.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by two different providers rather than the VRS. The two different providers are TIAA/CREF Insurance Companies and Fidelity Investments Tax-Exempt Services. This plan is a fixed-contribution program where the retirement benefits received are based upon the employer's (10.4%) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately $1,562,773 for the year ended June 30, 2008. Contributions to the optional retirement plans were calculated using the base salary amount of approximately $15,026,663.

C. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan was approximately $140,260 for the year ended June 30, 2008.

14. POST-EMPLOYMENT BENEFITS

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

15. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

16. CONTINGENCIES

A. Grants and Contracts

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2008, the University estimates that no material liabilities will result from such audits or questions.

B. Litigation

The University was not named as a defendant in any lawsuits as of June 30, 2008.

17. BEGINNING CASH ADJUSTMENT

Unspent general funds of the University that have specific authority from the Commonwealth to cross fiscal years for the construction of capital projects and certain trust accounts have been reported as restricted cash in the Statement of Net Assets of the University. In 2008, due to a reporting change required by the Commonwealth, such funds are now reported as Due from the Commonwealth. No restatement of fund balance is necessary for this adjustment, however, in the Statement of Cash Flows, the beginning cash amount has been restated to reflect this change. The amount of fiscal year 2007 cash that would have been reported as Due from the Commonwealth had this change been in effect is $12,576,467.

18. SUBSEQUENT EVENTS

Corporate Reorganization

Effective July 1, 2008, a merger of the Real Estate Foundation into the University of Mary Washington Foundation was consummated by votes of the respective boards of directors. The UMW Foundation will be the surviving entity and will continue to be exempt from income tax under Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia. The merger was undertaken to streamline the management of both Foundations' fund-raising and real estate development operations.

Certain properties of the Real Estate Foundation were reorganized into separate Limited Liability Companies (LLCs). Eagle Housing LLC was organized to contain student housing projects including Marye Heights University Apartments and Eagle Village I, LLC student dormitories. Eagle Property Holding LLC was formed as a holding company for several real estate LLCs which will be functionally aligned to include undeveloped land, faculty offices, and housing and various real estate properties.

For the year ending June 30, 2009, all entities will be consolidated into the UMW Foundation as wholly owned subsidiaries. The real estate properties and development projects will be managed by a committee appointed by Eagle Property Holdings, LLC.

Financing

During August 2008, the UMW Foundation's Board of Directors approved the sale of up to $106,000,000 in variable rate bonds. These bonds will finance the development and construction of the student dormitory project known as Eagle Village I, LLC and will refinance the outstanding bonds payable on the 2003 apartment bond project. These bonds are expected to be sold incrementally as project construction progresses.

In September 2008, the UMW Foundation entered into two interest rate swap agreements to manage the interest cost and risk associated with a portion of its planned variable-rate debt financings. The first swap for $70,000,000 is effective September 2011, extends through 2041, and provides the UMW Foundation to pay a fixed rate of 3.71%. From September 2011 through September 2014, the UMW Foundation will receive a variable rate based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. From September 2014 through September 2041, the UMW Foundation will receive a variable rate based on 70% of the LIBOR index. The second swap for $10,670,000 is effective November 2008, extends through 2029, and provides the UMW Foundation to pay a fixed rate of 3.28%. From November 2008 through April 2014, the UMW Foundation will receive a variable rate based on the SIFMA Municipal Swap Index. From April 2014 through April 2029, the UMW Foundation will receive a variable rate based on 70% of the LIBOR index. Because these swap instruments involve counterparty credit exposure, the swap agreements were placed with a major financial institution with the highest rating for financial stability and creditworthiness.

Economic Markets

Subsequent to June 30, 2008, the financial markets experienced some of the greatest turbulence in history resulting in significant reductions in equity values. The UMW Foundation has reviewed the market value of its investments, including endowments, as of March 23, 2009 noting a market decline of approximately 19 percent or $6.96 million.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 4, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board of Visitors
University of Mary Washington

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the **University of Mary Washington**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in Note 1. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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 discretely presented component units of the University as of June 30 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2009, on our consideration of the University of Mary Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

JHS/alh

UNIVERSITY OF MARY WASHINGTON

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June 30, 2008

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