

LIBERTY UNIVERSITY BOARD OF TRUSTEES

- 1. Mr. Jerry L. Falwell, Jr., Esquire -- 2000**
CHANCELLOR, Liberty University
1971 University Blvd.
Lynchburg, Virginia 24502
- 2. Mr. Neal A. Askew -- 1997**
Businessman
P. O. Box 1988
Wimberley, Texas 78676
- 3. Dr. Mark Becton -- 2009**
Pastor, Grove Avenue Baptist Church
11616 Heverley Ct.
Glen Allen, Virginia 23059
- 4. Mr. Wayne Booth -- 2008**
Businessman
22473 Timberlake Rd.
Lynchburg, Virginia 24502
- 5. Mr. Fleet Browning -- 1976**
Businessman
166 Cypress Ct.
Roanoke, Virginia 24019
- 6. Mr. Tom Coble -- 2010**
Businessman
3137 Cedar Park Rd.
Greensboro, NC 27405
- 7. Mr. J. Marion Compton -- 1976**
Businessman
19679 Old Jonesboro Rd.
Abingdon, North Carolina 24211
- 8. Mr. Sherwin Cook -- 2008**
Businessman
1314 Elon Rd.
Madison Heights, Virginia 24572
- 9. Dr. Don Crain --1981**
Pastor, Retired
9387 Laurel Grove Road
Mechanicsville, VA 23116
- 10. Mr. Mark DeMoss -- 1991**
Businessman
3343 Peachtree Rd. NE Ste. 1000
Atlanta, GA 30326
- 11. Dr. Jack Dinsbeer -- 1982**
Pastor, Retired
4290 Redtail Hawk Dr.
Jacksonville, FL 32257

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- 12. Mr. Jonathan Falwell** -- 1990
Executive Pastor, Thomas Road Baptist Church
1048 Peyton Ridge Ct.
Forest, VA 24551
- 13. Dr. R. Herbert Fitzpatrick** -- 1976
Pastor, Retired
3007 Friends Rd.
Annapolis, MD 21401
- 14. Mr. Harvey Gainey** --1994 (Vice Chairman)
Businessman
12419 Jansma Dr.
Grand Haven, MI 49417
- 15. Dr. Jeff Ginn** -- 2009
Pastor, Istrouma Baptist Church
10500 Sam Rushing Dr.
Baton Rouge, LA 70816
- 16. Mr. John Heath** -- 1982
Businessman
4998 Mountainpass Rd.
Troutville, VA 24175
- 17. Dr. Beverly LaHaye** -- 1988
Founder, Concerned Women of America
1608 Rancho Judith
Alpine, VA 91909
- 18. Dr. Tim LaHaye** -- 2002
Pastor, Educator and Author
1608 Rancho Judith
Alpine, VA 91909
- 19. Dr. Richard Lee** -- 1986
Pastor, First Redeemer Church
2135 Old Alpharetta Rd.
Cumming, GA 30041
- 20. Evangelist Tim Lee** -- 2005
Evangelist
P. O. Box 461674
Garland, TX 75046
- 21. Dr. Allen McFarland** -- 1992
Pastor, Calvary Evangelical Baptist Church
205 Gust Lane
Portsmouth, VA 23701
- 22. Dr. James Merritt** -- 1992
Pastor, Cross Pointe-The Church at Gwinnett Center
1800 Satellite Blvd.
Duluth, GA 30097
- 23. Dr. Gene Mims** -- 1997
Pastor, Judson Baptist Church
4900 Franklin Rd.
Nashville, TN 37220

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- 24. Mr. Richard Osborne** -- 2009
Businessman
5801 Trippe Creek Dr.
Oxford, MD 21654
- 25. Mr. Galen Peel** -- 2009
Businessman
53 Poplar Forest Dr.
Forest, VA 245551
- 26. Mr. Wilbur Peters** -- 1991
Businessman
1592 N. Aaron St.
Mesa, AZ 85207
- 27. Dr. Richard Powell** -- 2006
Pastor, McGregor Baptist Church
3750 Colonial Blvd.
Ft. Myers, Florida 33912
- 28. Dr. Jerry Prevo** -- 1996 (CHAIRMAN)
Pastor, Anchorage Baptist Temple
6401 E. Northern Lights
Anchorage, AK 99504
- 29. Dr. Dwight "Ike" Reighard** -- 1994
Pastor, Piedmont Church
515 Schofield Dr.
Powder Springs, GA 30127
- 30. Dr. David Rhodenhizer** -- 1987
Pastor, Calvary Road Baptist Church
6811 Beulah St.
Alexandria, Virginia 22310
- 31. Mr. Jimmy Thomas** -- 2008
Businessman
1101 Fallen Oaks Lane
Lynchburg, VA 24503
- 32. Dr. Jerry Thorpe** -- 1988
Pastor, Retired
609 N. Avalon Ct.
Granbury, Texas 76048
- 33. Mr. Gilbert "Bud" Tinney, Jr.** -- 1976
Businessman
2968 Overlook Summit Dr.
Grand Rapids, Michigan 49546
- 34. Dr. Jerry Vines** -- 2010
Pastor, Retired
11905 Highway 92
Woodstock, GA 30188

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- 35. Reverend Carl Weiser** -- 2005
Pastor, Hyland Heights Baptist Church
347 Crestview Drive
Rustburg, VA 24588

- 36. Mr. Jeffrey S. Yager** -- 1998
Businessman
P. O. Box 1329
Fort Mill, SC 29716

LIBRARY AND LEARNING RESOURCES

Description of Library Facilities and Information Resources

The A.P. Guillermin Integrated Learning Resource Center (ILRC) at Liberty University incorporates the University's main library and academic computing facilities. The ILRC's mission is to support teaching, learning, and research by providing information, technology, facilities, and related services for Liberty University faculty and students.

In pursuit of this mission, the ILRC's pursues the following goals:

- design, deploy and maintain classroom, conference, and study spaces suitable for teaching, learning, research, and other activities relevant to the mission of Liberty University
- design, develop, and maintain computing facilities and services that support instruction, research, productivity, community-building, and other activities relevant to the mission of Liberty University
- identify, acquire, organize, and preserve information resources to support the curriculum and mission of Liberty University
- provide access to information resources and services through appropriate interfaces
- provide outreach and support services to ensure that students and faculty use information and technology effectively
- participate in resource-sharing and other forms of interlibrary cooperation
- respect and value people—our employees and the patrons we serve

The ILRC engages in broad range of assessment and planning incorporating the university's strategic plan. All budgeting is formulated and tied to the Strategic Plan and the ILRC participates in the ongoing evaluation and planning led by the university's Office of Institutional Effectiveness. The ILRC regularly surveys the students of the university and recently completed a nationally-normed LibQual survey incorporating the feedback from residential and online faculty and students. The ILRC also collaborates with the Faculty Senate Information Services committee and leaders of the university's Student Government. The university and the ILRC are also engaged in planning a new library facility in response to the Strategic Plan. It involved students, faculty, staff, administration, and national leaders in library design and assessment.

The ILRC is under the direction of a Dean that reports directly the Senior Vice President for Academic Affairs/Provost and contributes to the governance of the University through participation in the Deans' Council and other university committees. Vital to his/her role is the development and maintenance of relationships with campus and community leaders, alumni, and local, regional, and national library organizations. Additionally, the Dean leads a team of department heads and managers to provide services, resources, and technologies, offered to both residential and distant student populations, to support the University's research, instruction, and

collaborative learning endeavors. University faculty participates in the formation of library policy through the Faculty Senate Information Services committee and by working with the library's administration and appointed liaison librarians. Each liaison works with faculty in their appointed departments to determine specific needs in services, instruction, and resource collections. The library allocates book funds each academic year to departments based on enrollment, programs, and specially determined projects to support and enhance resources for their students and faculty. Requests for serial publications and electronic databases are received at any time and incorporated into existing subscriptions as funds allow.

Budgeting for the library's collections was recently reviewed in the spring of 2011 as part of the consultation performed in preparation for the new library. Jim Self of the University of Virginia, a nationally recognized library assessment expert, found the library expenditures on electronic collections to be strong but advised a 10 year plan to increase print book holdings. The specific growth recommendations for the print collections were:

- Increase print collections by 5-6% annually for five years, to a maximum of 15,000 added volumes per year.
- Increase by 3-4% for the following five years.
- Reduce the growth rate to 2-3% for the next five years.
- Expect a steady state print collection by FY2027.
- Review the growth program after five years of implementation

The university approved budgeting for that plan and the first year of the initiative was successfully completed. It was also recommended that we continue to devote more funds to electronic resources (approximately 60-40) than print with a continued monitoring of the positive satisfaction ratings of the online collection as the school continues to grow in programs and enrollment. This was also funded by the school to allow for the addition of new electronic resources in support of new areas. Careful attention in budget planning is given to creating a collection that satisfies students and faculty and enhances the strategic goals of academic excellence.

The library provides a wide range of materials and services, and employs a group of well-qualified personnel consisting of professional librarians and trained support staff. The library collection has holdings exceeding 500,000 volumes, 67,000 unique print and electronic periodical titles, and over 300 electronic indexes/databases. Access to electronic materials is available worldwide to the Liberty University community via the Internet. Materials from libraries across the United States can also be obtained through interlibrary loan services. Document delivery is provided to online students of interlibrary loan articles and books from our local collections.

Library Facilities

The ILRC offers over 114 hours of service per week during the academic term and supports instruction, research, productivity, community-building, and other activities relevant to the University's mission. The ILRC offers seating for approximately 1900 in its current location. A new library is under construction which will provide 2400+ seats in a central location, composed of a variety of open, collaborative, and quiet study spaces. Most resources are arranged

in the Library of Congress classification system with plans to provide growth for the physical collection up to approximately 450,000 items in a robotic storage system in the new library

The ILRC provides students with the latest electronic equipment and resources for discovering, creating, and sharing information. The computing resources within the ILRC consist of more than 450 computers in 15 classroom labs, over 350 computers in various open computing spaces. In addition, the campus network infrastructure and a remote-patron authentication server extend library resource access to dormitory rooms and the homes of non-residential students at all times. With the exception of machines reserved for library catalog searching, all ILRC computers are pre-loaded with a variety of software titles available for student use, including Microsoft[®] Office, Adobe[®] Creative[®] Suite, Mathematica, and SPSS. The ILRC also has computer labs that are equipped with specialized software, including Avid Media Composer, Final Cut Studio, Pro Tools, Adobe Audition, Cinema 4D, Finale, and Sibelius. These resources are all available for online students when visiting the campus.

Library Resources

The ILRC owns and maintains a substantial variety and depth of resources for all of the University's academic programs. Table 4: *Library Resources* lists these resources which include the following:

TABLE 4 Library Resources	
Category	Volume Equivalents
Books (includes scores)	232,354
E-books	174,048
Microforms	63,239
Audio-visual	55,402
Print Serials	28,400
Total	553,443

Major electronic databases that are available to Liberty faculty and students are: Academic Search Complete, Academic OneFile, America History and Life with Full Text, APA PsycNet, ATLA Religion Database with ATLA Serials, Business Source Complete, CINAHL Plus with Full Text, Education Research Complete, Factiva, Humanities International Complete, JSTOR, LexisNexis Academic, Literature Criticism Online, MLA International Bibliography, Project Muse, Proquest Central, ScienceDirect College Edition, and SocINDEX with Fulltext.

Curriculum Library

The Curriculum Library houses a media collection of DVDs, CDs, scores, and video and audio recordings. The Curriculum Library also provides access to a variety of instructional resources designed for classroom use in preschool settings through grade 12. Materials include

textbooks, standardized tests, and standards of learning, curriculum guides, educational games and kits. There is also an extensive collection of juvenile literature.

Media Services

Media Services offers support for the audio-visual needs of the University academic community. Media Services supports instruction by providing portable audio-visual equipment to faculty and students, is involved with electronic classroom design and implementation, and supporting the audio-visual equipment located in electronic classrooms. Examples of such audio-visual equipment include overhead projectors, networked workstations employing LCD projectors, TV/VCR/DVD combinations, laptop PCs, camcorders, digital cameras, document cameras, CD players, and portable amplifiers. Media Services provides training on multi-media equipment use and offers immediate support for faculty when there is a problem in a classroom or a question on equipment usage.

Support Staff and Services

The ILRC maintains a professional staff of 20 credentialed librarians with a minimum of a Master's in Library Science (or its equivalent) and three professionals with degrees in other related fields. Five of the librarians have additional graduate degrees and two of these individuals have seminary degrees. The organization employs approximately 46 support staff and 111 student employees.

ILRC personnel are available to assist both students and faculty with research, circulation, computing, and other library-related services. Residential and online students and faculty may contact library staff online, via phone, or via e-mail. ILRC personnel are extended continuing education opportunities to remain current in practice and theories relevant to their areas of service. Workshop and conference attendance/participation is encouraged and supported with adequate funding.

The University Online Librarian provides individualized telephone instruction upon request. Online tutorials providing instruction in off-campus access to resources are also available. Instruction in electronic research and library resources for both students and faculty is offered on an individual and group basis.

Collections of Other Libraries

The ILRC is actively involved in sharing resources with other libraries, both in Virginia and throughout the United States. During the 2011-2012 academic years, 11,788 interlibrary loan requests were either received by the ILRC from other institutions or originated at Liberty University and were forwarded to other institutions.

Student and Faculty Access to Electronic Resources

The computing labs of the ILRC offer access to digital research resources a total of over 114 hours per week during the regular academic semester. The print resource collections of the

ILRC are accessible 99 hours per week. Online students are able to access these resources any time they are present on campus

The ILRC provides students with the latest online resources for searching and acquiring scholarly materials. Discovery tools like Serials Solutions Summon™, 360 Link, and E-Journal Portal provide world-class service to students in quickly identifying and retrieving the electronic and print resources they need. In addition, the library uses Endeavor Information Systems' *Voyager* software, a Web-based product that offers public access to the library's catalog to online students anywhere in the world. Links to electronic books that appear in catalog records are live, enabling users to go directly to digital monographs.

Training for Faculty/Students in Use of Online Resources

An orientation session covering basic research skills and introducing library services is offered to all students entering a residential graduate program. Instruction in electronic research and library resources for both students and faculty is offered on an individual and group basis. Information Literacy modules have been developed by the library to introduce resident and online students to the skills and resources needed for success in academic research and lifelong learning.

The University Online Librarian and library reference desk staff provide individualized telephone instruction upon request. Online tutorials also are provided for instruction in off-campus access to resources. Instruction in electronic research and library resources for both students and faculty is offered on an individual and group basis.

Staffing/Services Available to Students/Faculty

The library staff and services described in the section above entitled "Support Staff and Services" are available and will continue to be available to assist both student and faculty with research, circulation, reference, and other library-related needs. In addition, the library holdings can all be viewed online, and students and faculty may contact library staff online, via phone, or via e-mail.

HR Drug and Alcohol Abuse Policy

It is Liberty University's desire to provide a drug free, healthful, and safe workplace. To promote this goal, employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner.

While on Liberty University premises and while conducting business related activities off Liberty University premises, no employee may use, possess, distribute, sell, or be under the influence of alcohol or illegal drugs. The legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to perform the essential functions of the job effectively and in a safe manner that does not endanger other individuals in the workplace.

This policy represents a long-standing program of the University among employees and students. Liberty University finds unacceptable the possession, use, manufacture, or distribution of alcoholic beverages and illegal drugs or other illegal controlled substances by employees of the University.

All actions consistent with University policies, state and federal laws, and individual privacy rights will be taken by Liberty University to eliminate the use or abuse of drugs and alcohol on or off campus by employees. This policy focuses upon the elements of enforcement, education, counseling and referral.

Violations of this policy may lead to disciplinary action, up to and including immediate termination of employment, and/or required participation in a substance abuse rehabilitation or treatment program. Such violations may also have legal consequences.

Employees with questions or concerns about substance dependency or abuse are encouraged to discuss these matters with their supervisor or the Human Resources Office to receive assistance or referrals to appropriate resources in the community without fear of reprisal.

ENFORCEMENT: Possession, use, manufacture, and distribution of illegal substances is a crime, and Liberty University will cooperate with law enforcement

authorities who are enforcing current statutes. Employees are warned that involvement with drugs or alcohol on or off campus can result in disciplinary action by the University above and beyond any criminal penalties. The disciplinary action can result in dismissal. Employees must notify Liberty University's Human Resources Office of any criminal drug statute convictions no later than five days after conviction. Liberty University will take appropriate action, which is in the best interest of the University and as required by law.

Liberty University recognizes that substance abuse is a serious problem and use of illegal substances or alcohol can result in permanent physiological, psychological or emotional damage including the possibility of death. Education of employees on dangers inherent in substance abuse is an important aspect in eradicating the problem.

University employees who are at risk of drug and alcohol abuse have access to campus mental and health care professionals through Liberty University's Health Services facility. In addition, trained professionals are available through referral who can counsel with the employee.

All employees must comply with this Policy as a condition of employment. Liberty University reserves the right to modify this Policy, as well as the practices and procedures relating to the Policy.

Case-Law Memorandum

During the week of September 24-28, 2012, the following memorandum was address during Dean of Students staff meetings and it was distributed electronically to Dean of Students employees.

Fellow Administrators:

In researching a question today, I learned of an important change in the law in the wake of the Penn State scandal. The Virginia General Assembly revised the law and **every employee of a public or private institution of higher education** who, in their employment capacity, has reason to **suspect** that a child (under 18) is an abused or neglected child, has an immediate duty to report the suspected abuse or neglect to the local city or county department where the child resides **or** where the abuse or neglect is believed to have occurred **or** to the Virginia Department of Social Services hotline (1 800 552-7096) as soon as possible (but no longer than 24 hours) after having reason to suspect child abuse or neglect. If a mandatory reporter has actual knowledge that the same matter has already been reported, he or she is relieved of the duty to report. If the reporting person is someone in the organization other than the person(s) who first came to suspect abuse, the reporting person must communicate to the non-reporting employee(s) when the report was made, who received the report and any communications resulting from the report. Failure to make the report required by the law has a fine of up to \$500 for the first offense and not less than \$1,000 for the second failure to report. If the child abuse involves rape, sodomy or object sexual penetration, the person who fails to make a mandatory report is guilty of a Class 1 Misdemeanor. These changes in the law were effective July 1, 2012.

LU regularly deals with many minors, not just in camp situations, but as 17 year old students and prospective students. I recommend that the University develop a way to let its employees know of their new obligations.

In His service,

David M. Corry
General Counsel
Office of Legal Affairs

(434) 592-3366



Refund Policy

Financial Aid Standard Withdrawal Policy

When students cease attendance in all classes in a given semester, they will be subject to a proration of all federal, state and institutional aid. This proration takes into account the total number of days that the student was enrolled. For instance, if there are 100 days in a term, and a student withdraws on day 20, that student has earned 20-percent of his federal, state and institutional aid. All remaining aid is unearned, and unearned portions of federal funds are required by law to be sent back to the federal government (34 CFR 668.22).

Any student taking classes in more than one sub-term who withdraws from all active courses he or she is currently attending will be considered as withdrawn unless Liberty University obtains a written confirmation from the student stating they will be attending a later sub-term in the same semester at the time of the withdrawal request. This will affect all students even if they are already enrolled in a later sub-term. Unless Liberty University obtains the written confirmation from the student at the time of withdrawal, all future classes will be dropped for that student (34 CFR 668.22).

The withdrawal date, in accordance with federal guidelines, is recognized as the date the student notifies Liberty University of the intent to withdraw, **either in writing or orally**. If the student leaves without notification the date of last attendance will be documented as the withdrawal date.

Withdrawal Refund/Credit Schedule (Sixteen and Eight Week Classes)

Any student classified as a Liberty University Online student who academically withdraws from the University or from an individual class will receive a refund of tuition and fees as follows:

1. 100-percent tuition and fees will be credited if the student withdraws within the first week of class, but before submission of the first assignment (**first assignment includes Course Requirements Checklist**). The student's request will be processed as a drop.
2. 75-percent tuition and fees will be credited if the student withdraws after submitting the first assignment and through the end of the second week of classes.
3. 50-percent tuition and fees will be credited if the student withdraws after the second week of classes, but before the end of the fourth week of classes.
4. 25-percent tuition and fees will be credited if the student withdraws after the fourth week of classes, but before the sixth week of classes.
5. No tuition or fees will be credited after the sixth week of classes.

Student Records

The University requires all students to attend and show progress in their classes. Faculty members monitor student attendance weekly to ensure students attend. If a student ceases attendance for a period of 21-days or more, the student will be unofficially withdrawn from their courses and a recalculation of their loans may occur. Liberty University uses the following definitions to verify attendance.

Resident: Physically attending a class where there is an opportunity for direct interaction between the instructor and students, submitting an academic assignment; taking an exam, an interactive tutorial or computer-assisted instruction; attending a study group that is assigned by the school; participating in an online discussion about academic matters and initiating contact with a faculty member to ask a question about the academic subject studied in the course.

Online: Submission of an academic assignment (such as an examination, written paper or project, discussion board post, or other academic event) or communication with the professor regarding academic content or an assignment.

Based upon these definitions, we utilize and store data regarding student attendance from our Learning Management System, Blackboard as well as email communication from faculty members. All grades are housed within our Student Management System, Banner.

All attendance information, which includes student progress, is housed within a database in our Student Management System and is available for review via two Blackboard Building Blocks entitled 'Activity Tool' and 'Activity Tool 2' (the tools are differentiated to account for the adjusted policy and is used based upon the year of the class that needs to be reviewed). Grades earned are housed within our Student Management System, Banner. These records are housed indefinitely.

In accordance with the regulations set forth by Virginia Administrative code, 8 VAC 40-31-140 (E) (5) Liberty University has entered into a Record Retention Agreement with Liberty Christian Academy to preserve students' transcripts in the event of a school closure or revocation of certification in Virginia.

Complaint Procedures

Liberty University has in place student complaint policies and procedures that are reasonable, fairly administered, and well-publicized. These policies (and, in some cases, procedures) are published in locations such as the *University Catalogs* and Web pages specific to each area. The University has a decentralized structure for maintaining its record of written student complaints. The University currently stores both student and complaint information within the office responsible for the information.

The University has recently initiated the planning process for centralizing this storage of complaint records using electronic storage and retrieval means. This process began with the implementation of Banner XTender software for the storage of student information received by the school. The University is now beginning to use electronic software to monitor the initiation and processing of student actions. In online (distance education) and graduate programs, for example, many complaints are processed and stored through a system based in Microsoft® SharePoint. The University is actively expanding the system's storage capabilities and processes to include a centralized repository for all student complaints.

The following offices are currently responsible for maintaining a record of student written complaints submitted to them:

- Financial Aid Office <http://www.liberty.edu/index.cfm?PID=19260>
- Office of the Registrar
- Student Advocate Office
- Student Affairs - Office of Student Conduct
- Student Accounts Office
- Office of Disability Academic Support <http://www.liberty.edu/index.cfm?PID=15659>

LU Online & Graduate School General Complaint Form

Student Information Here:

(Last Name)	(First Name)	(Middle Initial)	(Student ID#)
	(E-Mail)		(Phone #)
Degree:	Major:		

Synopsis of Problem/Issue (If more space is needed, feel free to attach another page):

Preferred Outcome (What would you like to see happen as a result of this appeal):

Offices/Person involved in Complaint (Academic Advisor, Student Accounts, Financial Aid, Registrar, Professor etc.):

NOTE: Please send in any supporting documentation Related to your complaint. If you are submitting this appeal due to medical reasons we will need to have medical documentation from your doctor verifying how your courses have been affected as a result as well as dates that you have been affected. If you are military and your appeal is due to deployment or training, then please attach a copy of your orders or a letter from your Commander.

Student Signature/ Type Name:

Date:

INTERNAL USE ONLY

Decision: _____

Decision/Rationale:

Signature/Type Name

Date

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The Liberty Way Non-Academic Conduct

Non-Academic Conduct

Non-academic life comprises a significant portion of the time a student spends at Liberty and the University expects students to take responsibility for their behavior and choices. When those choices violate the Honor Code, the university has a responsibility to administer discipline with love and mercy.

Harassment

Sexual Harassment

Liberty University is committed to providing students and employees with an environment free of harassment in any form. Any act of harassment (i.e., physical, psychological, verbal or sexual) that threatens a person or persons is considered a serious offense and will not be tolerated.

The University provides educational programming to promote the awareness of rape, acquaintance rape, sexual harassment and other sexual offenses. Any person or group who commits acts of harassment based upon race, ethnicity, gender or disability on or off campus will be subject to disciplinary action, which could result in dismissal from the University.

Behavior that constitutes sexual harassment, which is a form of sexual discrimination prohibited by [Title IX of the Education Amendments of 1972](#) and [Title VII of the 1964 Civil Rights Act](#), includes but is not limited to, unwanted sexual attention, requests for sexual favors and/or other verbal or physical contact of a sexual nature, which negatively affects another person.

- Reporting Process

Any student who believes that he/she has been the subject of harassment in any form should immediately report the incident to the Office of Student Conduct or the Student Care Office. The student will be given the opportunity to express his/her concerns and will then be informed of the recourse available to him/her under school policy and local and state statutes.

- Consequences

Students who engage in any harassment behavior are subject to disciplinary action, which may result in community service or dismissal from the University. Since the University takes such charges seriously, where the results of an investigation reveal a complaint of harassment/sexual

harassment to be frivolous or groundless, the individual having made such a complaint may be subject to the same disciplinary action.

Racial Harassment & Discrimination

Liberty University insists that all members of the University Community are entitled to and shall be afforded an environment free of racism—whether overt or subtle. Therefore, members of the Community will not tolerate racial discrimination or harassment of any kind.

Behavior that constitutes racial discrimination or harassment is prohibited by [Title VII of the 1964 Civil Rights Act](#). This includes, but is not limited to, racial/ethnic slurs, coarse jesting with racial/ethnic overtones and other forms of communication resulting in disparagement or intimidation

- Reporting Process
 - ◆ Report the incident to the [Office of Student Conduct](#) or the Center for Multicultural Enrichment
 - ◆ Student Conduct Officers will review the racial discrimination/harassment policy with the complainant
 - ◆ A Racial Discrimination/Harassment Grievance Form will be filed
 - ◆ Complainant must decide if he/she wants to pursue a formal complaint, which may result in disciplinary action
 - ◆ Investigation
 - ◆ The Student Conduct Review Committee will examine the results of the investigation and determine the best course of action
 - ◆ The Student Conduct Officer will conduct a final interview with complainant
- Consequences

Any Liberty University student who commits racial discrimination or harassment is subject to disciplinary action, which may result in 18 or 30 points (see Sec. V), along with possible fines, and community service and/or possible administrative withdrawal. In addition, since the University takes such charges seriously, where the results of an investigation reveal a complaint of racial discrimination or harassment to be frivolous or groundless, the individual having made such a complaint may be subject to the same disciplinary action.

Sexual Assault

Sexual assault means "any unwanted forced sexual contact." Areas of sexual assault include, but are not limited to the following:

- ◆ Any forced sexual contact or relations
 - ◆ Rape (which includes date and acquaintance rape) - sexual relations that constitute the lack of consent, committed either by force, intimidation or through the use of the victim's mental or physical incapacity
 - ◆ Any coercion of a sexual nature
- Reporting Process

Any person wishing to report a suspected violation of this policy may contact any of the

following:

- ◆ [LUPD](#): 582-3911
- ◆ [Office of Student Conduct](#): 582-4138
- ◆ [Student Care Office](#): 592-4138
- ◆ [LU Health Services](#): 200-6370
- ◆ Lynchburg Police Department: 847-1614
- ◆ The Rape Companion Program (SARP): 947-7273

Students who would like assistance in contacting local authorities may request such help from campus authorities. The University will provide prompt, compassionate and discreet support services to victims of sexual assault and will strictly enforce its Sexual Assault Policy. The University will also inform the student of the recourse available to him/her under school and state statutes. The student has the option to pursue on-campus discipline. The Division of Student Affairs will proceed with the on-campus disciplinary procedures.

- Consequences

Any Liberty University student who has engaged in sexual assault is subject to disciplinary action, which will result in dismissal for a minimum of two semesters. He/she will also be restricted from campus.

Full Time IA Online Faculty Employees

James Varland (full time without benefits)

1012 W Broadway Street

Eagle Grove, IA 50533

515-448-5899

Cynthia Letsch (part time adjuncts)

612 NE Jacob Street

Grimes, IA 50111

515-556-3579

Amy Mooney (full time without benefits)

5603 Hickory Hills Drive

Ames, IA 50014

515-292-0064

Isaiah Nengean (part time adjuncts)

3829 Grand Avenue

Des Moines, IA 50312

215-668-0874

Online Method of Delivery

Explain and describe the method(s) of delivery (e.g., correspondence, asynchronous electronic media, synchronous electronic media, etc.) to be utilized.

Course content is primarily delivered asynchronously via the Blackboard learning management system (LMS). Secondary delivery of course content is delivered asynchronously through several third party labs such as MyMathLab, Late Night Labs, CreationEDU, and Rosetta Stone. Many courses embed recorded lectures and demonstrations, which are housed onsite or streamed via third party sites such as YouTube, Moodle, and iTunes. Correspondence between faculty and students is primarily asynchronous through the Liberty University email system and Blackboard discussion boards. Many faculty hold office hours or special help sessions synchronously via Skype or other third party meeting software, although this is not required per policy.

*Consolidated
Financial Statements
Years Ended
June 30, 2012 and 2011*

Liberty University, Inc.



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Liberty University, Inc.

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

Board of Trustees
Liberty University, Inc.

We have audited the accompanying consolidated statements of financial position of ***Liberty University, Inc.***, a nonprofit corporation, as of June 30, 2012 and 2011 and the related consolidated statements of activities and cash flows, for the years then ended. These consolidated financial statements are the responsibility of ***Liberty University, Inc.***'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. 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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Liberty University, Inc.*** as of June 30, 2012 and 2011, and the changes in its consolidated net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The unconsolidated statement of financial position for Liberty University on page 23 is presented for purposes of compliance with various states' code for charitable gift annuity certificate holders and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Danville, Virginia
October 19, 2012

Liberty University, Inc.

Consolidated Statements of Financial Position

June 30,	2012	2011
Assets		
Cash and cash equivalents	\$ 384,416,844	\$ 403,619,549
Accounts receivable - less allowance for doubtful accounts of \$17,214,000 and \$7,920,000 respectively	27,097,237	95,233,904
Accounts receivable from related organizations	1,580,282	1,344,002
Notes receivable	825,135	604,166
Contributions receivable	428,200	560,000
Other prepaid expenses and other assets	9,738,922	9,424,869
Investments, at fair value	492,351,618	120,840,275
Property, plant, and equipment, net	361,214,278	310,559,418
Total assets	\$ 1,277,652,516	\$ 942,186,183
Liabilities and Net Assets		
Liabilities		
Accounts payable - vendors	\$ 17,971,241	\$ 8,194,452
Accounts payable - other	7,452,328	6,366,638
Accrued liabilities	12,933,060	7,337,059
Accrued interest payable	3,817,771	3,048,713
Deferred revenue and deposits	136,188,748	131,135,167
Gift annuities payable	17,696,115	15,649,787
Liability under split interest agreements	2,285,448	2,265,483
Obligations under capital leases	1,667,277	2,384,937
Long-term debt	226,343,735	128,336,531
Total liabilities	426,355,723	304,718,767
Net assets		
Unrestricted	837,925,037	627,798,173
Temporarily restricted	4,839,282	2,442,026
Permanently restricted	8,532,474	7,227,217
Total net assets	851,296,793	637,467,416
Total liabilities and net assets	\$ 1,277,652,516	\$ 942,186,183

The accompanying notes are an integral part of these financial statements.

Liberty University, Inc.

Consolidated Statements of Activities

Years Ended June 30,

Revenues and Support	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	\$ 660,219,623 (136,787,402)	\$ - -	\$ - -	\$ 660,219,623 (136,787,402)	\$ 535,484,329 (111,035,017)	\$ - -	\$ - -	\$ 535,484,329 (111,035,017)
Tuition and fees, net	523,432,221	-	-	523,432,221	424,449,312	-	-	424,449,312
Contributions	11,510,901	1,337,124	1,311,582	14,159,607	11,534,899	1,177,928	191,503	12,904,330
Grants and contracts	2,065,280	15,000	-	2,080,280	1,577,627	-	-	1,577,627
Investment income, net	6,832,452	103,348	38,484	6,974,284	7,414,529	98,313	68,024	7,580,866
Realized and unrealized gains (losses), net	(3,883,555)	(8,619)	(1,591)	(3,893,765)	(4,781,263)	21,107	10,120	(4,750,036)
Auxiliary services	56,895,691	-	-	56,895,691	53,145,630	-	-	53,145,630
Other sources	30,423,874	67,002	-	30,490,876	31,258,917	42,040	-	31,300,957
Change in split interest agreements	(930,520)	1,719,635	(43,218)	745,897	(1,229,587)	378,046	(22,540)	(874,081)
Net assets released from restrictions	836,234	(836,234)	-	-	1,024,538	(1,024,538)	-	-
Total revenues and support	\$ 627,182,578	\$ 2,397,256	\$ 1,305,257	\$ 630,885,091	\$ 524,394,602	\$ 692,896	\$ 247,107	\$ 525,334,605

The accompanying notes are an integral part of these financial statements.

Liberty University, Inc.

Consolidated Statements of Activities

Years Ended June 30,

	2012			2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
Expenses							
Program services							
Instruction	\$ 114,973,249	\$ -	\$ -	\$ 94,712,436	\$ -	\$ -	\$ 94,712,436
Academic support	24,126,235	-	-	22,365,477	-	-	22,365,477
Student services	80,068,414	-	-	64,757,991	-	-	64,757,991
Auxiliary services	45,787,095	-	-	44,674,978	-	-	44,674,978
Public services	5,537,640	-	-	4,545,085	-	-	4,545,085
Total program services	270,492,633	-	-	231,055,967	-	-	231,055,967
Supporting services							
Institutional support	146,538,499	-	-	92,095,656	-	-	92,095,656
Research	24,582	-	-	19,451	-	-	19,451
Total supporting services	146,563,081	-	-	92,115,107	-	-	92,115,107
Total expenses	417,055,714	-	-	323,171,074	-	-	323,171,074
Changes in net assets	210,126,864	2,397,256	1,305,257	201,223,528	692,896	247,107	202,163,531
Net assets - beginning of year	627,798,173	2,442,026	7,227,217	426,574,645	1,749,130	6,980,110	435,303,885
Net assets at end of year	\$ 837,925,037	\$ 4,839,282	\$ 8,532,474	\$ 627,798,173	\$ 2,442,026	\$ 7,227,217	\$ 637,467,416

The accompanying notes are an integral part of these financial statements.

Liberty University, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30,	2012	2011
Cash flows from operating activities		
Changes in net assets	\$ 213,829,378	\$ 202,163,531
Adjustments to reconcile changes in net assets to net cash		
Depreciation and amortization of property, plant and equipment	17,196,413	17,576,072
Amortization of prepaid lease payments	-	35,518
Change in value of split-interest agreements	(745,897)	874,081
Bad debt expense on accounts receivable	16,921,139	5,646,321
Donations of property, plant and equipment	(505,200)	-
Non cash donation of investment	(3,278,726)	(355,651)
Other non cash donation	(79,726)	-
Forgiveness of related party debt	200,000	636,539
Cash received for permanently restricted contributions	(1,311,582)	(191,503)
Realized/unrealized losses on investments, net	3,893,765	4,750,037
Loss on disposal of property, plant, and equipment	3,047,748	511,823
Permanently restricted earnings	(38,484)	(68,024)
Net (increase) decrease in:		
Accounts receivable	51,106,290	(76,323,615)
Accounts receivable from related organizations	(127,042)	145,257
Notes receivable	(220,969)	(111,190)
Contributions receivable	131,800	(200,000)
Other prepaid expenses and other assets	(314,053)	(3,235,732)
Net increase (decrease) in:		
Accounts payable	9,102,198	(1,469,937)
Accrued liabilities	5,596,001	1,122,665
Accrued interest payable	769,058	2,868,975
Gift annuities payable	4,358,751	2,304,636
Liability under split interest agreements	626,434	(481,060)
Student deposits	5,053,581	59,532,549
Net cash from operating activities	325,210,877	215,731,292
Cash flows from investing activities		
Purchases of property, plant, and equipment	(69,602,009)	(45,279,940)
Proceeds from sale of property, plant, and equipment	634,055	3,333,517
Purchases of investments	(975,681,741)	(235,938,787)
Proceeds from sales and maturities of investments	604,096,291	198,242,054
Net cash from investing activities	\$ (440,553,404)	\$ (79,643,156)

The accompanying notes are an integral part of these financial statements.

Liberty University, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30,	2012	2011
Cash flows from financing activities:		
Payments on gift annuities	\$ (2,312,423)	\$ (2,238,326)
Payments on split interest agreements	(187,365)	(226,307)
Permanently restricted earnings	38,484	68,024
Payments on obligations under capital leases	(717,660)	(1,139,255)
Proceeds from issuance of long-term debt	99,676,312	121,962,197
Payments on long-term debt	(1,669,108)	(58,441,306)
Cash received for permanently restricted contributions	1,311,582	191,503
	<hr/>	<hr/>
Net cash from financing activities	96,139,822	60,176,530
	<hr/>	<hr/>
Net change in cash and cash equivalents	(19,202,705)	196,264,666
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	403,619,549	207,354,883
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 384,416,844	\$ 403,619,549
	<hr/>	<hr/>
Supplemental disclosures of cash flows information:		
Cash paid during the year for interest	\$ 1,864,914	\$ 2,980,641
Noncash transactions:		
Acquisition of property, plant and equipment with accounts payable	\$ 1,760,281	\$ 2,055,628
Contribution of property, plant and equipment	\$ 505,200	\$ 900,000
Donation of investment	\$ 3,278,726	\$ 355,651
Other non cash donation	\$ 79,726	\$ -
Forgiveness of related party notes receivable	\$ 200,000	\$ 636,539

The accompanying notes are an integral part of these financial statements.

Liberty University, Inc.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. Organization and Nature of Activities

Liberty University, Inc. (the University) is a non-stock, nonprofit institution of higher education, initially established in 1971. The University is a Christian academic community in the tradition of evangelical institutions of higher education, with the primary mission of providing quality collegiate education. The University provides associate, baccalaureate, master, and doctoral programs for both liberal arts and professional disciplines in resident and external formats. These programs seek to transmit and expand knowledge, as well as provide opportunities for research and service. The University is accredited by the Southern Association of Colleges and Schools. The affairs of the University are governed by the Board of Trustees.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Liberty University, Inc. and its wholly-owned subsidiaries, C&C Jetting, LLC, LU Plaza Holdings, LLC, LU Candler Station Holdings, LLC, Liberty Mountain Capital, Inc, Liberty Mountain Conference Center, LLC, LU Racquet Sports, LLC, and Falwell Aviation, Inc (collectively the “University”). C&C Jetting, LLC provides charter air service to the University. LU Plaza Holdings, LLC and Candler Station Holdings, LLC are retail shopping centers held by the University and classified as quasi-endowments. Liberty Mountain Capital, Inc is a C-corporation owned by the University for investment purposes. Liberty Mountain Conference Center operates as a conference center for the University and community. LU Racquet Sports operates as an indoor tennis facility, providing services to the University and community. Falwell Aviation, Inc is a C-corporation that provides charter air and repair and maintenance services to the public as well as flight instruction for the University’s School of Aeronautics. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting. These financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met by actions of the University and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions and these restrictions are not met within the current reporting period. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (see Note 10). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

Cash and Cash Equivalents

At June 30, 2012 and 2011, cash equivalents consist of \$2,858,296 and \$9,471,821, respectively, of money market funds. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents utilized within a managed portfolio are accounted for as investments.

Accounts Receivable

Accounts receivable represent the amount receivable for tuition and other student fees and expenses. The University provides for uncollectible accounts annually based on a percentage of collections within 90 days of year-end. Bad debt expense totaled \$16,921,139 and \$5,646,321 for the years ended June 30, 2012 and 2011, respectively. When accounts are deemed uncollectible they are charged against the allowance for doubtful accounts.

Contributions Receivable and Contributions Revenue

Contributions, including unconditional promises to give, are recognized as revenue by the University in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized.

Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance is established for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments

Investments are recorded at fair value. The fair values of investments are determined based on quoted market prices or estimated fair values. The net realized and unrealized gains and losses on investments are reflected in the statements of activities. Investment income is reported net of related investment expenses.

Property, Plant, and Equipment

Property, plant, and equipment consisting of land and land improvements, buildings, and furniture and equipment are stated at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation and amortization. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 years for furniture and equipment to 45 years for buildings. Property and equipment held under capital leases are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

Deferred Revenue and Deposits

Student deposits consist primarily of student payments received for University summer and fall sessions received during the current year which are designated to be used in future periods and will be recognized as revenue within one year. Revenues are recognized as instruction takes place and the related expenses are incurred.

Functional Expenses

The University allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Income Taxes

The Internal Revenue Service has ruled that the University qualifies under Section 501(c) (3) of the Internal Revenue Code and is, therefore, not generally subject to income taxes under present tax laws. Management believes that any income tax liability resulting from unrelated business income for the years ended June 30, 2012 and 2011 would not have a significant impact on the University's results of activities. Certain subsidiaries of the University are taxed as separate entities. The University has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2012. Fiscal years ending on or after June 30, 2009, remain subject to examination by federal and state tax authorities.

Concentration of Credit Risk

Financial instruments that potentially subject the University to concentration of credit risk consist of interest-bearing transaction accounts and accounts receivable. The University places its interest-bearing transaction accounts with high credit quality financial institutions.

Student receivables are limited in risk due to the large number of students, those that pay in advance and get grants to cover tuition and related expenses.

For the year ended June 30, 2012, approximately 20% of contributions were made by two major donors. For the year ended June 30, 2011, approximately 14% and 7% of contributions were made by one major donor and related organizations, respectively.

Advertising Expenses

The University expenses advertising costs as incurred. Advertising expense was \$5,499,602 and \$2,025,305 at June 30, 2012 and 2011, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Reclassifications

Certain items in the 2011 comparative totals have been reclassified to conform to the 2012 presentation.

Subsequent Events

In preparing these consolidated financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 19, 2012, the date the consolidated financial statements were available to be issued.

3. Contributions Receivable

Contributions receivable at June 30 are expected to be received are as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 170,000	\$ 460,000
One to five years	258,200	100,000
	<u>\$ 428,200</u>	<u>\$ 560,000</u>

Management has evaluated the contributions receivable and based on historical collection rates and experience with the specified donors, has determined that an allowance for uncollectible pledges is not necessary.

4. Investments

Investments at June 30 consist of the following:

	<u>2012</u>		<u>2011</u>	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 142,080,679	\$ 142,080,679	\$ 58,652,187	\$ 58,652,187
Real estate/other	565,634	565,634	1,059,634	1,059,634
Certificates of deposit	7,400,812	7,400,812	7,223,163	7,223,163
Corporate bonds	151,405,843	151,874,394	114,505	164,997
Municipal bonds	3,478,770	3,458,928	48,917	55,236
Mutual funds	100,050,685	100,682,600	50,758,025	50,630,396
Common stocks	84,577,901	86,288,571	3,039,745	3,054,662
	<u>\$ 489,560,324</u>	<u>\$ 492,351,618</u>	<u>\$ 120,896,176</u>	<u>\$ 120,840,275</u>

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from market or credit risks would materially affect the financial position of the University.

5. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. ASC Topic 820 emphasizes the fair value is a market-based measurement, not an entity-specific measurement. The framework for measuring fair value under the guidance is based on a fair value hierarchy that distinguishes between observable inputs (i.e., inputs that are based on market data obtained from independent sources) and unobservable inputs (i.e., inputs that require the University to make its own assumptions about market participant assumptions because little or no market data exists). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds and common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are valued at amortized cost and real estate is recorded at the appraised value. All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are determined by the net asset value of the fund provided by the fund manager. There were no changes in the valuations techniques during the current year.

Fair Value as of June 30, 2012

	Level 1	Level 2	Level 3	Total
Assets:				
Cash – money market funds	\$ 142,080,678	\$ -	\$ -	\$ 142,080,678
Certificates of deposit	-	7,400,812	-	7,400,812
Government and agency bonds	-	17,885,815	-	17,885,815
Municipal bonds	-	3,458,928	-	3,458,928
Mortgage funds	2,409,299	-	-	2,409,299
Bank loan floating rate securities	4,217,190	-	-	4,217,190
High yield bonds	-	64,347,174	-	64,347,174
Investment grade bonds	-	63,014,917	-	63,014,917
Mutual funds				
Government and agency bond funds	47,728,238	-	-	47,728,238
Corporate bond funds	47,154,413	-	-	47,154,413
Equity funds	5,799,949	-	-	5,799,949
	<u>100,682,600</u>	<u>-</u>	<u>-</u>	<u>100,682,600</u>
Stocks				
Financial institutions	15,483,407	-	-	15,483,407
Energy and utilities	4,829,324	-	-	4,829,324
Oil and gas exploration	4,289,040	-	-	4,289,040
Global energy and materials	7,430,310	-	-	7,430,310
Gold trusts	18,189,880	-	-	18,189,880
Hospitality	5,627,500	-	-	5,627,500
	<u>55,849,461</u>	<u>-</u>	<u>-</u>	<u>55,849,461</u>
Other	-	565,634	-	565,634
Hedge funds				
Long/short equity funds	-	-	20,622,900	20,622,900
Fund of funds	-	-	9,816,210	9,816,210
	<u>-</u>	<u>-</u>	<u>30,439,110</u>	<u>30,439,110</u>
Total assets	<u>\$ 305,239,228</u>	<u>\$ 156,673,280</u>	<u>\$ 30,439,110</u>	<u>\$ 492,351,618</u>
Liabilities:				
Annuities payable	\$ -	\$ -	\$ 17,696,115	\$ 17,696,115
Liability under split-interest agreements	-	-	2,285,448	2,285,448
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,981,563</u>	<u>\$ 19,981,563</u>

Fair Value as of June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets:				
Cash – money market funds	\$ 58,652,187	\$ -	\$ -	\$ 58,652,187
Certificates of deposit	7,223,163	-	-	7,223,163
Corporate bonds				
Mortgage backed	-	61,178	-	61,178
Intermediate term bonds	-	103,819	-	103,819
	-	164,997	-	164,997
Municipal bonds	55,236	-	-	55,236
Mutual funds:				
Bank loan floating rate securities	7,647,554	-	-	7,647,554
Emerging market bonds	2,908,010	-	-	2,908,010
High yield bonds	3,204,369	-	-	3,204,369
Intermediate term bonds	5,259,851	-	-	5,259,851
Multi-sector bonds	2,271,631	-	-	2,271,631
Short term bonds	24,918,277	-	-	24,918,277
World bonds	1,598,780	-	-	1,598,780
Foreign large cap value funds	41,758	-	-	41,758
Foreign small/mid cap growth funds	23,578	-	-	23,578
Foreign small/mid cap value funds	18,711	-	-	18,711
Large cap blended funds	23,557	-	-	23,557
Large cap equity funds	5,345	-	-	5,345
Large cap value funds	2,893	-	-	2,893
Large growth funds	1,220	-	-	1,220
Midcap growth	555,956	-	-	555,956
Midcap value	598,217	-	-	598,217
Small cap growth	40,003	-	-	40,003
Small cap value	33,896	-	-	33,896
Emerging markets	22,089	-	-	22,089
International large cap growth	18,545	-	-	18,545
Bear market	2,225	-	-	2,225
Global real estate	1,245,835	-	-	1,245,835
Natural resources	41,449	-	-	41,449
Other	146,647	-	-	146,647
	50,630,396	-	-	50,630,396
Stocks				
Hospitality	2,813,750	-	-	2,813,750
Other	240,912	-	-	240,912
	3,054,662	-	-	3,054,662
Real Estate	1,059,634	-	-	1,059,634
Total assets	\$ 120,675,278	\$ 164,997	\$ -	\$ 120,840,275

	Fair Value as of June 30, 2011 (Continued)			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Annuities payable	\$ -	\$ -	\$ 15,649,787	15,649,787
Liability under split-interest agreements	-	-	2,265,483	2,265,483
Total liabilities	\$ -	\$ -	\$ 17,915,270	\$ 17,915,270

The University invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. These funds have investments in assets located both in and outside the United States. Investments in this category, for which there are no readily determinable fair values, are classified as Level 3 because the valuations are based on significant unobservable inputs. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers. Redemptions are generally permitted after some period of time after initial investment, either on a quarterly, semi-annual, or annual basis, subject to certain restrictions, which include a notice period of 30 to 90 days.

The following table illustrates the activity of Level 3 assets and liabilities:

	Hedge funds	Annuities payable	Liability under split-interest agreements
Balance - June 30, 2010	\$ -	\$ 14,709,397	\$ 2,863,197
Contributions	-	3,700,761	-
Payouts	-	(2,238,326)	(226,307)
Change in fair value	-	(522,045)	(371,407)
Balance - June 30, 2011	-	15,649,787	2,265,483
Contributions/purchases	30,000,000	3,361,904	604,627
Payouts	-	(2,411,510)	(352,803)
Change in fair value	439,110	1,095,934	(231,859)
Balance - June 30, 2012	\$ 30,439,110	\$ 17,696,115	\$ 2,285,448

The fair value option was chosen to measure all financial assets and liabilities in order to mitigate volatility in reported changes in net assets.

6. Property, Plant, and Equipment and Leases

Property, plant, and equipment, net, consist of the following at June 30:

	2012	2011
Land and land improvements	\$ 96,618,400	\$ 90,367,090
Buildings	285,977,278	263,932,384
Furniture and equipment	100,817,828	81,216,646
Construction in progress	30,749,521	15,335,341
Total property, plant, and equipment	514,163,027	450,851,461
Less accumulated depreciation and amortization	(152,948,749)	(140,292,043)
Property, plant, and equipment	\$ 361,214,278	\$ 310,559,418

The University is obligated under various capital and operating leases for certain property, plant, and equipment. The following schedule analyzes property, plant, and equipment under leases that have been accounted for as capital leases in the accompanying statements of financial position and included above in buildings and furniture and equipment:

	<u>2012</u>	<u>2011</u>
Property, plant, and equipment under capital leases	\$ 3,452,078	\$ 4,476,190
Less accumulated amortization	<u>(2,137,852)</u>	<u>(2,320,790)</u>
Property, plant and equipment under capital leases, net	<u>\$ 1,314,226</u>	<u>\$ 2,155,400</u>

At June 30, 2012, minimum rental payments due under capital and operating leases with original terms in excess of one year are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
Years ending June 30:		
2013	\$ 791,442	\$ 389,241
2014	791,442	334,351
2015	197,860	284,030
2016	-	261,964
2017	-	243,399
Thereafter	<u>-</u>	<u>1,115,566</u>
Total minimum lease payments	\$ 1,780,744	<u>\$ 2,628,551</u>
Less imputed interest (rates ranging from 5% through 9%)	<u>(113,467)</u>	
Obligations under capital leases	<u>\$ 1,667,277</u>	

Total interest expense on capital leases for the years ended June 30, 2012 and 2011 was \$112,213 and \$156,030, respectively. Total rent expense under operating leases was \$1,083,033 and \$2,365,688 for the years ended June 30, 2012 and 2011, respectively. Taxes, insurance and maintenance expenses relating to all leases are obligations of the University.

7. Deferred Revenue and Deposits

Deferred revenue and deposits consists primarily of student related charges including tuition and fees which are deferred until earned. The deferral is calculated based on number of class days used or unused. The deposits are primarily monies deposited with the university, toward a term for which charges have not been recorded to the individual. Deferred revenue and deposits consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Deferred Other	\$ 1,266,828	\$ 722,097
Deferred Student – Fall	33,918,166	34,661,883
Deferred Student – Summer	45,559,133	41,414,763
Deposits	<u>55,444,621</u>	<u>54,336,425</u>
Total	<u>\$ 136,188,748</u>	<u>\$ 131,135,168</u>

8. Liabilities under Split-Interest Agreements

The University receives gifts from donors who receive income from the assets until their deaths. These split-interest agreements consist primarily of charitable gift annuities and charitable remainder unitrusts. These agreements provide either fixed annual payments or fixed annual returns to the original donor or a designated beneficiary. The assets received from the donor are recorded at fair market value upon receipt of the gift and the liability is recorded using a discount rate reflecting expected rates of return in the marketplace and the expected lives of the donors. Fixed payout percentages range from 5% to 11.8%.

The University received contributions under split-interest agreements of approximately \$3,436,000 and \$1,730,000 for the years ended June 30, 2012 and 2011, respectively.

9. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Term note payable, due June 2013, with monthly principal and interest (at initial rate of 5% and variable prime rate adjusted monthly thereafter beginning after the 1 st month) payments of \$27,810 and a lump sum payment of principal and accrued interest due on maturity. The interest rate at 6/30/12 was 3.25%. The note is collateralized by an airplane.	\$ 2,746,799	\$ 2,936,259
Term note payable, due July 2017, with monthly principal and interest at a rate of 7.75%. The loan is repaid as part of the fees collected by Sodexo for dining services. Liberty University agrees to pay \$0.33 per meal towards repayment of the loan.	2,580,953	3,084,642
Term loan with a bank collateralized by an aircraft, with an interest rate of 3.75%, payable in monthly installments of \$3,870 through December 2018.	267,070	-
Term loan with a bank collateralized by aircraft with an interest rate of 3.75%, payable in monthly installments of \$6,769 through July 2018.	440,479	-
Bond issue 2010, unsecured and issued at a premium of approximately \$2 million, with various principal and interest payments due each March 1 st and September 1 st in amounts ranging from \$464,000 to \$1,800,000 through 2025. Semi-annual sinking fund payments will be due from March 2026 through March 2041 in amounts ranging from \$3,500,000 to \$52,725,000. Interest rates range from 2.00% to 5.25%.	120,088,412	121,043,941
Uncollateralized term loan with a bank with an interest rate of prime less 0.25% (3.00% at June 30, 2012), payable in monthly installments of \$5,535 through September 2013 with a balloon payment of approximately \$576,000 due October 2013.	635,838	682,091

Term loan with a bank collateralized by an aircraft with an interest rate of 5.25%, payable in monthly installments of \$1,345 through April 2021.	113,521	123,317
Term loan with a bank collateralized by personal property with an interest rate of London Interbank Offer Rate (LIBOR) plus 1.75% with a 3.50% minimum (3.5% at June 30, 2012), payable in monthly installments of \$1,199 through August 2015.	42,999	55,612
Term loan with a bank collateralized by two aircraft with an interest Rate of 5.00%, payable in monthly installments of \$4,354 through March 2019.	297,928	334,023
Notes payable secured by vehicles. The monthly payments are \$788 with a fixed rate of 4.92% and matures May 2016.	61,733	76,636
Bond issue 2012, unsecured and issued at a discount of approximately \$950,000, with interest only payments due each March 1 st and September 1 st at a fixed rate of 5.1%. Principal is due in full in 2042.	99,068,003	-
Total long-term debt	<u>\$ 226,343,735</u>	<u>\$ 128,336,521</u>

On January 19, 2012 series 2012 taxable bonds were issued for \$100,000,000. The proceeds of the sale of the bonds will be used by the University for financing costs and expenses relating to the planning, acquisition, development, construction, renovation, improvement, equipping and installation of higher education facilities.

During the year ended June 30, 2011, the Virginia College Building Authority issued \$119,705,000 of Educational Facilities Revenue Bonds Series 2010 on behalf of the University. A portion of the proceeds from this bond issue were used to pay in full the \$30,000,000 tax-exempt bond issue from 2010 and the remainder of the funds were used for capital building projects. The bond issues carry certain covenants based on facility use which must be maintained by the University. At June 30, 2012, all covenants were met.

There are six certificates of deposit from Carter Bank and Trust in an amount totaling \$4,221,617 which are pledged as collateral to secure a performance bond with the City of Lynchburg for various campus construction projects.

Between June 2011 and June 2012, 22 letters of credit in amounts ranging from \$2,500 to \$1,350,000 and totaling \$1,744,840 have been issued on behalf of the University to local municipalities (City of Lynchburg and Campbell County) for various construction projects. The expiration dates occur between July 2012 and June 2014.

The aggregate annual maturities of long-term debt are as follows:

Years ending June 30:	
2013	\$ 5,541,802
2014	3,438,081
2015	2,918,150
2016	3,008,960
2017	3,008,330
Thereafter	<u>208,428,412</u>
Total	<u>\$ 226,343,735</u>

Interest on long-term debt amounted to \$3,822,883 and \$2,787,514 for the years ended June 30, 2012 and 2011, respectively.

10. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Net assets restricted for the construction of a building are released when the building is placed in service. Total net assets released or reclassified were \$836,234 and \$1,024,538 for the years ended June 30, 2012 and 2011, respectively.

11. Net Assets

The amounts included as temporarily restricted net assets at June 30 consist of the following:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 96,391	\$ 259,032
Split interest agreement funds	3,318,046	1,607,249
Construction and improvements	1,424,845	575,745
Temporarily restricted net assets	<u>\$ 4,839,282</u>	<u>\$ 2,442,026</u>

The amounts included as permanently restricted net assets at June 30 consist of endowment funds to be held in perpetuity and amounts which have been permanently restricted by the donor under charitable remainder unitrust agreements. The related income, based on donor-imposed restrictions, is to be used as follows:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 5,353,142	\$ 4,371,180
Religion department	32,075	32,075
Endowment for church planting	113,121	103,047
Grounds improvement	3,944	3,944
General University use	3,030,192	2,716,971
Permanently restricted net assets	<u>\$ 8,532,474</u>	<u>\$ 7,227,217</u>

12. Liberty University Endowments

The University's endowment consists of 80 individual funds. The endowment includes both donor-restricted endowment funds and quasi-endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2012, the endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ 334,476	\$ 8,297,687	\$ 8,632,163
Quasi-endowments	50,014,451	-	-	50,014,451
	<u>\$ 50,014,451</u>	<u>\$ 334,476</u>	<u>\$ 8,297,687</u>	<u>\$ 58,646,614</u>

At June 30, 2011, the endowment net asset composition by type of fund was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ 249,301	\$ 6,949,211	\$ 7,198,512
Quasi-endowments	46,933,609	-	-	46,933,609
	<u>\$ 46,933,609</u>	<u>\$ 249,301</u>	<u>\$ 6,949,211</u>	<u>\$ 54,132,121</u>

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor-intent and the organization's overall resources and charitable purpose. Based on its interpretation of the law and in compliance with donor intent, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The University appropriates amounts for expenditure based upon accumulated earnings in the funds and donor requirements. The primary objective is to maximize total return. The University utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk.

A summary of the activity in endowment funds for the year ended June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 46,933,609</u>	<u>\$ 249,301</u>	<u>\$ 6,949,211</u>	<u>\$ 54,132,121</u>
Investment return:				
Investment income	2,199,854	133,443	38,483	2,371,780
Net realized and unrealized loss	(275,738)	(2,960)	(1,591)	(280,289)
Total investment return	<u>1,924,116</u>	<u>130,483</u>	<u>36,892</u>	<u>2,091,491</u>
Contributions	1,165,363	-	1,311,584	2,476,947
Other changes:				
Scholarship awards	(8,637)	(45,308)	-	(53,945)
Endowment net assets, end of year	<u>\$ 50,014,451</u>	<u>\$ 334,476</u>	<u>\$ 8,297,687</u>	<u>\$ 58,646,614</u>

All of the above temporarily restricted net assets are from purpose-restricted endowments.

A summary of the activity in endowment funds for the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 43,876,753	\$ 158,989	\$ 6,679,565	\$ 50,715,307
Investment return:				
Investment income	3,076,567	121,689	68,024	3,266,280
Net realized and unrealized gain (loss)	(19,711)	10,191	9,789	269
Total investment return	3,056,856	131,880	77,813	3,266,549
Contributions	-	-	191,833	191,833
Other changes:				
Scholarship awards	-	(41,568)	-	(41,568)
Endowment net assets, end of year	\$ 46,933,609	\$ 249,301	\$ 6,949,211	\$ 54,132,121

All of the above temporarily restricted net assets are from purpose-restricted endowments.

13. Employee Benefit Plans

The University participates in defined contribution retirement annuity plans with TIAA-CREF, Fidelity Investments, Guidestone for all faculty, staff, and hourly employees. Before January 1, 2012, the University matched 5% of a plan participant's contributions. In order to receive the match, a participant had to contribute at least 5% of gross pay to the plan. Participants could make contributions in excess of 5%, but these contributions were not matched by the University. As of January 1, 2012, the University began matching plan participants' contributions up to 5% of gross pay. Effective January 1, 2012, the University further amended the plan to include a five year vesting schedule for new eligible staff employees. Eligible faculty employees and all participating employees prior to January 1, 2012 are fully vested at enrollment. The University contributed \$2,956,856 and \$2,756,652 under these plans during the years ended June 30, 2012 and 2011, respectively.

The University is self-insured for employee health care claims up to the lesser of \$125,000 per covered individual or an aggregate amount of approximately \$14,900,000 per year. The University has purchased coverage from a commercial insurance carrier to provide for any claims in excess of these amounts. At June 30, 2012 and 2011, the University had provided an accrual of \$1,645,757 and \$1,388,392, respectively, for claims incurred but not paid based on management's estimate of the University's self-insured liability. Participants are fully vested at enrollment. For the years ended June 30, 2012 and 2011, the University incurred claims, premium expenses, and administrative fees related to its health care plan totaling \$12,411,276 and \$10,894,915, respectively.

14. Compensated Absences

The University provides paid personal/sick days to all benefited full-time employees at a rate of five days per year. The policy does not allow for the accumulation of sick leave. Unused personal sick day benefits are not paid to employees while employed or upon termination.

The University provides for vacation days accrued based on years of employment and paid at the employee's base pay rate at the time of vacation. The policy does not allow for carryover or payment of unused days into the next calendar year and unused days are not paid to employees while employed or upon termination

15. Related Party Transactions

The University provides printing, postal, telephone, custodial and security services to related parties. The University has recorded receivables in connection with these services in its statements of financial position for the years ended June 30 as follows:

	2012	2011
Liberty Christian Academy	\$ 759,368	\$ 659,275
Liberty Godparent Home	66,325	44,763
Thomas Road Baptist Church	754,589	639,964
	<u>\$ 1,580,282</u>	<u>\$ 1,344,002</u>

Management believes the fees received from, and paid to, related parties during 2012 and 2011 approximated market rates and, accordingly, were consistent with those that would be paid in an arm's-length transaction. Management anticipates that similar transactions with related parties will occur in 2012.

During the year ended June 30, 2011, Thomas Road Baptist Church (TRBC) donated rent related to space occupied by the University in the amount of \$710,326. The University purchased the property from TRBC in December 2010, therefore, there are no transactions related to this property for the year ended June 30, 2012.

During the year ended June 30, 2012, the University made donations of \$200,000 to Lynchburg Christian Academy (LCA). During the year ended June 30, 2011 the University made donations to TRBC in the amount of \$60,000.

16. Commitments and Contingencies

The University is subject to certain claims that arise in the ordinary course of operations. Many of these claims are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance exists, so the eventual outcome of such claims is not expected to have a material adverse effect on the University's financial position or its operations. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

The University's students receive a substantial amount of support from federal and state student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the University's programs and activities. Amounts received and expended by the University under various federal and state programs are subject to audit by various federal and state agencies and therefore subject to adjustment.

In September 2011 the University was awarded a grant by the Virginia Tobacco Commission for \$12 million. This grant is to be matched by the University and is for the purpose of establishing a School of

Osteopathic Medicine and to expand the existing School of Health Sciences. The school will be built in Campbell County adjacent to the University's main campus. The first phase of the project is expected to be completed by fall 2013.

There are several commitments and contingencies related to the University's construction projects, which are listed below. Listed by project is the entire estimated project cost, contract amount in place, remainder of a specific contract related to the project to complete and total remainder of project to be completed.

Project	Estimated Cost	Contract in Place	Contract to Complete	Project to Complete
Jerry Falwell Library	\$ 60,000,000 plus	\$ 49,281,991	\$ 46,276,026	\$ 53,904,445
Baseball Complex	16,000,000	7,473,931	5,386,592	14,366,298
Basketball Practice Facility	7,500,000	6,070,755	4,045,252	5,240,183
Candler's Mt. IM Fields	3,500,000	N/A	N/A	3,392,511

17. Other Sources

For the years ended June 30, 2012 and 2011, the University had other sources income of \$30,491,048 and \$31,300,957 respectively. These amounts include various non-mandatory student fees, fines, vehicle registration fees, sales and commissions, rental income, advertising income, and various sporting event related income.

18. Subsequent Events

In October 2012, the University was awarded a grant by the Virginia Tobacco Commission for \$8.5 million. This grant is for Phase II of the Liberty University Center for Medical and Health Sciences and is to be used for the purchase of equipment.

Subsequent to June 30, 2012, the University purchased, with cash the Wingate Hotel, Lynchburg, Virginia for approximately \$9 million. At the present time, the University plans to continue operating this property as a Wingate Hotel. The University has also entered into contracts for the construction of two new educational facilities at a cost of approximately \$41 million as well as contracts to purchase two additional properties at a cost of approximately \$19.5 million to be used for administrative purposes and student housing.

* * * * *

Supplementary Information

Liberty University, Inc.

Statements of Financial Position

June 30,	2012	2011
Assets		
Cash and cash equivalents	\$ 383,606,590	403,164,042
Accounts receivable - less allowance for doubtful accounts of \$17,214,291 and \$7,920,270 respectively	29,564,672	95,622,788
Accounts receivable from related organizations	1,580,282	1,453,240
Notes receivable	1,605,475	1,465,896
Contributions receivable, net	428,200	560,000
Other prepaid expenses and other assets	9,081,030	8,500,848
Investments, at fair value	529,413,461	156,000,759
Property, plant, and equipment, net	327,890,824	277,985,808
Total assets	\$ 1,283,170,534	944,753,381
Liabilities and Net Assets		
Liabilities:		
Accounts payable - vendors	\$ 27,406,293	14,848,541
Accounts payable - other	7,308,391	6,235,199
Accrued liabilities	12,839,163	7,299,043
Accrued interest payable	3,817,771	3,048,713
Deferred revenue and deposits	135,332,947	130,761,113
Gift annuities payable	17,696,115	15,649,787
Liability under split interest agreements	2,285,448	2,265,483
Obligations under capital leases	1,667,277	2,384,937
Long-term debt	224,545,900	127,141,487
Total liabilities	432,899,305	309,634,303
Net assets		
Unrestricted	836,899,471	625,844,248
Temporarily restricted	4,839,282	2,372,023
Permanently restricted	8,532,476	6,902,807
Total net assets	850,271,229	635,119,078
Total liabilities and net assets	\$ 1,283,170,534	944,753,381

The accompanying notes are an integral part of these financial statements.

Procedure for Discontinuation of a Program, Site or Operations

The purpose of this work is to document specific implications and resolve any questions for Iowa students affected by the Program/Site closure or Discontinuation of operations including, but not limited to, the following:

1. Analyze and disclose whether or not students completed the affected programs prior to the last date of educational instruction. If not, disclose what other arrangements will be made by the University for students who did not complete their programs prior to the proposed ending date of educational instruction.

Internal Review and Approvals Process

University staff must receive approval for any changes that could affect a program, site or closure of operations through the completion and approval of the "Form 5." As illustrated below, Form 5 is designed to gather important information to resolve implications of a change to a program, site, or operations.

Form 5: Deletion of Program, Concentration, Cognate Minor, Course(s) or Requirement

Title of Program, Concentration, Cognate, Minor, Course(s) or Requirement to be Deleted:

Originator of this Proposal:

***PLEASE NOTE:**

To ensure compliance with SACS policies, you MUST check if the program you are deleting requires a Substantive Change Request from SACS. Teach out plans must be approved in advance of implementation by SACSCOC.

Delivery Format:

Resident

Online

Both

Proposed Effective Date:

A. Reason for deletion.

B. If this is a deletion of individual courses or requirements, will this affect students' ability to complete a program or major?

C. If deletion of individual courses or requirements, what will be the effect on programs or majors as a whole?

D. If deletion of program/major, include teach-out plan.

When a program/major is deleted consideration must be given to the number of students enrolled. A teach-out plan will include the following elements:

1. A proposed schedule for phasing out the program/major.
2. Date of closure
3. An explanation of how affected parties (students, faculty, staff) will be informed of the impending closure
4. An explanation of how students will be helped to complete their programs of study with minimal disruption or expense.

5. Alternative acceptable measures (e.g., course substitutions) to facilitate students' program completion.
 6. The number of students affected by the deletion.
 7. A list of courses affected by the deletion.
- E. How does this impact faculty, library, physical and financial resources?
- F. Documentation that faculty and other groups were involved in decision.

Associate Dean, Department Chair or Director

Date

Dean of School/College

Date

Attach all applicable minutes of faculty committees, departments, and college/school that record discussion and approval of this decision.

Procedures for Student Notification

The University will notify affected students in writing via the authorized Liberty email account within 30 days of the decision from the Internal Review and Approvals Process. The notification will include a summary of the decision made, the impact on the educational program, site, or operation. The notification will also include a description of teach out arrangements made including contact information and arrangements made with 3rd parties after approval of the relationship by the Commission on Colleges Southern Association of Colleges and Schools.

In addition to individual notifications, the University will include information pertaining to the change in regular student consumer information consistent with policy 4.1 Consumer Information. This allows the University to post consumer information on the University website. Additionally, the required annual dissemination of consumer information and student right-to-know information will link back to the information posted to the University website.