FINANCIAL STATEMENTS

FOR THE YEAR ENDED

June 30, 2019

VIRGINIA COMMONWEALTH UNIVERSITY

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TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019
(unaudited)

Virginia Commonwealth University's Management Discussion and Analysis (MD&A) provides a discussion and overview of the financial performance during the fiscal year ended June 30, 2019, with comparative information presented for the fiscal year ended June 30, 2018. While maintaining its financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service.

This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of management.

Understanding the Financial Statements

The MD&A focuses on VCU and is intended to foster a greater understanding of VCU's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements which have the following four components:

Statement of Net Position presents a snapshot of VCU's assets and liabilities under the accrual basis of accounting at the end of each fiscal year presented. The Statement of Net Position helps the reader understand the type and amounts of assets available to support operations, how much VCU owes to vendors and bond holders and net position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses and Changes in Net Position presents VCU's revenues and expenses categorized between operating, non-operating and other related activities. The Statement of Revenues, Expenses and Changes in Net Position reports VCU's operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about VCU's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, assists in determining whether VCU has the ability to generate future net cash flows to meet its obligations as they come due and in determining the need for external financing.

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

In fiscal year ended June 30, 2019, a new discretely presented component unit was included in the financial statements. The applicable fiscal year ended June 30, 2018 amounts have been restated to properly reflect the beginning balances.

The MD&A provides objective analysis of VCU's financial activities based on currently known facts, decisions and conditions. The MD&A discusses the current year results in comparison to the prior year. To see discussions relating to the prior year, refer to last year's annual financial report on VCU's website.

Statement of Net Position

The term "Net Position" refers to the difference between total assets and deferred outflows to total liabilities and deferred inflows, as an indicator of VCU's financial condition. Changes in net position that occur over time indicate improvement or deterioration in VCU's financial condition.

Assets and liabilities are generally measured using current values with capital assets as the one notable exception because they are stated at historical cost less an allowance for depreciation.

Condensed Statement of Net Position

as of June 30,	2019	2018, as restated	$ Change	% Change
Current and other assets	$748,938,754	$725,460,582	$23,478,172	3%
Deferred outflows	67,108,119	66,451,261	656,858	1%
Capital assets – net	1,163,428,738	1,148,644,987	14,783,751	1%
Total assets and deferred outflows	1,979,475,611	1,940,556,830	38,918,781	2%
Current liabilities	231,662,665	226,615,066	5,047,599	2%
Noncurrent liabilities	931,416,344	931,937,493	(521,149)	(0%)
Deferred inflows	73,767,770	61,527,073	12,240,697	20%
Total liabilities and deferred inflows	1,236,846,779	1,220,079,632	16,767,147	1%
Net Position:				
Net investment in capital assets	826,045,399	797,125,240	28,920,159	4%
Restricted	99,272,822	103,757,873	(4,485,051)	(4%)
Unrestricted	(182,689,389)	(180,405,915)	(2,283,474)	1%
Total net position	$742,628,832	$720,477,198	$22,151,634	3%

Total university assets and deferred outflows increased by $38.9 million or 2.0% during fiscal year 2019, bringing the total to $1,979.5 million at year-end. Growth in capital assets and restricted funds for use in constructing additional capital assets, attributed to this increase. The increase in capital assets, net ($14.8 million) reflects the ongoing construction of university research and instructional facilities, and the capitalization of completed facilities discussed in detail in the following section, Capital Asset and Debt Administration.

Total university liabilities and deferred inflows increased by $16.8 million or 1% during fiscal year 2019. Deferred inflows increased $12.2M, which was driven by changes in assumptions relating to the Pre-Medicare Retiree Healthcare Program administered by the Virginia Department of Human Resource Management.

Total Net Position

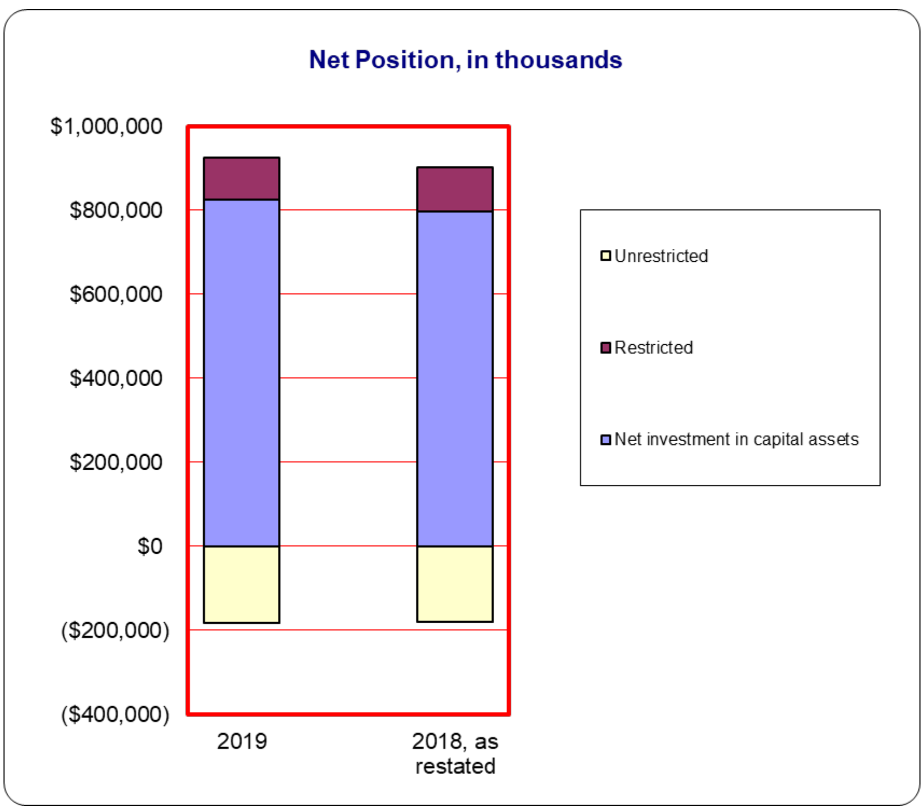
Net position is divided into three major categories:

Net investments in capital assets provide the University's equity in property, plant and equipment owned by the University.

Restricted net assets are divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted assets are only available for investment purposes. Expendable restricted assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted net position is available resources to the University for any lawful purpose.

The following graph and table illustrates the changes in the make-up of net position, between 2019 and 2018:



Total Net Position				
as of June 30,	2019	2018, as restated	$ Change	% Change
Net investment in capital assets	$826,045,399	$797,125,240	$28,920,159	4%
Restricted	99,272,822	103,757,873	(4,485,051)	(4%)
Unrestricted	(182,689,389)	(180,405,915)	(2,283,474)	(1%)
Total net position	$742,628,832	$720,477,198	$22,151,634	3%

- Net investment in capital assets increased due to investments in building, equipment and library book purchases.

Statement of Revenues, Expenses and Changes in Net Position

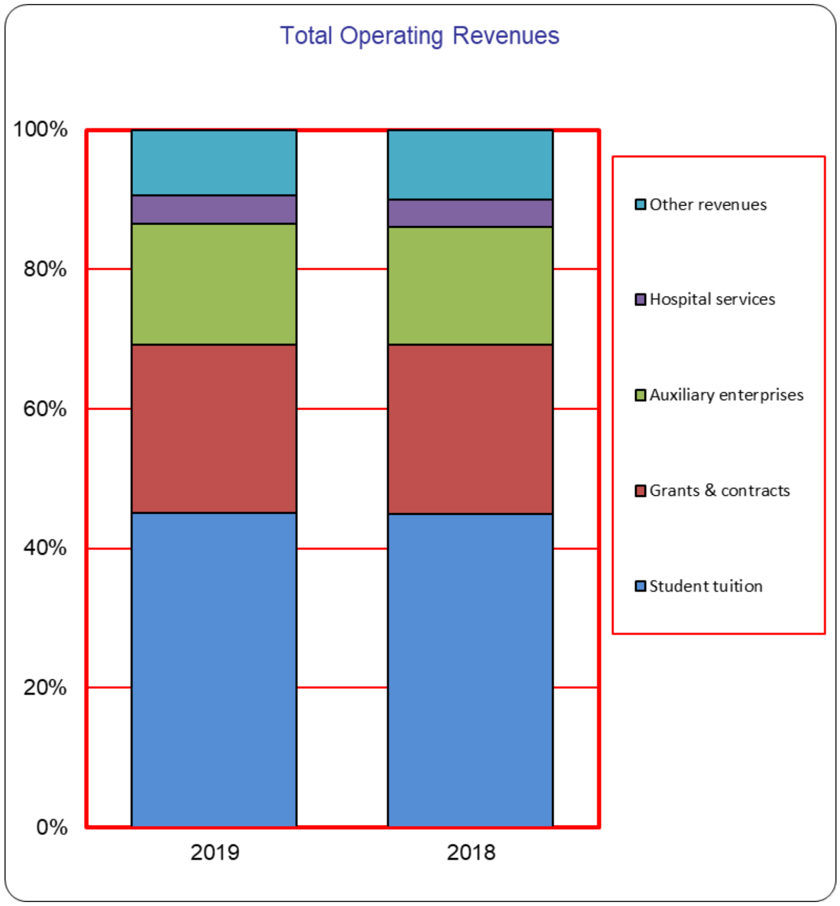
Due to the classification of certain revenues as non-operating revenue, VCU shows a loss from operations. State appropriations, while budgeted for operations, are considered non-operating revenues according to Governmental Accounting Standards Board (GASB) 35 standards and are reflected accordingly in the non-operating section of the Statement of Revenues, Expenses and Changes in Net Position, even though these funds are used solely for operating purposes.

The following is a summarized schedule of the revenues and expenses for the University:

Condensed Statement of Revenues, Expenses and Changes in Net Position				
For the Year Ended June 30,	2019	2018	$ Change	% Change
Operating revenue	$791,731,168	$763,160,900	$28,570,268	4%
Operating expense	1,134,195,447	1,118,906,328	15,289,119	1%
Operating loss	(342,464,279)	(355,745,428)	13,281,149	(4%)
Non-operating revenues, net of expenses	329,738,370	303,393,188	26,345,182	9%
Other revenues (expenses)	34,877,543	65,162,073	(30,284,530)	(46%)
Increase in net position	22,151,634	12,809,833	9,341,801	73%
Net position - beginning of year	720,477,198	703,017,365	17,459,833	2%
Net effect of restatement	-	4,650,000	(4,650,000)	(100%)
Net position - end of year	$742,628,832	720,477,198	$22,151,634	3%

Revenues

Operating revenues increased $28.5 million, or 4%, in 2019 compared to the prior year.



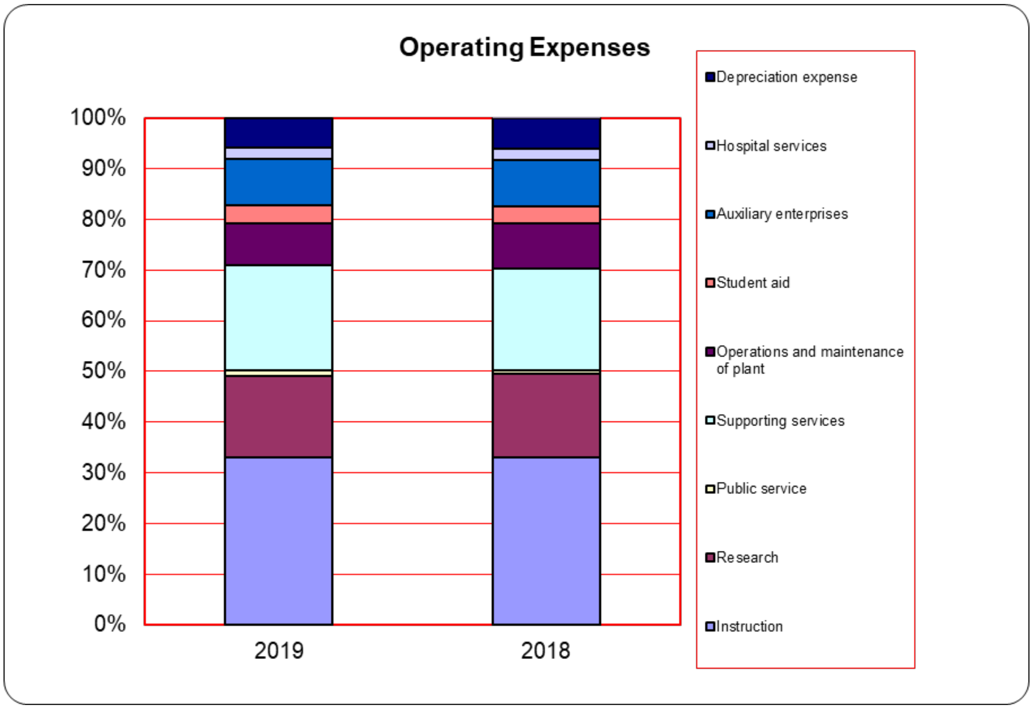
Total Operating Revenues

For the Year Ended June 30,	2019	2018	$ Change	% Change
Student tuition	$356,255,280	$343,183,127	$13,072,153	4%
Grants & contracts	191,533,178	185,058,067	6,475,111	3%
Auxiliary enterprises	137,571,120	128,533,025	9,038,095	7%
Hospital services	32,290,045	30,171,533	2,118,512	7%
Other revenues	74,081,545	76,215,148	(2,133,603)	-3%
Total operating revenues	$791,731,168	$763,160,900	$28,570,268	4%

- Operating revenues grew due to increased tuition and fees, increased hospital services revenue from the addition of new positions reimbursed by the Authority and auxiliary enterprisers. The increases in auxiliary enterprises include royalties, parking, housing and the largest driver, dining.

Expenses

Operating expenses increased $15.3 million, or 1%, over 2018 to $1.134 billion. The following chart summarizes operating expenses by functional classification:



Operating Expenses by Function

For the Year Ended June 30,	2019	2018	$ Change	% Change
Instruction	$373,452,917	$370,415,128	$3,037,789	1%
Research	183,714,631	182,685,375	1,029,256	1%
Public service	11,438,548	9,588,225	1,850,323	19%
Supporting services	236,447,675	222,248,238	14,199,437	6%
Operations and maintenance of plant	94,056,047	99,993,620	(5,937,573)	(6%)
Student aid	39,549,821	38,571,683	978,138	3%
Auxiliary enterprises	102,601,573	102,079,265	522,308	1%
Hospital services	26,581,281	25,032,662	1,548,619	6%
Depreciation expense	66,352,954	68,272,988	(1,920,034)	(3%)
Other expense	-	19,144	(19,144)	(100%)
Total operating expenses	$1,134,195,447	$1,118,906,328	$15,289,119	1%

- Increases in supporting services are due to salaries and benefits, insurance costs, software maintenance and supplies.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2019, VCU had $1.99 billion in capital assets, less accumulated depreciation of $827 million, for net capital assets of $1.163 billion. VCU is committed to a comprehensive program of capital initiatives in support of the University's strategic plan.

Capital Assets, Net

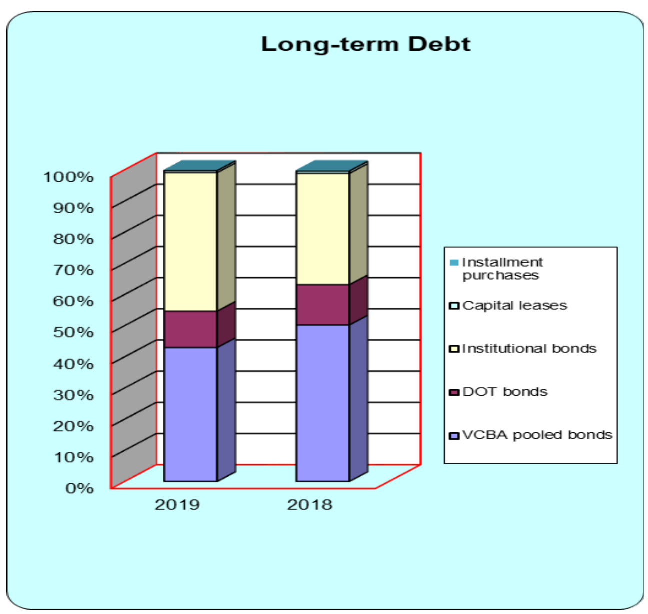
as of June 30,	2019	2018	$ Change	% Change
Land	$61,242,026	$61,242,026	$0	0%
Land improvements and infrastructure	3,743,430	1,419,264	2,324,166	164%
Buildings	970,029,706	907,490,296	62,539,410	7%
Equipment	71,242,246	68,973,775	2,268,471	3%
Intangible (computer software)	3,561,220	4,767,654	(1,206,434)	(25%)
Library books	9,320,266	14,818,699	(5,498,433)	(37%)
Construction in progress	44,289,844	89,933,273	(45,643,429)	(51%)
Total	$1,163,428,738	$1,148,644,987	$14,783,751	1%

- Decreases in intangible and library books are due to depreciation.
- Change in construction in progress and buildings are due to completion of the new School of Allied Health Building and the renovation of Sanger Hall.

Debt

At June 30, 2019, the University had $469 million in long-term debt outstanding.

Bonds in the amount of $103,990,000 was issued in the year ending June 30, 2019 to refund existing variable rate debt, construction of a basketball practice



The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the University's ability to generate net cash flows, meet its obligations as they come due and its need for external financing.

The statement is divided into four sections:

1. Cash used by operating activities shows operating cash flows of the University.
2. Cash provided by noncapital financing activities reflects cash received and disbursed for purposes other than operating, investing and capital financing. GASB requires general appropriations from the Commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities.
3. Cash used by capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Plant fund and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments, are included in cash flows from capital financing activities.
4. Cash provided by investing activities reflects cash generated from investments which included purchases, proceeds and interest.

The following is a summary Statement of Cash Flows for the University for the years ended June 30, 2019 and 2018. For more detailed information, see the accompanying Statement of Cash Flows.

Statement of Cash Flows

University	2019	2018	$ Change	% Change
Cash provided (used) by:				
Operating activities	($272,129,276)	($262,210,397)	($9,918,879)	4%
Noncapital financing activities	317,913,336	312,039,667	5,873,669	2%
Capital and related financing activities	(42,569,423)	(72,063,740)	29,494,317	(41%)
Investing activities	30,623,711	4,944,658	25,679,053	519%
Net increase (decrease) in cash	33,838,348	(17,289,812)	51,128,160	(296%)
Cash and cash equivalents, beginning of year	74,481,400	91,771,212	(17,289,812)	(19%)
Cash and cash equivalents, end of year	$108,319,748	$74,481,400	$33,838,348	45%

For more detailed information, see the accompanying Statement of Cash Flows.

Major operating activity sources of cash for the university included student tuition and fees ($355.8 million), grants and contracts ($195.3 million), and auxiliary enterprise revenues ($137.9 million). Major operating activity uses of cash included compensation and benefits ($721.9 million) and operating expenses ($345.5 million). Operating activity uses of cash significantly exceeded operating activity sources of cash due to classification of state appropriations ($236.5 million), Pell revenue ($32.1M) and gifts ($48.9 million) as noncapital financial activities. Significant cash outflows in the capital financing area were for the acquisition and construction of capital assets ($98.6 million) and for principal ($78 million including refundings) and interest ($11.1 million) on capital-related debt.

This reflects the university's continued investment in buildings, equipment, and infrastructure of the campus.

Economic Outlook

The following are known facts and circumstances that will affect future financial results:

- The State authorized a 5% increase for classified staff, as well as 3% for faculty and 2.75% for university staff effective at the beginning of the fiscal year. The university's plan added an additional 1% for faculty and 1.25% for university staff, providing a total 4% merit-based increase for faculty and university staff.
- Tuition and fees are not expected to increase significantly due to the tuition moderation plan, which held tuition flat and allowed for only a modest increase in fees. Under the plan, the state provided additional funding of $6.8M.

FINANCIAL STATEMENTS

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2019

	University	VCU Health System Authority
Current assets:		
Cash and cash equivalents (Note 2)	$ 66,994,018	$ 408,845,907
Short-term investments (Note 2)	266,367,614	20,484,456
Accounts receivable:		
Student and other, Net of allowance of $6,674,138	14,182,436	-
Sponsors	31,608,908	-
Patient, Net of allowance	-	356,617,411
Third-party and non-patient	-	292,349,643
Contributions and gifts, Net of allowance of $783,766 (Note 25)	-	-
Due from component units	5,570,416	-
Due from Commonwealth of Virginia	255,998	-
Due from VCBA	13,466,836	-
Loans receivable, current portion	2,737,814	-
Current portion of assets whose use is limited (Note 2)	-	4,950,000
Other assets	5,710,233	48,527,020
Total current assets	406,894,273	1,131,774,437
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	41,325,730	-
Endowment investments (Note 2)	43,918,350	-
Other investments (Note 2)	99,499,935	56,786,926
Contributions and gifts, Net of discounts and allowance of $2,997,045 (Note 25)	-	-
Loans and Other receivable, Net of allowance of $1,173,100	16,639,257	-
Due from component units	128,984,209	-
Assets whose use is limited, less current portion (Note 2)	-	1,655,057,187
Other long-term assets	-	15,851,903
Post Employment Benefits (Note 11)	11,677,000	-
Non-depreciable capital assets (Note 4)	105,531,870	136,897,797
Depreciable capital assets (Note 4)	1,057,896,868	845,527,685
Total non-current assets	1,505,473,219	2,710,121,498
Total assets	1,912,367,492	3,841,895,935
Deferred outflows (Note 1V)	67,108,119	41,295,287
Total assets and deferred outflows	1,979,475,611	3,883,191,222
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	96,234,770	452,545,379
Unearned revenue (Note 7)	45,862,894	-
Due to component units	78,153	-
Long-term liabilities - current portion (Note 8)	68,905,848	56,789,730
Short-term liabilities (Note 13)	20,581,000	-
Total current liabilities	231,662,665	509,335,109
Noncurrent liabilities:		
Funds held for others (Note 5)	23,310,943	-
Due to component units	-	-
Other	-	50,703,427
Long-term liabilities (Note 8)	454,518,183	717,196,811
Pension obligations (Note 10)	292,281,000	36,496,000
Post Employment Benefits (Note 11)	161,306,218	11,842,621
Total noncurrent liabilities	931,416,344	816,238,859
Total liabilities	1,163,079,009	1,325,573,968
Deferred Inflows (Note 1V)	73,767,770	13,517,494
Total liabilities and deferred inflows	1,236,846,779	1,339,091,462
Net investment in capital assets	826,045,399	525,888,276
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,606,624	-
Departmental uses	55,935,449	23,718,766
Expendable:		
Scholarships and fellowships	2,568,262	-
Research	13,902,602	-
Departmental uses	19,190,010	3,083,417
Loans	3,069,875	-
Capital projects	-	-
Unrestricted	(182,689,389)	1,991,409,301
Total net position	$ 742,628,832	$ 2,544,099,760

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2019

	MCV Foundation	VCU Foundation	VCU Real Estate Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ -	$ 595,948	$ 6,788,290
Short-term investments (Note 2)	-	-	-
Accounts receivable:			
Student and other, Net of allowance of $6,674,138	5,000	77	19,090
Sponsors	-	-	-
Patient, Net of allowance	-	-	-
Third-party and non-patient	-	-	-
Contributions and gifts, Net of allowance of $783,766 (Note 25)	9,702,000	3,626,806	-
Due from component units	110,000	163,813	78,153
Due from Commonwealth of Virginia	-	-	-
Due from VCBA	-	-	-
Loans receivable, current portion	-	-	-
Current portion of assets whose use is limited (Note 2)	-	-	-
Other assets	45,000	36,125	66,296
Total current assets	9,862,000	4,422,769	6,951,829
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	17,088,000	25,053,727	-
Endowment investments (Note 2)	231,551,000	46,706,619	-
Other investments (Note 2)	346,332,000	36,833,892	-
Contributions and gifts, Net of discounts and allowance of $2,997,045 (Note 25)	13,351,000	5,896,316	-
Loans and Other receivable, Net of allowance of $1,173,100	426,000	-	-
Due from component units	-	-	8,025,881
Assets whose use is limited, less current portion (Note 2)	-	-	-
Other long-term assets	1,532,000	-	-
Post Employment Benefits (Note 11)	-	-	-
Non-depreciable capital assets (Note 4)	217,000	-	26,467,557
Depreciable capital assets (Note 4)	1,884,000	-	51,843,020
Total non-current assets	612,381,000	114,490,554	86,336,458
Total assets	622,243,000	118,913,323	93,288,287
Deferred outflows (Note 1V)	-	-	-
Total assets and deferred outflows	622,243,000	118,913,323	93,288,287
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	434,000	440,632	115,973
Unearned revenue (Note 7)	-	-	4,146,786
Due to component units	4,000	727,232	2,533,201
Long-term liabilities - current portion (Note 8)	770,000	-	-
Short-term liabilities (Note 13)	-	-	9,977,127
Total current liabilities	1,208,000	1,167,864	16,773,087
Noncurrent liabilities:			
Funds held for others (Note 5)	-	825,924	-
Due to component units	1,377,000	35,396,347	36,508,921
Other	1,494,000	347,760	1,483,945
Long-term liabilities (Note 8)	6,344,000	-	-
Pension obligations (Note 10)	-	-	-
Post Employment Benefits (Note 11)	-	-	-
Total noncurrent liabilities	9,215,000	36,570,031	37,992,866
Total liabilities	10,423,000	37,737,895	54,765,953
Deferred Inflows (Note 1V)	-	-	-
Total liabilities and deferred inflows	10,423,000	37,737,895	54,765,953
Net investment in capital assets	2,101,000	-	27,889,602
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	-
Departmental uses	240,157,000	35,510,208	-
Expendable:			
Scholarships and fellowships	-	-	-
Research	-	-	-
Departmental uses	302,171,000	43,050,692	-
Loans	-	-	-
Capital projects	-	-	-
Unrestricted	67,391,000	2,614,528	10,632,732
Total net position	$ 611,820,000	$ 81,175,428	$ 38,522,334

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2019

	VCU School of Business Foundation	VCU College of Engineering Foundation	Dentistry@ VCU
Current assets:			
Cash and cash equivalents (Note 2)	$ 8,036,939	$ 3,005,036	$ 6,538,839
Short-term investments (Note 2)	-	-	-
Accounts receivable:			
Student and other, Net of allowance of $6,674,138	18,189	-	160,341
Sponsors	-	-	-
Patient, Net of allowance	-	-	2,999,427
Third-party and non-patient	-	-	-
Contributions and gifts, Net of allowance of $783,766 (Note 25)	627,149	118,530	-
Due from component units	3,811	17,153	-
Due from Commonwealth of Virginia	-	-	-
Due from VCBA	-	-	-
Loans receivable, current portion	-	-	-
Current portion of assets whose use is limited (Note 2)	-	-	-
Other assets	119,942	-	116,645
Total current assets	8,806,030	3,140,719	9,815,252
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	4,464,437	452,810	-
Endowment investments (Note 2)	15,665,571	14,304,009	-
Other investments (Note 2)	27,749,335	59,307,548	7,613,332
Contributions and gifts, Net of discounts and allowance of $2,997,045 (Note 25)	5,080,488	1,179,293	-
Loans and Other receivable, Net of allowance of $1,173,100	-	-	-
Due from component units	-	-	-
Assets whose use is limited, less current portion (Note 2)	-	-	-
Other long-term assets	-	317,598	-
Post Employment Benefits (Note 11)	-	-	-
Non-depreciable capital assets (Note 4)	-	4,307,317	-
Depreciable capital assets (Note 4)	24,844,679	34,891,979	-
Total non-current assets	77,804,510	114,760,554	7,613,332
Total assets	86,610,540	117,901,273	17,428,584
Deferred outflows (Note 1V)	-	-	-
Total assets and deferred outflows	86,610,540	117,901,273	17,428,584
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	164,870	-	986,921
Unearned revenue (Note 7)	524,190	-	1,337,438
Due to component units	1,629,790	2,775,970	-
Long-term liabilities - current portion (Note 8)	-	-	-
Short-term liabilities (Note 13)	-	5,500,000	-
Total current liabilities	2,318,850	8,275,970	2,324,359
Noncurrent liabilities:			
Funds held for others (Note 5)	-	-	-
Due to component units	38,111,606	57,742,759	5,884,425
Other	-	-	-
Long-term liabilities (Note 8)	-	-	-
Pension obligations (Note 10)	-	-	-
Post Employment Benefits (Note 11)	-	-	-
Total noncurrent liabilities	38,111,606	57,742,759	5,884,425
Total liabilities	40,430,456	66,018,729	8,208,784
Deferred Inflows (Note 1V)	-	-	-
Total liabilities and deferred inflows	40,430,456	66,018,729	8,208,784
Net investment in capital assets	4,255,066	4,074,381	-
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	-
Departmental uses	21,037,412	15,336,477	-
Expendable:			
Scholarships and fellowships	-	-	-
Research	-	-	-
Departmental uses	13,711,933	10,445,336	-
Loans	-	-	-
Capital projects	-	-	-
Unrestricted	7,175,673	22,026,350	9,219,800
Total net position	$ 46,180,084	$ 51,882,544	$ 9,219,800

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2019

	Eliminations	Total
Current assets:		
Cash and cash equivalents (Note 2)	$ -	$ 500,804,977
Short-term investments (Note 2)	-	286,852,070
Accounts receivable:		
Student and other, Net of allowance of $6,674,138	-	14,385,133
Sponsors	-	31,608,908
Patient, Net of allowance	-	359,616,838
Third-party and non-patient	-	292,349,643
Contributions and gifts, Net of allowance of $783,766 (Note 25)	-	14,074,485
Due from component units	(5,943,346)	-
Due from Commonwealth of Virginia	-	255,998
Due from VCBA	-	13,466,836
Loans receivable, current portion	-	2,737,814
Current portion of assets whose use is limited (Note 2)	-	4,950,000
Other assets	(1,361,465)	53,259,796
Total current assets	(7,304,811)	1,574,362,498
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	-	88,384,704
Endowment investments (Note 2)	-	352,145,549
Other investments (Note 2)	(188)	634,122,780
Contributions and gifts, Net of discounts and allowance of $2,997,045 (Note 25)	-	25,507,097
Loans and Other receivable, Net of allowance of $1,173,100	-	17,065,257
Due from component units	(137,010,090)	-
Assets whose use is limited, less current portion (Note 2)	-	1,655,057,187
Other long-term assets	-	17,701,501
Post Employment Benefits (Note 11)	-	11,677,000
Non-depreciable capital assets (Note 4)	-	273,421,541
Depreciable capital assets (Note 4)	(16,306,698)	2,000,581,533
Total non-current assets	(153,316,976)	5,075,664,149
Total assets	(160,621,787)	6,650,026,647
Deferred outflows (Note 1V)	-	108,403,406
Total assets and deferred outflows	(160,621,787)	6,758,430,053
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	-	550,922,545
Unearned revenue (Note 7)	(3,805,690)	48,065,618
Due to component units	(7,748,346)	-
Long-term liabilities - current portion (Note 8)	(1,078,173)	125,387,405
Short-term liabilities (Note 13)	-	36,058,127
Total current liabilities	(12,632,209)	760,433,695
Noncurrent liabilities:		
Funds held for others (Note 5)	-	24,136,867
Due to component units	(175,021,058)	-
Other	-	54,029,132
Long-term liabilities (Note 8)	(7,263,729)	1,170,795,265
Pension obligations (Note 10)	-	328,777,000
Post Employment Benefits (Note 11)	-	173,148,839
Total noncurrent liabilities	(182,284,787)	1,750,887,103
Total liabilities	(194,916,996)	2,511,320,798
Deferred Inflows (Note 1V)	-	87,285,264
Total liabilities and deferred inflows	(194,916,996)	2,598,606,062
Net investment in capital assets	(9,589,796)	1,380,663,928
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	4,606,624
Departmental uses	-	391,695,312
Expendable:		
Scholarships and fellowships	-	2,568,262
Research	-	13,902,602
Departmental uses	-	391,652,388
Loans	-	3,069,875
Capital projects	-	-
Unrestricted	43,885,005	1,971,665,000
Total net position	$ 34,295,209	$ 4,159,823,991

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019

	University	VCU Health System Authority
Operating revenues:		
Student tuition and fees, Net of scholarship allowances of $110,054,332	$ 356,255,280	$ -
Federal grants and contracts	155,178,639	-
State grants and contracts	9,396,845	-
Local grants and contracts	710,862	-
Nongovernmental grants and contracts	26,246,832	-
Sales and services of educational departments	56,531,565	-
Auxiliary enterprises:		
Sales and services	90,436,554	-
Student fees, Net of scholarship allowances of $6,903,745	47,134,566	-
Hospital services	32,290,045	3,895,799,361
Other revenues	17,549,980	-
Total operating revenues	791,731,168	3,895,799,361
Operating expenses:		
Instruction	373,452,917	-
Research	183,714,631	-
Public service	11,438,548	-
Supporting services:		
Academic support	123,582,859	-
Student services	17,325,761	-
Institutional support	95,539,055	-
Operations and maintenance of plant	94,056,047	-
Student aid	39,549,821	-
Auxiliary enterprises	102,601,573	-
Hospital services	26,581,281	3,694,238,034
Depreciation expense	66,352,954	105,967,660
Other expenses	-	-
Total operating expenses	1,134,195,447	3,800,205,694
Operating gain/(loss)	(342,464,279)	95,593,667
Non-operating revenues (expenses):		
State appropriations (Note 23)	236,477,635	-
Gifts	50,776,319	(2,103,386)
Investment income, Net of investment expense of $11,131,991	20,460,908	55,736,803
Interest on capital asset-related debt	(10,778,618)	-
Pell revenue	32,109,096	-
Other	693,030	(2,215,075)
Net non-operating revenues	329,738,370	51,418,342
Income (loss) before other revenues and expenses	(12,725,909)	147,012,009
Other Revenues (expenses)		
Additions to permanent endowments	3,168	-
Capital appropriations	34,374,375	-
Capital gifts and grants	500,000	-
Increase in beneficial interest in trusts	-	171,926
Other	-	(6,797,872)
Increase (decrease) in net position	22,151,634	140,386,063
Net position - Beginning of year	720,477,198	2,403,713,697
Net position - End of year	$ 742,628,832	$ 2,544,099,760

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019

	MCV Foundation	VCU Foundation	VCU Real Estate Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $110,054,332	$ -	$ -	$ -
Federal grants and contracts	-	-	-
State grants and contracts	-	-	-
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	-	-	-
Sales and services of educational departments	-	-	-
Auxiliary enterprises:			
Sales and services	-	-	-
Student fees, Net of scholarship allowances of $6,903,745	-	-	-
Hospital services	-	-	-
Other revenues	5,485,000	298,820	9,050,605
Total operating revenues	5,485,000	298,820	9,050,605
Operating expenses:			
Instruction	-	-	-
Research	-	-	-
Public service	-	-	-
Supporting services:			
Academic support	20,217,000	-	-
Student services	-	-	-
Institutional support	3,860,000	-	-
Operations and maintenance of plant	-	-	2,169,885
Student aid	3,592,000	-	-
Auxiliary enterprises	-	-	-
Hospital services	-	-	-
Depreciation expense	226,000	-	2,799,570
Other expenses	115,000	13,696,543	85,212
Total operating expenses	28,010,000	13,696,543	5,054,667
Operating gain/(loss)	(22,525,000)	(13,397,723)	3,995,938
Non-operating revenues (expenses):			
State appropriations (Note 23)	-	-	-
Gifts	21,246,000	9,982,413	-
Investment income, Net of investment expense of $11,131,991	45,478,000	1,614,287	321,361
Interest on capital asset-related debt	-	-	(1,680,428)
Pell revenue	-	-	-
Other	-	157,794	-
Net non-operating revenues	66,724,000	11,754,494	(1,359,067)
Income (loss) before other revenues and expenses	44,199,000	(1,643,229)	2,636,871
Other Revenues (expenses)			
Additions to permanent endowments	10,963,000	2,229,979	-
Capital appropriations	-	-	-
Capital gifts and grants	-	-	-
Increase in beneficial interest in trusts	-	28,012	-
Other	(180,000)	-	-
Increase (decrease) in net position	54,982,000	614,762	2,636,871
Net position - Beginning of year	556,838,000	80,560,666	35,885,463
Net position - End of year	$ 611,820,000	$ 81,175,428	$ 38,522,334

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019

	VCU School of Business Foundation	VCU School of Engineering Foundation	Dentistry@ VCU
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $110,054,332	$ -	$ -	$ -
Federal grants and contracts	-	-	-
State grants and contracts	-	-	-
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	-	-	-
Sales and services of educational departments	-	-	-
Auxiliary enterprises:			
Sales and services	-	-	-
Student fees, Net of scholarship allowances of $6,903,745	-	-	-
Hospital services	-	-	-
Other revenues	3,748,141	3,278,370	17,623,595
Total operating revenues	3,748,141	3,278,370	17,623,595
Operating expenses:			
Instruction	1,221,113	-	-
Research	-	-	-
Public service	-	-	-
Supporting services:			
Academic support	-	-	-
Student services	-	-	-
Institutional support	-	-	-
Operations and maintenance of plant	-	-	-
Student aid	-	-	-
Auxiliary enterprises	-	-	-
Hospital services	-	-	-
Depreciation expense	1,341,017	2,320,994	-
Other expenses	2,793,198	6,380,683	17,150,090
Total operating expenses	5,355,328	8,701,677	17,150,090
Operating gain/(loss)	(1,607,187)	(5,423,307)	473,505
Non-operating revenues (expenses):			
State appropriations (Note 23)	-	-	-
Gifts	1,580,389	1,097,661	-
Investment income, Net of investment expense of $11,131,991	1,704,432	2,279,654	336,486
Interest on capital asset-related debt	(1,846,534)	(3,327,185)	-
Pell revenue	-	-	-
Other	-	-	-
Net non-operating revenues	1,438,287	50,130	336,486
Income (loss) before other revenues and expenses	(168,900)	(5,373,177)	809,991
Other Revenues (expenses)			
Additions to permanent endowments	6,499,670	528,456	-
Capital appropriations	-	-	-
Capital gifts and grants	-	-	-
Increase in beneficial interest in trusts	-	-	-
Other	-	-	-
Increase (decrease) in net position	6,330,770	(4,844,721)	809,991
Net position - Beginning of year	39,849,314	56,727,265	8,409,809
Net position - End of year	$ 46,180,084	$ 51,882,544	$ 9,219,800

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019

	Eliminations	Total
Operating revenues:		
Student tuition and fees, Net of scholarship allowances of $110,054,332	$ (544,496)	$ 355,710,784
Federal grants and contracts	-	155,178,639
State grants and contracts	-	9,396,845
Local grants and contracts	-	710,862
Nongovernmental grants and contracts	-	26,246,832
Sales and services of educational departments	(1,135,989)	55,395,576
Auxiliary enterprises:		
Sales and services	(607,200)	89,829,354
Student fees, Net of scholarship allowances of $6,903,745	-	47,134,566
Hospital services	(29,622,703)	3,898,466,703
Other revenues	(19,662,902)	37,371,609
Total operating revenues	(51,573,290)	4,675,441,770
Operating expenses:		
Instruction	17,727	374,691,757
Research	(1,389,582)	182,325,049
Public service	15,414	11,453,962
Supporting services:		
Academic support	(23,901,462)	119,898,397
Student services	(16,633)	17,309,128
Institutional support	45,687	99,444,742
Operations and maintenance of plant	(4,455,011)	91,770,921
Student aid	(23,601)	43,118,220
Auxiliary enterprises	(88,636)	102,512,937
Hospital services	(34,878,349)	3,685,940,966
Depreciation expense	(1,332,109)	177,676,086
Other expenses	(20,967,312)	19,253,414
Total operating expenses	(86,973,867)	4,925,395,579
Operating gain/(loss)	35,400,577	(249,953,809)
Non-operating revenues (expenses):		
State appropriations (Note 23)	-	236,477,635
Gifts	(42,762,498)	39,816,898
Investment income, Net of investment expense of $11,131,991	-	127,931,931
Interest on capital asset-related debt	3,304,680	(14,328,085)
Pell revenue	-	32,109,096
Other	-	(1,364,251)
Net non-operating revenues	(39,457,818)	420,643,224
Income (loss) before other revenues and expenses	(4,057,241)	170,689,415
Other Revenues (expenses)		
Additions to permanent endowments	-	20,224,273
Capital appropriations	-	34,374,375
Capital gifts and grants	(500,000)	-
Increase in beneficial interest in trusts	-	199,938
Other	-	(6,977,872)
Increase (decrease) in net position	(4,557,241)	218,510,129
Net position - Beginning of year	38,852,450	3,941,313,862
Net position - End of year	$ 34,295,209	$ 4,159,823,991

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	University
Cash flows from operating activities:	
Tuition and fees	$ 355,834,803
Grants and contracts	195,331,523
Auxiliary enterprise charges	137,865,728
Sales and services of education departments	56,531,565
Hospital services charges	31,964,593
Payments to suppliers	(345,541,563)
Payments to employees	(721,898,437)
Loans issued to students	1,461,296
Collection of loans to students	(191,126)
Other receipts (payments)	16,512,342
Net cash used by operating activities	(272,129,276)
Cash flows from noncapital financing activities:	
State appropriations	236,477,635
Direct lending receipts	216,444,593
Direct lending disbursements	(216,444,593)
Agency receipts	53,445,884
Agency disbursements	(53,981,288)
Insurance recoveries	978,405
Pell revenue	32,109,096
Gifts	48,883,604
Net cash provided by noncapital financing activities	317,913,336
Cash flows from capital and related financing activities:	
Proceeds from issuance of note payable	109,098,813
Bond proceeds disbursed to VCUREF	(204,067)
Capital gifts	500,000
State appropriations for capital assets	35,646,635
Purchase of capital assets	(98,582,079)
Principal paid on capital-related debt	(77,975,137)
Interest paid on capital-related debt	(11,053,588)
Net cash used by capital financing activities	(42,569,423)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	1,291,824,203
Investment income	11,730,273
Purchases of investments	(1,272,930,765)
Net cash provided by investing activities	30,623,711
Net decrease in cash	33,838,348
Cash and cash equivalents - Beginning of year	74,481,400
Cash and cash equivalents - End of year	$ 108,319,748

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating gain/(loss)	$	(342,464,279)
Adjustments to reconcile net gain/(loss) to net cash used by		
Operating activities:		
Depreciation expense		66,352,954
Provision for uncollectible accounts		(839,569)
Changes in assets, liabilities, deferred inflows and deferred outflows:		
Receivables		552,339
Other assets		(1,046,411)
Deferred outflows of resources - pension and other post employment benefits		(11,633,792)
Accounts payable and other liabilities		(1,479,156)
Unearned revenue		4,024,589
Compensated absences and deferred compensation		9,618,563
Deposits		(100,866)
Other liabilities		12,233,116
Deferred inflows of resources - pension and other post employment benefits		21,323,566
Pension obligations and other post employment benefits		(28,670,330)
Net cash used by operating activities	$	(272,129,276)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Loss on disposal of capital assets	$	(1,250,550)
Amortization of bond premium and discount	$	(2,864,807)
Unrealized gain/(loss) on investments	$	2,588,684
Amortization of deferral on debt defeasance	$	(5,593,847)

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Virginia Commonwealth University (VCU) is supported by the Commonwealth of Virginia to serve the Richmond area, the state and the nation through teaching, research, service and patient care. The VCU Health System supports the University's health care education, research and patient care mission.

VCU is a public research university located in Richmond, the state capital of Virginia. Founded in 1838 as the medical department of Hampden-Sydney College, VCU became the Medical College of Virginia in 1854. In 1968, the General Assembly merged MCV with the Richmond Professional Institute, founded in 1917, to create Virginia Commonwealth University.

Today, more than 31,000 students pursue over 200 degree and certificate programs through VCU's 11 schools and 3 colleges. VCU is designated as a research university with very high research activity by the Carnegie Foundation. A broad array of university-approved centers and institutes of excellence, involving faculty from multiple disciplines in public policy, biotechnology and health care discoveries, supports the University's research mission. Twenty graduate and first-professional programs are ranked by U.S. News & World Report as among the best in the country.

VCU and VCU Health System Authority's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements. The accounting policies of the Medical College of Virginia Foundation, Virginia Commonwealth University Foundation, Virginia Commonwealth University Real Estate Foundation, Virginia Commonwealth University School of Business Foundation, Virginia Commonwealth University College of Engineering Foundation and Dentistry@VCU conform with the generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB), which are comparable to the GASB accounting principles except for certain disclosures.

The accompanying financial statements are prepared in accordance with generally accepted accounting principles as prescribed by GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and GASB Statement 35 *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities.* Because the University is a component unit of the Commonwealth of Virginia, it is included in the Comprehensive Annual Financial Report of the Commonwealth.

A. Reporting Entity

The accompanying financial statements include the accounts of all organizational units of Virginia Commonwealth University and the Virginia Commonwealth University Intellectual Property Foundation, a component unit which is blended (consolidated) with University operations. These statements are presented as stand-alone statements of the University.

The Virginia Commonwealth University Intellectual Property Foundation functions as a nonprofit charitable foundation solely to assist inventors, mainly from VCU, in licensing and patenting technologies. The sole purpose of this foundation is to promote, encourage and aid scientific investigation and research and to manage intellectual property developed at VCU for the benefit of the University.

In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity Omnibus*, amendments to GASB Statement 14, the financial statements include the Medical College of Virginia Foundation, Virginia Commonwealth University Foundation, Virginia Commonwealth University Real Estate Foundation, Virginia Commonwealth University College of Engineering Foundation, Virginia Commonwealth University School of Business Foundation, Dentistry@VCU and Virginia Commonwealth University Health System Authority which are presented discretely in the accompanying financial statements. Statement 39 provides additional guidance to determine whether certain organizations, for which the University is not financially accountable, should be reported as component units. Generally, it requires that an organization that raises and holds economic resources for the direct benefit of the University be reported as a component unit.

Virginia Commonwealth University Health System Authority (the Authority) is a public corporate body and political subdivision of the Commonwealth of Virginia created and established by an Act of the General Assembly of the Commonwealth of Virginia during 1996. The Authority is tax-exempt as an integral part of the Commonwealth of Virginia.

The Authority's principal activity is the operation of the Medical College of Virginia Hospitals (VCUMC), Medical College of Virginia Associated Physicians (MCVAP), Community Memorial Hospital (CMH), Virginia Premier Health Plan (VA Premier), Children's Hospital (Children's), University Health Services, Inc. (UHS) and Aries Insurance Services, Ltd. (ARIES).

VCUMC is an approximately 800-bed teaching hospital, which provides inpatient and outpatient services primarily to patients in the Commonwealth of Virginia.

MCVAP, formed in 1991 as a non-stock, not-for-profit charitable educational organization with the Authority as sole corporate member, functions as the group practice plan for those physicians and health care professionals who have faculty appointments in the VCU School of Medicine (SOM).

CMH located in South Hill, Virginia, is a not for profit healthcare facility. CMH provides inpatient, outpatient, emergency care and long-term care of residents of Southside Virginia. Effective July 1, 2014, the Authority and CMH entered in to an affiliation agreement. The new facility in South Hill opened in November 2017. CMH Physician Services, LLC is a component unit of CMH and operated outpatient clinics in South Hill, Clarksville and Chase City, Virginia. Community Memorial Foundation (CMH Foundation) was established to solicit, administer and distribute funds to support the charitable purpose of CMH.

VA Premier is a Medicaid health maintenance organization (HMO) whose primary purpose is to provide quality health care within a managed care framework.

Children's was created in 1920 and is a Virginia not-for-profit corporation. The 47-bed hospital provides pediatric specialty care to both inpatients and outpatients.

UHS is a not-for-profit, non-stock, tax-exempt corporation, which was incorporated on January 26, 1995 to support the educational, scientific, and charitable purpose and activities of the University and, in particular, the activities of the SOM and VCUMC. These activities include, but are not limited to, activities undertaken pursuant to Section 23-50.16B of the Code of Virginia.

The Medical College of Virginia Foundation (MCV Foundation) is a not-for-profit corporation organized to aid, strengthen and extend the work, services and objectives of the MCV Campus of the University. This mission is achieved by receiving contributions, investing and managing funds, disbursing current funds and a portion of the total return on endowment and providing information about the activities of the MCV Campus and the MCV Foundation. The MCV Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Foundation (VCU Foundation) is a Virginia corporation, which functions as a nonprofit charitable foundation solely to assist, support, and foster VCU in all proper ways that may, from time to time, be approved by the trustees of the VCU Foundation with the guidance of VCU. The VCU Foundation manages and distributes current and endowment gifts for schools, departments and programs throughout VCU with major emphasis on programs for the Monroe Park Campus. The VCU Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Real Estate Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to assist and support VCU by holding and managing real estate for its benefit. The Virginia Commonwealth University Real Estate Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Real Estate Foundation's subsidiary, the Art Station, LLC ("Art Station"), was established on April 30, 2013 for the purpose of incurring rehabilitation expenditures eligible for historic tax credits. Additional subsidiaries include 535 West Broad Street LLC, 501 West Broad Street LLC, 916-918 Grace LLC, Sunshine RVA LLC, 1609 Sherwood LLC and Venture Development LLC.

The Virginia Commonwealth University College of Engineering Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to provide financial and other support to the College of Engineering for the benefit of VCU. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University School of Business Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to provide financial and other support to the School of Business for the benefit of VCU. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

Dentistry@VCU, was incorporated on June 26, 1991 and commenced operations on January 1, 1992 as a non-stock, non-profit organization to support the education, research, service and patient care mission of the School of Dentistry of Virginia Commonwealth University. The financial statements include Dentistry@VCU and Dentistry – VCU Continuing Education, LLC, a wholly-owned subsidiary of Dentistry@VCU. The entity is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). The inclusion of Dentistry@VCU during fiscal year 2019, resulted in a prior year beginning balance restatement, increasing net assets by $4,650,000.

The University also benefits from a number of organizations that exist mainly to support the various purposes and activities of the University and the Authority. The assets of these affiliated organizations, which are separately incorporated and managed by their own Boards, are not included in these statements. The affiliated organizations are listed below and are described in Note 12:

- Virginia Biotechnology Research Park Partnership Authority
- Virginia Commonwealth University Alumni Association
- Medical College of Virginia Alumni Association of VCU
- VCU Investment Management Company

Complete financial statements for the foundations can be obtained by writing the VCU Controller's Office, P.O. Box 843035, Richmond, VA 23284-3035.

B. Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis, including depreciation expense relating to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has incurred. All significant intra-agency transactions have been eliminated.

Revenues, as reflected on the Statement of Revenues, Expenses and Changes in Net Position, include all exchange and non-exchange transactions earned in which all eligibility requirements have been satisfied, if measurable and probable for collections. Unearned revenue represents revenue collected, but not earned, as of June 30, 2019. This is primarily composed of revenue for grants and contracts and tuition and fees. Revenues for the summer term are prorated on the basis of student class days occurring before and after June 30.

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, require 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Allowance for Uncollectible Receivables

The allowance for uncollectible receivables is based on management's evaluation of the collectability of individual receivables. Receivables are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance.

D. Pledges Receivable

Unconditional gifts are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional gifts expected to be collected within one year are recorded at their net realizable value. Unconditional gifts expected to be collected in future years are recorded at the net present value of the estimated future cash flows.

Donations or contributions of land, buildings, equipment and gifts-in-kind except contributed services are recorded at fair market value when received or pledged, if earlier.

E. Investments

Investments in open-end mutual funds, debt securities and equity securities that have readily determinable fair values are carried at fair value. The fair values of marketable equity securities, bonds and other investments are based on quoted market prices. Investments held in the liquidity fund (securities with a maturity of less than one year) of the University are reported as current assets with the remaining investments reported as noncurrent assets.

F. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market.

G. Investment Income

Investment income, including net realized and unrealized gains or losses on investment transactions and investment expense, is recorded as non-operating revenue.

It is the practice of the VCU Foundation, MCV Foundation, Virginia Commonwealth University College of Engineering Foundation and Virginia Commonwealth School of Business Foundation to annually distribute a set percentage of each endowment corpus to be utilized for the purpose of the fund as stipulated by the donor and/or established by the Foundation. Any excess net investment income over the distribution percentage is added to the individual endowment fund corpus.

H. Accrued Compensated Absences

University full-time classified, part-time classified and faculty employed on or after January 1, 1999, who are also active members of the Virginia Retirement System (VRS), are covered under the "Virginia Sickness and Disability Program" (VSDP). The plan provides for sick leave, family and personal leave, short-term disability benefits and long-term disability benefits. Full-time classified, part-time classified and faculty employed prior to January 1, 1999, who are active members of VRS, participate in VSDP under one of two options or remain under the traditional sick leave program in which classified employees and twelve month faculty earn 5 hours of leave each pay period regardless of the length of state service and nine month faculty accrue 48 hours per semester. One VSDP option permitted eligible employees to convert accumulated sick leave balances to short-term disability credits. The other allowed for the conversion of sick leave balances to VRS service credit. The University was not required to currently fund the cost of conversion to VRS service credit. Enrollment in the VSDP is irrevocable and no additional enrollments are planned. Under VSDP, unused VSDP sick leave and family and personal leave balances do not carry forward from one year to the next and employees are not paid for unused balances upon termination. The converted short-term disability credits of classified employees are payable upon termination in accordance with the Commonwealth of Virginia's sick leave payout policy discussed below. Faculty who converted sick leave balances to short-term disability credits are not compensated for these balances at termination.

Full-time and part-time, twelve-month faculty and classified employees earn annual leave based upon the number of years of continuous state service. Faculty and classified employees carry forward annual leave balances from one year to the next based on the years of service. Upon termination, the payout of unused annual leave balances is subject to the maximum payout policy for each category of employee.

University and academic professionals earn paid leave, university leave, based on their length of employment with the University. The equivalent of one year's leave accrual can be carried over. Upon termination, all leave earned, but not used, is paid to the employee.

Employees who are not subject to the overtime provisions of the Fair Labor Standards Act may be eligible to earn compensatory leave. Leave is earned on an hour-for-hour basis for having worked additional hours in a workweek, holidays or scheduled days off. Compensatory leave may be used for paid time off and is payable upon termination. Accrued compensatory leave lapses, within 12 months from the date it is earned, and once lapsed may not be used or paid upon termination.

The University records a liability for all unused university leave, annual, non-VSDP sick and compensatory leave, unused short-term disability credits, as well as related fringe benefits. Compensatory and university leave balances are paid in full upon termination. Annual leave balances are paid in full up to a maximum number of hours, depending upon length of service. Non-VSDP sick leave and short-term disability credits are payable upon employment termination and are limited to 25 percent of the value accumulated or $5,000, whichever is less, under the Commonwealth of Virginia's sick leave pay-out policy for employees with 5 or more years of service.

The Authority records a liability for all paid time off and related payroll taxes expected to be paid.

I. Capital Assets

Capital assets are stated at cost or, if donated, at acquisition value; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Equipment costing $5,000 or more with a useful life of 2 or more years is capitalized. Infrastructure assets are included in the financial statements and are depreciated. The University and the Authority record depreciation on property, plant and equipment, including capital leases and excluding land and construction in progress, computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is 10 to 40 years for buildings and fixtures and 5 to 20 years for equipment. The estimated useful life of library books is 5 years. The general range of estimated useful lives is 10 to 25 years for land improvements and infrastructure. Expenditures for construction in progress are capitalized as incurred and reflected in net investment in plant. Interest expense, relating to construction, is capitalized net of interest income earned on resources set aside for this purpose. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

The VCU College of Engineering Foundation, VCU School of Business Foundation and VCU Foundation record the acquisition of real estate at cost, or if donated, at fair market value at the time of donation; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Depreciation is provided for properties that are actively rented, using the straight-line method, at rates adequate to amortize the cost of the property over its estimated useful life. The estimated lives of these properties are between 10 and 40 years.

The VCU Real Estate Foundation records the acquisition of equipment at cost, or if donated, at fair market value at the time of donation; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Depreciation is computed using the straight-line method over the estimated lives of the equipment. The estimated useful lives for equipment are between 5 and 20 years.

The MCV Foundation records property and equipment at cost for purchased items and at fair value for donated items; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Acquisitions of fixed assets, with a cost less than $5,000, are expensed as acquired. Depreciation is computed on a straight-line basis over the estimated useful life of the asset. The estimated useful lives range between 3 and 39 years.

J. Hospital Services

In addition to the services provided by the Authority to patients, the University provides facilities, graduate medical education, clinical support and administrative support to hospitals. The revenues and expenditures necessary to provide the services are classified as hospital services.

K. Uncompensated Care

The Authority provides care to patients who meet certain criteria under its indigent care policy without charge or at amounts less than its established rates. Since the Authority does not pursue collection of charges determined to qualify as uncompensated care from the patients, they are not reported as revenue. The costs of providing these services are included in the Authority's operating expenses. Medicaid reimburses the Authority for a substantial portion of its costs of providing services to Medicaid and indigent patients. The Authority's estimated costs for the services provided for this care, net of reimbursement from the Commonwealth of Virginia, approximated $61,689,000 in 2019.

L. Net Patient Service Revenue

Net patient service revenue is reported in hospital services at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payers and include estimated retroactive adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments and settlements become known or as years are no longer subject to such audits, reviews, appeals and investigations. The effect of these settlement adjustments was to increase the Authority's net patient service revenue by approximately $35,923,000 in 2019. Settlements due to and from third-party payers include amounts that are currently under appeal with various federal and state agencies. Net patient service revenue includes an estimate of uncollectable charges which is a deduction from gross revenue. The Authority's estimated cost associated with these charges is approximately $49,445,000 for the year ended June 30, 2019.

A summary of the payment arrangements with major third-party payers follows:

- Anthem – Inpatient acute care services rendered to Anthem subscribers are paid at prospectively determined rates per discharge or discounted rates. Outpatient services rendered to Anthem subscribers are paid at discounted rates or applicable fee schedule. The rates can be subject to retroactive adjustments based on quality standards or calculations above a predetermined charge increase percentage.

- Medicare – Inpatient acute care services and defined capital costs rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates may vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and education related to Medicare beneficiaries are paid based on prospectively determined rates and a discounted cost payment methodology. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's Medicare cost reports have been final audited by the Medicare fiscal intermediary through June 30, 2010.

- Medicaid – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a per diem rate and APDRG (rates per discharge) prospective payment system on an interim basis but eventually settle to a percentage of cost. Outpatient services rendered to Medicaid program beneficiaries are paid on prospectively determined rates and a cost reimbursement methodology. In addition to inpatient and outpatient services provided to Medicaid program beneficiaries, Medicaid reimburses the Authority most of its costs related to services provided to indigent patients and its education mission which resulted in total Medicaid and indigent reimbursement to the Authority of approximately $534,130,000 in 2019. The Authority's Medicaid cost reports have been audited by the Medicaid program representative through June 30, 2015.

M. Premiums Earned

VA Premier has contracts with the Virginia Department of Medical Assistance Services (DMAS) wherein VA Premier provides health care services to the Low Income Families with Children (LIFC), the Family Access to Medical Insurance Security (FAMIS), Aged, Blind and Disabled (ABD) and Acute Care Program (HAP) residents of Virginia on a prepaid basis through a health maintenance organization (HMO). VA Premier recognizes premiums received from DMAS for members in the period to which health care coverage relates.

In August 2017, Virginia Premier entered into a new DMAS program called Medicaid Long Term Services and Supports (MLTSS), which provide services to coordinate delivery of primary, preventative, acute, behavioral and long term services and support dual-eligible participants. In January 2017, Virginia Premier started a Medicare Special Needs plan and in January 2018 Virginia Premier started a Medicare Advantage plan in a limited market within the Commonwealth of Virginia. In January 2019, Virginia Premier entered into the Individual Exchange market.

N. Uncollectible Patient Accounts

A provision for uncollectible accounts is recorded during the period in which collection is considered doubtful.

O. Estimated Medical Claims Payable

Estimated medical claims payable is comprised of billed and unbilled medical obligations for VA Premier Members that are unpaid at year-end. The estimate of costs incurred for unbilled services is based principally upon historical payment patterns and cost-per-member trends while taking into consideration variability in these patterns using actuarial techniques. Although considerable variability is inherent in such estimates, management believes that adequate provision has been made.

P. Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

- Net investment in capital assets represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component.
- Nonexpendable restricted consists of gifts that have been received for endowment purposes, the corpus of which cannot be expended.
- Expendable restricted represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted through external constraints imposed by grantors, contributors or creditors through bond covenants.
- Unrestricted is the net amount of assets, deferred outflows of resources, related liabilities and deferred inflows of resources that do not have external restrictions on the use of the funds.

Unexpended appropriations for capital projects are included in expendable restricted net position as they are not available for general operating purposes.

When an expense is incurred and both restricted and unrestricted resources are available that are properly chargeable to the restricted resources, the University's policy is to apply the expense towards restricted resources before unrestricted resources.

The Authority's investment balances include resources restricted for debt service under bond indenture agreements, by insurance regulations of the Commonwealth of Virginia and unrestricted resources appropriated or designated by the Board of Directors for quasi-endowment, capital acquisition, medical malpractice program and workers' compensation programs are reported as assets whose use is limited and are carried at fair value.

The Authority's restricted net position consists principally of beneficial interests in perpetual trust funds established by split interest agreements. Split interest agreements are trust agreements established by donors under which the Authority receives benefits that are shared with other beneficiaries. The trust agreements established by donors provide for a third party to hold the trust assets. These trusts do not permit donors to revoke their charitable contributions. Trust assets of $18,641,984 are restricted by donors for VCUMC in perpetuity and are included in assets whose use is limited at June 30, 2019 at fair value.

Q. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total University basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

R. Revenue and Expense Classifications

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

Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34, such as state appropriations and investment and interest income.

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

S. Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, reserve funds, or purchase or construct capital and other noncurrent assets are classified as noncurrent assets in the Statement of Net Position.

T. Cash and Cash Equivalents

Cash represents cash with the Treasurer of Virginia, on deposit, in receivable and undeposited receipts. This classification includes all highly liquid investments with an original maturity of 90 days or less.

U. Discounts, Premiums and Bond Issuance Costs

Notes and bonds payable on the Statement of Net Position are reported net of related discounts and premiums which are amortized over the life of the note or bond. Bond issue costs are expensed as incurred.

V. Deferred Outflows and Deferred Inflows

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

The composition of deferred outflows and inflows of resources at June 30, 2019 is summarized as follows:

	Other Post Employment Benefits	Pension Related	Gain / Loss on Debt Refunding	Total
At June 30, 2019				
Deferred outflows of resources	$18,820,137	$41,242,474	$7,045,508	$67,108,119
Deferred inflows of resources	$46,697,109	$25,619,000	$1,451,661	$73,767,770

The composition of deferred outflows and inflows of resources at June 30, 2019 for the Authority is summarized as follows:

	Pension and Other Post Employment Benefits Related	Gain / Loss on Debt Refunding	Interest Rate Swap Agreements	Total
At June 30, 2019				
Deferred outflows of resources	$3,916,030	$34,231,972	3,147,285	$41,295,287
Deferred inflows of resources	$13,517,494	-	-	$13,517,494

W. Pensions

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

X. VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the VRS Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Y. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the VRS Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Z. State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

AA. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life

Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

AB. State Health Plans Program for Pre-Medicare Retirees

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

AC. Recently Adopted Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations, which addresses the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associate with the retirement of capital assets. If the entity has legal obligations to perform asset retirement activates related to its capital assets they should recognize a liability based upon the guidance of this statements. The University and Authority adopted this statement in fiscal year 2019 and determined the adoption did not have a material impact on its financial statements.

In March 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The statement requires that additional essential information relating to debt be disclosed in notes to the financial statements including unused lines of credit, assets pledged as collateral and terms specified in debt agreements relating to significant events of default with finance-related consequences, significant termination events with finance related consequences and significant subjective acceleration clauses. The University and Authority adopted this statement in fiscal year 2019 and included the appropriate disclosures with the financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The University's deposits and investments may be subject to the following risks:

- Custodial Credit Risk – This is the risk that in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had a minimal indirect exposure to custodial risk through its investments in the Long-Term Tier with VCU Investment Management Company, ("VCIMCO") as of June 30, 2019.
- Interest Rate Risk – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. The University holds investments where fair value may be adversely affected by changes in interest rates. The University invests in accordance with its Investment Policy, which establishes appropriate levels of interest rate exposure for each fixed-income fund through the use of a duration methodology. In accordance with the Investment Policy, the short-term tier consists of the University's operating funds and operating revenues, and is invested in accordance with the Virginia Investment of Public Funds Act, Chapter 45 (§ 2.2-4500 et seq.) of Title 2.2 of the Code of Virginia, as amended. Within the short-term tier, there are target durations for two funds, as outlined in the chart below.

	Target Duration
Primary liquidity pool	< 9 months
Extended duration fund	
Short duration portfolio	Per applicable benchmark
Intermediate duration portfolio	Per applicable benchmark
Long duration portfolio	Per applicable benchmark

The Primary Liquidity Fund and Extended Duration Fund investment managers' maximum duration is limited to +10% of the target duration or the applicable benchmark duration. Applicable benchmarks for the Extended Duration Fund include such benchmarks as the BofA ML 1-3 year US Treasury Index, BofA ML 1-3 year Govt/Corp Index, Barclays 1-3 Year Government Bond Index, Barclays US Treasury Intermediate Index, Barclays US Intermediate Government Index, Barclays US Intermediate Gov/Credit Bond Index, Barclays US Aggregate Treasury Index, Barclays U.S. Aggregate Government Index, Barclays US Aggregate Bond Index, or other benchmark(s) that more appropriately reflects the investment manager(s) style within this portfolio.

The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At June 30, 2019 the Authority had $207,702,457 in fixed income investments, whose value could fluctuate over time due to interest rate fluctuations.

- Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University holds investments which carry varying levels of credit risk. The University invests in accordance with its Investment Policy, which establishes appropriate levels of credit risk though the use of minimum credit rating restrictions for individual securities in each fixed income fund in accordance with the Virginia Investment of Public Funds Act. The Authority's investment portfolio is monitored and evaluated on a quarterly basis by the Authority's investment advisor and Finance Committee of the Board of Directors to ensure credit risk is kept at an appropriate level.
- Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of investments in a single issuer of fixed income securities. As of June 30, 2019, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. Government and mutual fund or pool investments) representing 5 percent or more of its total investments. Each individual portfolio within the Primary Liquidity Fund and the Extended Duration Fund will be diversified with no more than 3 percent of the value of the respective portfolios invested in the securities or individual trusts of any single issuer under normal market circumstances. This limitation shall not apply to the U.S. Government, an agency thereof, or U.S. Government sponsored enterprises, securities fully insured and/or fully guaranteed by the U.S. Government, or money market funds.
- Foreign Currency Risk – This is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University may, at times, be exposed to limited amounts of currency risk through its investments in VCU Investment Management Company, ("VCIMCO"). As of June 30, 2019, the total foreign currency exposure accounted for 2.26% of the University's investments managed by VCIMCO.

Cash and Cash Equivalents

All cash of the University, except as described below, is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by federal depository insurance. As of June 30, 2019 the carrying value of deposits totaled $67,658,533 and the account balances reported by the depositories or custodial financial institutions totaled $82,581,584. Of this total $250,000 is covered by federal depository insurance, $70,212,628 is collateralized in accordance with the Virginia Security for Public Deposits Act, $664,515 is held by investment managers and $11,454,441 is held in Qatar.

Investments

Professional investment managers manage the University's investments. The University's investments are governed by an Investment Policy, adopted by its Board of Visitors. The primary investment objective is to provide a framework for prudent investment management, while allowing for sufficient flexibility to capture investment opportunities as they may incur. The investment policy is established by the Board of Visitors and is monitored by its Finance, Budget and Investment Committee. Short-Term Tier investment managers may invest in the following types of investments: direct obligations of the United States, obligations unconditionally guaranteed by the United States, non-negotiable CD's and time deposits, negotiable CD's and bank deposit notes, repurchase agreements, banker's acceptances, commercial paper, money market funds, corporate debt, municipal securities, asset-backed securities with AAA ratings by at least two nationally recognized rating agencies (one of which must be either Standard & Poor's or Moody's Investors Service), and international bank for reconstruction and development, Asian development bank, and African development bank obligations. In accordance with the Investment Policy, the Long-Term Tier consists of gifts, local funds, and non-general fund reserves and balances that are endowments or have been designated by the Board to be treated as endowment ("quasi-endowments") and is invested in accordance with the Virginia Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), Chapter 11 (§ 64.2-1100 et seq.) of Title 64.2 of the Code of Virginia, as amended; and § 23-50.10:01 of the Code of Virginia, as amended, concerning the University's investment of endowment funds, endowment income, and gifts. The University engaged VCIMCO as its investment advisor for the Long-Term Tier in the year ending June 30, 2016. Long-Term Tier assets are invested in the Ram Fund, LP and the Ram Private Assets Fund, LP and are managed by VCIMCO. Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, in the process by which investment decisions are developed, analyzed, adopted and executed VCIMCO must satisfy relevant standards of care. However, based upon the University's risk tolerance together with capital market risk and return estimates, the Board sets a strategic asset allocation designed to achieve the objectives stated in the Investment Policy Statement. The strategic asset allocation is prudently diversified across asset classes. VCIMCO invests the Long-Term tier in keeping with the parameters of the Strategic Asset Allocation below.

Asset Class	Long-Term Policy	Range
Equity	65%	40-70
Real Assets	10%	0-20
Fixed Income and Cash	25%	5-45
Total	100%	

The Authority's investments are governed by an Investment Policy Statement, adopted by its Board of Directors. In accordance with this policy, VCUMC's investment portfolio assets may be invested in numerous asset classes, with risk parameters established on the underlying exposure to equity, real assets, credit, government bonds and cash.

For management purposes, endowment funds and funds internally designated to function as an endowment, except the Glasgow Trust, are held in the investment pools of the VCU Foundation, VCU School of Business Foundation, VCU College of Engineering Foundation and MCV Foundation. These funds remain the property of the University. The investment pools consist of cash equivalents, bonds, preferred and common stocks, fixed asset instruments, hedge funds and real estate. The University's equity in the investment pools is based on units or shares in the investment pools. The University's share of the investments is shown as a Due from Component Unit on the Statement of Net Position.

The University received $31.230 million from the Margaret Branch Glasgow Trust on January 4, 2012 and $4.057 million from the Arthur Glasgow Trust on February 6, 2012. Additional contributions of $1.339 million and $8.036 million were received during fiscal years 2015 and 2013, respectively. This endowment is managed by VCIMCO. Net appreciation of the Margaret Glasgow Trust is recorded in the restricted-expendable net position to reflect the fact that the net appreciation must be spent in accordance with the stipulations set forth in the underlying endowment agreement. The Arthur Glasgow Trust placed no restrictions on spending so the net appreciation is recorded as unrestricted net position. As of June 30, 2019, net appreciation for the Glasgow Trust was $941,269.

The Glasgow Trust is governed by the University's Investment Policy and as part of the Long-Term Tier is governed by a spending policy, which is meant to maintain the purchasing power of the Long-Term Tier, with the goal of providing a predictable and sustainable level of income. Under this policy, spending for a given year equals the trailing three-year average market value of the Long-Term Tier multiplied by the long-term spending rate of 4.5%.

If investment funds fall "underwater," the payout and distribution shall be in compliance with Virginia Uniform Prudent Management of Institutional Funds Act, determining what portion of investment funds is appropriate for expenditure or accumulation as the University and VCIMCO determine is prudent for the uses, benefits, purposes, and duration for which the investment funds were established.

As of June 30, 2019, the University held the following investments:

	Rating Agency	Credit Rating	6/30/2019	Investment Maturities (in years) <1	1 to 5	6 to 10	>10
Investments measured at fair value							
U.S. Treasury and agency securities	Moody's	N/A	$45,558,372	$21,832,517	$23,725,857	-	-
Commercial Paper	Moody's	P-1	$1,149,507	$1,149,507	$0	-	-
Corporate notes							
	Moody's	Aa1	3,428,299	2,246,895	1,181,404	-	-
	Moody's	Aa2	5,529,971	369,634	5,160,337	-	-
	Moody's	Aa3	5,434,779	2,500,300	2,934,479	-	-
	Moody's	A1	2,206,836	-	2,206,836	-	-
	Moody's	A2	9,898,232	5,348,418	4,549,814	-	-
	Moody's	A3	5,135,595	499,060	4,636,535	-	-
Corporate bonds							
	Moody's	Aa2	10,666,977	1,977,285	8,689,692	-	-
	Moody's	Aa3	6,129,444	1,043,067	5,086,377	-	-
	Moody's	A1	17,125,129	6,706,361	10,418,768	-	-
	Moody's	A2	9,395,239	1,850,671	7,544,568	-	-
	Moody's	A3	14,264,937	2,060,466	12,204,471	-	-
Asset backed securities							
	Moody's	Aaa	56,658,971	-	41,724,635	7,732,080	7,202,256
	S&P	AAA	45,457,033	-	38,431,639	7,025,394	-
Municipal securities							
	Moody's	Aaa	100,000	100,000	-	-	-
	S&P	AAA	676,863	-	-	676,863	-
Agency unsecured bonds and notes							
	Moody's	Aaa	5,078,497	4,348,972	729,525	-	-
Agency mortgage backed securities							
	Moody's	Aaa	20,354,948	-	11,554,819	4,799,556	4,000,573
Mutual and money market funds							
	Moody's	Aaa	1,667,803	1,667,803	-	-	-
	Moody's	P-1	450,182	450,182	-	-	-
Other investments measured at net asset value (NAV):							
Alternative assets		N/A	1,149,731	-	-	-	-
Ram Private Assets Fund, LP		N/A	5,906,403	-	-	-	-
Ram Fund, LP		N/A	136,362,151	-	-	-	-
Total			$409,785,899	$54,151,138	$180,779,756	$20,233,893	$11,202,829

N/A-Investment maturity not applicable to type of investments noted.

As of June 30, 2019, the Authority held the following investments, which includes assets whose use is limited:

Investment Type:	Fair Value	Investments Maturities (in years) <1	1-5	6-10	>10
Cash and cash equivalents	$9,428,319	$9,428,319	-	-	-
Certificate's of deposit	$3,094,098	$3,094,098			
U.S. Treasury notes	26,635,627	17,422,837	5,535,226	500,875	3,176,689
Asset backed securities	27,807,552	1,052,111	23,679,873	1,604,597	1,470,971
Agency backed mortgages	15,369,383	407,013	4,646,167	255,009	10,061,194
Money market funds	51,693,797	51,693,797	-	-	-
Commercial paper	5,781,058	5,781,058	-	-	-
Corporate bonds, notes and municipal securities	137,889,895	43,575,210	83,820,329	7,428,621	3,065,735
Beneficial interest in perpetual trust	18,641,984	N/A	N/A	N/A	N/A
Equity interest in foundation	4,300,336	N/A	N/A	N/A	N/A
Index funds	212,478,169	N/A	N/A	N/A	N/A
Marketable equity securities	35,057,428	N/A	N/A	N/A	N/A
Real estate	890,024	N/A	N/A	N/A	N/A
Investment companies	1,188,210,899	N/A	N/A	N/A	N/A
Total	$1,737,278,569	$132,454,443	$117,681,595	$9,789,102	$17,774,589

N/A-Investment maturity not applicable to type of investments noted.

As of June 30, 2019 the credit quality ratings for the Authority's fixed income investments were 48.0% AAA (asset back securities, money market funds, corporate bonds and mortgage backed securities), 10% AA (corporate bonds), 32% A (asset back securities, corporate and municipal bonds) and 10% below A (corporate bonds).

As of June 30, 2019, the foundations held the following investments:

Investment Type:	VCU Foundation	VCU School of Business Foundation	VCU College of Engineering Foundation	Medical College of Virginia Foundation	Dentistry@ VCU
US Treasury and agency securities	-	-	-	$67,465,000	$1,882,270
Common & preferred stocks	-	23,695,867	-	68,704,000	3,632,625
Corporate bonds	-	-	-	19,370,000	456,147
Mutual and money market funds		10,114,999		-	1,160,169
Mortgage and Asset backed securities	-	-	-	16,656,000	-
Alternative investments					
International fund	-	-	-	67,549,000	-
Real estate funds	1,521,435	648,750	-	8,878,000	232,550
Private equity	-	-	-	89,029,000	-
Hedge funds					
International fund	-	-	-	-	-
Opportunistic/macro	-	853,408	-	-	-
Long only equities	-	-	-	90,163,000	-
Long/short equities	-	2,224,251	3,719,376	69,872,000	-
Event driven/merger arbitrage	-	597,639	-	-	-
Multi-strategy	-	-	-	77,794,000	-
Distressed credit	-	279,234	-	-	-
Relative value	128,587	3,569,862	-	-	-
Diversified strategies	941	1,430,896	-	-	-
Other assets					
Ram Fund Private Assets Fund, LP	4,896,052	-	1,176,603	-	-
Ram Fund, LP	76,112,099	-	68,715,578	-	-
Life income investment	881,397	-	-	2,403,000	-
Certificate's of deposit	-	-	-	-	249,571
Total	$83,540,511	$43,414,906	$73,611,557	$577,883,000	$7,613,332

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles.

Level 1: Inputs are quoted prices in active markets for identical assets.

Level 2: Inputs are significant other observable inputs. These can include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full contractual term of the assets or liabilities.

Level 3: Inputs are significant unobservable inputs. These can require management's judgement or estimation of assumptions that market participants would use in pricing the assets or liabilities. Therefore, the values are determined using factors that involve considerable judgement and interpretations, including but not limited to private and public comparable, discounted cash flow models and fund manager estimates.

The University establishes the fair value of its investments in funds that do not have a readily determinable fair value by using net asset value (NAV) per share, or its equivalent, as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with FASB's measurement principles for investment companies. The classifications of fair value measurements within the valuation hierarchy as of June 30, 2019 are as follows:

University

Investment Type:	Total	Level 1	Level 2	Level 3	measured at the NAV
U.S. Treasury and agency securities	$45,558,372	$45,558,372	-	-	-
Commercial Paper	$1,149,507	-	$1,149,507	-	-
Corporate notes	31,633,712	-	31,633,712	-	-
Corporate bonds	57,581,726	-	57,581,726	-	-
Asset backed securities	102,116,004	-	102,116,004	-	-
Municipal securities	776,863	-	776,863	-	-
Agency unsecured bonds and notes	5,078,497	-	5,078,497	-	-
Agency backed mortgages	20,354,948	-	20,354,948	-	-
Mutual and money market funds	2,117,985	1,667,803	450,182	-	-
Other assets					
Alternative investments	1,149,731	-	25,886	-	1,123,845
Ram Private Assets Fund, LP	5,906,403	-	-	-	5,906,403
Ram Fund, LP	136,362,151	-	-	-	136,362,151
Total	$409,785,899	$47,226,175	$219,167,325	$0	$143,392,399

Authority

Investment Type:	Total	Level 1	Level 2	Level 3	Investments Measured at the NAV
Investments by fair value level					
Cash and cash equivalents	$9,428,319	$9,428,319	-	-	-
Beneficial trust	18,641,984	-	-	18,641,984	-
Equity interest	4,300,336	-	-	4,300,336	-
Debt securities					
US treasury notes	26,635,627	26,635,627	-	-	-
Asset backed securities	27,807,552	-	27,807,552	-	-
Agency backed mortgages	15,369,383	-	15,369,383	-	-
Certificates of deposit	$3,094,098	3,094,098	-	-	-
Corporate bonds and notes	143,486,079	-	143,486,079	-	-
Municipal securities	184,874	-	184,874	-	-
Equity securities					
Consumer discretionary	10,269,131	10,269,131	-	-	-
Consumer staples	350,416	350,416	-	-	-
Financials	9,917,310	9,917,310	-	-	-
Health care	1,615,940	1,615,940	-	-	-
Industrials	2,555,137	2,555,137	-	-	-
Information technology	8,235,878	8,235,878	-	-	-
Energy	533,513	533,513	-	-	-
Material	1,465,843	1,465,843	-	-	-
Telecommunication	114,260	114,260	-	-	-
Utilities	-	-	-	-	-
Real estate investment trust	890,024	890,024	-	-	-
Equity mutual funds	120,187,501	120,187,501	-	-	-
Fixed income bond fund	92,290,668	92,290,668	-	-	-
Money market funds	51,693,797	51,693,797	-	-	-
Investments measured at NAV					
Equity long only hedge funds	156,244,613	-	-	-	156,244,613
Equity long/short hedge funds	56,969,196	-	-	-	56,969,196
Event-driven hedge funds	24,504,506	-	-	-	24,504,506
Relative value/credit	3,725,404	-	-	-	3,725,404
Opportunistic/macro	1,027,680	-	-	-	1,027,680
Absolute strategies funds	171,778,849	-	-	-	171,778,849
Private investments	62,057,340	-	-	-	62,057,340
Multi-strategy investment fund	643,102,195	-	-	-	643,102,195
Bond funds	68,801,116	-	-	-	68,801,116
Total	$1,737,278,569	$339,277,462	$186,847,888	$22,942,320	$1,188,210,899

VCU School of Business Foundation

Investment Type:	June 30, 2019	Level 1	Level 2	Level 3	Measured at NAV
Common & preferred stocks	$23,695,867	$23,695,867	-	-	-
Mutual and money market funds	10,114,999	10,114,999	-	-	-
Alternative investments					
Real estate funds	648,750	-	-	648,750	-
Hedge funds					
Opportunistic/macro	853,408	-	-	-	853,408
Long/short equities	2,224,251	-	-	-	2,224,251
Event driven/merger arbitrage	597,639	-	-	-	597,639
Distressed credit	279,234	-	-	-	279,234
Relative value	3,569,862	-	-	-	3,569,862
Diversified strategies	1,430,896	-	-	-	1,430,896
Total	$43,414,906	$33,810,866	$0	$648,750	$8,955,290

VCU Foundation

Investment Type:	June 30, 2019	Level 1	Level 2	Level 3	Measured at NAV
Alternative investments					
Real estate funds	$1,521,435	-	-	$1,521,435	-
Hedge funds					
Event driven/merger arbitrage	-	-	-	-	-
Relative value	128,587	-	-	-	128,587
Diversified strategies	941	-	-	-	941
Other assets					
Ram Fund Private Assets Fund, LP	4,896,052	-	-	-	4,896,052
Ram Fund, LP	76,112,099	-	-	-	76,112,099
Life income investment	881,397	-	-	881,397	-
Total	$83,540,511	$0	$0	$2,402,832	$81,137,679

VCU College of Engineering Foundation

Investment Type:	June 30, 2019	Level 1	Level 2	Level 3	Measured at NAV
Hedge funds					
Long/short equities	$3,719,376	-	-	-	$3,719,376
Other assets					
Ram Fund Private Assets Fund, LP	1,176,603	-	-	-	1,176,603
Ram Fund, LP	68,715,578	-	-	-	68,715,578
Total	$73,611,557	$0	$0	$0	$73,611,557

MCV Foundation

Investment Type:	June 30, 2019	Level 1	Level 2	Level 3	Measured at NAV
US Treasury and agency securities	$67,465,000	$0	$67,465,000	-	-
Common & preferred stocks	68,704,000	38,487,000	30,217,000	-	-
Corporate bonds	19,370,000	918,000	18,452,000	-	-
Asset backed securities	16,656,000	-	16,656,000	-	-
Alternative investments					
International fund	67,549,000	-	-	-	67,549,000
Real estate funds	8,878,000	-	-	-	8,878,000
Private equity	89,029,000	-	-	-	89,029,000
Hedge funds					
Long only equities	90,163,000	-	-	-	90,163,000
Long/short equities	69,872,000	-	-	-	69,872,000
Multi-strategy	77,794,000	-	-	-	77,794,000
Life income investment	2,403,000	-	-	-	2,403,000
Total	$577,883,000	$39,405,000	$132,790,000	$0	$405,688,000

Dentistry@VCU

Investment Type:	June 30, 2019	Level 1	Level 2	Level 3	Measured at NAV
US Treasury and agency securities	$1,882,270	$1,882,270	-	-	-
Common & preferred stocks	3,632,625	3,632,625	-	-	-
Corporate bonds	456,147	456,147	-	-	-
Mutual and money market funds	1,160,169	1,160,169	-	-	-
Alternative investments					
Real estate funds	232,550	-	232,550	-	-
Certificate's of deposit	249,571	249,571	-	-	-
Total	$7,613,332	$7,380,782	$232,550	$0	$0

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following tables provide information about the liquidity of these investments as of June 30, 2019:

University

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Event-driven hedge funds	891	-	N/A	N/A
Relative value/credit	188,238	-	Quarterly	65 days
Private investments/real estate	934,716	-	Illiquid	N/A
Ram Private Assets Fund, LP	5,906,403	7,018,561	N/A	N/A
Ram Fund, LP	136,362,151	-	Quarterly	120 days
Total	$143,392,399	$7,018,561		

Authority

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long only hedge funds	156,244,613	-	Annually/quarterly/monthly/daily	14-90 days
Equity long/short hedge funds	56,969,196	-	Annually/semi annually/quarterly	45-90 days
Event-driven hedge funds	24,504,506	-	Annually	60-90 days
Relative value/credit	3,725,404	-	N/A	N/A
Opportunistic/macro	1,027,680	-	N/A	N/A
Absolute strategies funds	171,778,849	-	Annually/semi annually/quarterly	60-180 days
Private investments	62,057,340	42,107,373	N/A	N/A
Multi-strategy investment fund	643,102,195	-	Quarterly	120 days
Bond funds	68,801,116	-	Quarterly/ Monthly	10-60 days
Total	$1,188,210,899	$42,107,373		

VCU School of Business Foundation

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Opportunistic/macro	$853,408	-	Annually/ quarterly	45-65 days
Long/short equities	2,224,251	-	Annually/quarterly/monthly	45-90 days
Event driven/merger arbitrage	597,639	-	Semi annually/quarterly/ N/A	45-60 days
Distressed credit	279,234	-	Quarterly	120 days
Relative value	3,569,862	-	Semi annually/ Quarterly/monthly/other	30-90 days
Diversified strategies	1,430,896	-	Quarterly/monthly	45-90 days
Total	$8,955,290	$0		

VCU Foundation

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Relative value	$128,587	-	Quarterly	65 days
Diversified strategies	941	-	Quarterly	70 days
Ram Fund Private Assets Fund, LP	4,896,052	-	N/A	N/A
Ram Fund, LP	76,112,099	-	Quarterly	120 days
Total	$81,137,679	$0		

VCU College of Engineering Foundation

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long/Short Equities	3,719,376	-	N/A	N/A
Ram Fund Private Assets Fund, LP	1,176,603	-	N/A	N/A
Ram Fund, LP	68,715,578	-	Quarterly	120 days
Total	$73,611,557	-		

MCV Foundation

Investment Type:	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International fund	67,549,000	-	Semi annually/ Quarterly/monthly/other	30-90 days
Real estate funds	8,878,000	-	Upon sale of Investment property	N/A
Private equity	89,029,000	-	Upon sale of Investment property	N/A
Long only equities	90,163,000	-	Annually/quarterly/monthly	30-60 days
Long/short equities	69,872,000	-	Annually/Semi annually/ Quarterly/other	45-90 days
Multi-strategy	77,794,000	-	Annually/Semi annually/ Quarterly/other	60-180 days*
Life income investment	2,403,000	-	Annually/quarterly/other	N/A
	405,688,000	-		

*Also includes certain assets that are only liquid upon sale of investment

3. JOINT VENTURES AND EQUITY INVESTMENTS

Investment in 7th and Marshall Corporation

Included in other long-term assets on the accompanying Statement of Net Position is a capital contribution to 7th and Marshall Corporation of $500,000. UHS and The Doorways (formerly known as Hospital Hospitality House, Inc.) are the sole members of the 7th and Marshall Corporation, a not-for-profit corporation formed to support the charitable, educational and scientific activities of UHS and The Doorways. The investment is carried at $220,875.

Investment in Spotsylvania Radiation Therapy Center, LLC

In prior years, included in other long-term assets on the accompanying Statement of Net Position was a capital contribution to Spotsylvania Radiation Therapy Center, LLC in the amount of $4,113,316. VCUHS and Spotsylvania Medical Center, Inc. formed this joint venture for the purpose of developing, owning and managing a radiation therapy center to provide access to high quality radiation therapy services to patients in the Spotsylvania region. This agreement was terminated and the balance as of June 30, 2018 was returned to VCU Health Systems.

Rehab Institute JV, LLC

Sheltering Arms Rehab Institute is a joint venture between Sheltering Arms Hospital and VCU Health System for the purpose of combining inpatient rehabilitation programs of Sheltering Arms and VCU Heath System, to provide comprehensive and innovative physical rehabilitative inpatient care for people who have sustained a stroke, brain injury, spinal cord injury or similar illnesses and injuries. As of June 30 2019, no investments have been made.

4. CAPITAL ASSET

Capital asset activity for the year ended June 30, 2019 was as follows:

University:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$61,242,026	$0	-	$61,242,026
Construction in progress	89,933,273	60,170,737	105,814,166	44,289,844
Total nondepreciable capital assets	151,175,299	60,170,737	105,814,166	105,531,870
Depreciable capital assets:				
Land improvements and infrastructure	20,361,711	2,813,703	-	23,175,414
Buildings	1,416,520,859	103,525,563	1,140,922	1,518,905,500
Equipment	224,113,922	19,355,359	9,671,274	233,798,007
Intangible assets	15,113,651	347,506	898,958	14,562,199
Library books	93,410,417	1,988,554	736,888	94,662,083
Total depreciable capital assets	1,769,520,560	128,030,685	12,448,042	1,885,103,203
Less accumulated depreciation for:				
Land improvements and infrastructure	18,942,447	489,536	-	19,431,983
Buildings	509,030,563	40,547,880	702,651	548,875,792
Equipment	155,140,147	16,628,952	9,213,336	162,555,763
Intangible assets	10,345,997	1,552,136	897,154	11,000,979
Library books	78,591,718	7,134,450	384,350	85,341,818
Total accumulated depreciation	772,050,872	66,352,954	11,197,491	827,206,335
Total depreciable capital assets, net	997,469,688	61,677,731	1,250,551	1,057,896,868
Total capital assets - net	$1,148,644,987	$121,848,468	$107,064,717	$1,163,428,738

Interest capitalized as part of construction in progress was $574,703.
Included in Buildings is an asset acquired through a capital lease whose net book value is $2.5M and accumulated depreciation of $3.4M.

Authority:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$16,809,840	$5,928,600	-	$22,738,440
Construction in progress	59,976,837	139,907,367	85,724,847	114,159,357
Total nondepreciable capital assets	76,786,677	145,835,967	85,724,847	136,897,797
Depreciable capital assets:				
Land improvements	3,854,911	1,350,140	-	5,205,051
Buildings	1,167,259,111	47,777,798	4,548,104	1,210,488,805
Equipment	552,903,446	35,128,681	6,325,975	581,706,152
Intangible assets	127,670,914	7,989,633	11,072	135,649,475
Total depreciable capital assets	1,851,688,382	92,246,252	10,885,151	1,933,049,483
Less accumulated depreciation	991,309,023	105,960,949	9,748,174	1,087,521,798
Total depreciable capital assets, net	860,379,359	(13,714,697)	1,136,977	845,527,685
Total capital assets - net	$937,166,036	$132,121,270	$86,861,824	$982,425,482

MCV Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Land	$365,000	-	148,000	$217,000
Construction in progress	-	-	-	-
Total nondepreciable capital assets	365,000	-	148,000	217,000
Depreciable capital assets:				
Property and equipment	3,109,000	90,000	5,000	3,194,000
Less accumulated depreciation	1,084,000	226,000	-	1,310,000
Total depreciable capital assets, net	2,025,000	(136,000)	5,000	1,884,000
Total capital assets - net	$2,390,000	-$136,000	$153,000	$2,101,000

VCU Real Estate Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$25,921,045	$0	-	$25,921,045
Construction in progress	157,221	389,291	-	546,512
Total nondepreciable capital assets	26,078,266	389,291	-	26,467,557
Depreciable capital assets:				
Buildings	74,237,912	-	-	74,237,912
Equipment	3,211,450	-	-	3,211,450
Total depreciable capital assets	77,449,362	-	-	77,449,362
Less accumulated depreciation	22,831,727	2,774,615	-	25,606,342
Total depreciable capital assets, net	54,617,635	(2,774,615)	-	51,843,020
Total before eliminations	80,695,901	(2,385,324)	-	78,310,577
Less included on University	7,700,749	-	274,524	7,426,225
Total capital assets - net	$72,995,152	-$2,385,324	-$274,524	$70,884,352

VCU School of Business Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Total nondepreciable capital assets	-	-	-	-
Total depreciable capital assets, net	26,184,616	-	1,339,937	24,844,679
Total capital assets - net	$26,184,616	$0	$1,339,937	$24,844,679

VCU School of Engineering Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Total nondepreciable capital assets	$3,857,317	450,000	-	$4,307,317
Total depreciable capital assets, net	37,311,166	-	2,419,187	34,891,979
Total before eliminations	41,168,483	450,000	2,419,187	39,199,296
Less included on University	9,741,725	-	861,252	8,880,473
Total capital assets - net	$31,426,758	$450,000	$1,557,935	$30,318,823

GASB 42, *Accounting and Reporting for the Impairment of Capital Assets and for Insurance Recoveries,* effective for periods beginning after December 15, 2004, requires disclosure of insurance recoveries for circumstances other than impairment of capital assets. Fiscal year 2019 insurance recoveries of $978,412 are reported as other non-operating income.

5. FUNDS HELD FOR OTHERS

At June 30, 2019, the University held deposits for others, which are composed of the following:

	Funds Held for Others
Federal loan programs	$21,692,788
Student organizations and others	1,618,155
Total	$23,310,943

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2019:

	University	Authority	MCV Foundation	VCU Foundation	VCU Real Estate Foundation	VCU School of Business	Dentistry@VCU
Vendor payable	$30,635,077	$153,883,601	257,000	$440,632	112,054	18,266	450,410
Retainage payable	3,483,218	-	-	-	3,919	-	-
Accrued wages	58,863,447	86,971,279	96,000	-	-	-	536,511
Interest payable	3,253,028	10,460,046	81,000	-	-	146,604	-
Estimated medical claims payable	-	174,863,244	-	-	-	-	-
Settlements due to third parties	-	26,367,209	-	-	-	-	-
	$96,234,770	$452,545,379	$434,000	$440,632	$115,973	$164,870	$986,921
						Total	$550,922,545

7. UNEARNED REVENUE

Unearned revenue consisted of the following as of June 30, 2019:

Prepaid tuition and fees	$13,941,371
Grants and contracts	21,433,868
Other cash advances	10,487,655
	$45,862,894

8. LONG TERM LIABILITIES

Long term liabilities consist of bonds, notes payable, capital leases, installment purchases, delayed compensation, compensated absences and estimated losses on malpractice claims.

Bonds Payable

The Commonwealth of Virginia issues bonds for agencies and institutions of the Commonwealth. The University has received a portion of the proceeds to fund capital construction. The University recognizes a liability associated with its share of the bonds and remits principal and interest payments related to this liability to the Treasurer of Virginia. The General Revenue Pledge Bonds, Section 9(d) Bonds, issued either by the Commonwealth or the University carry interest rates of 2% to 5% and are due through 2048. Included in the total General Revenue Pledge Bonds are outstanding bonds payable in the amount of $38,959,903, which will be repaid by the VCU Real Estate Foundation.

New General Revenue Pledge Bonds totaling $103,990,000 were issued in November. These bonds were issued to finance new construction, building expansion and to refinance variable rate debt. The bonds carry an interest rate of 4.59% and are due May 1, 2048.

Callable Bonds

Series 2015B bonds are callable by the bondholder, TD Bank, with a put date of November 1, 2030. The amount outstanding at the put date will be $2,470,907. The University can request an extension no sooner than 180 days but no later than 60 days prior to the put date, and the bank, at its discretion, can choose to extend or not, with new proposed terms. If the bank exercises the put provision, the University will be required to make a principal payment in the amount referenced above. However, on or prior to the put date, it is the University's intention to either negotiate with the bank to extend the put date on the existing bonds, or to refinance the bonds in their entirety. Letters of credit and liquidly facilities supporting this issuance are not needed because there is a single put date in the future and it is not continuously callable by the bank/bondholder. There are no take out agreements, but per the terms noted above, the University intends to either request an extension or refinance these bonds on or prior to the put date. Thus, there are no fees paid for these types of facilities. Since the put date is greater than 1 year from the fiscal year end, these bonds are included in long-term liabilities.

General Obligation Bonds

Section 9(c) bonds are general obligation bonds issued by the Commonwealth on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth. The General Obligation Bonds carry interest rates of 2% to 5% and are due through 2037.

Virginia College Building Authority

The Virginia College Building Authority (VCBA) issues Educational Facilities Revenue Bonds (Public Higher Education Financing Program). As a participating institution in this program, the University issued a note payable to the VCBA. This note, along with the notes of other institutions, is held by the VCBA as security for the Educational Facilities Revenue Bonds. For accounting purposes, the financing arrangement is considered to represent a note payable. The notes have interest rates of 2% to 5%.

Ad Center Development LLC

The University leases space for the VCU Brand Center which is owned by the VCU Real Estate Foundation and leased through Ad Center LLC. For accounting purposes, this arrangement is considered to be a capital lease with an imputed interest rate of 4.3%.

Defeasance of Debt

In prior fiscal years, a portion of the Commonwealth of Virginia Revenue Bonds, of which the University has a share, has been defeased. Details relating to the current and prior years' defeasances are reported in the Comprehensive Annual Financial Report of the Commonwealth. As of June 30, 2019, the University has no defeased bonds outstanding.

The changes in long-term liabilities are as shown below:

University:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General revenue pledge bonds	$158,064,236	109,098,813	($58,826,526)	$208,336,523	$8,955,983
Commonwealth of Virginia revenue bonds	57,226,329	-	(2,491,224)	54,735,105	2,392,677
Total bonds payable	215,290,565	109,098,813	(61,317,750)	263,071,628	11,348,660
Notes Payable:					
Virginia College Building Authority	222,206,846	-	(20,804,805)	201,402,041	18,255,000
Capital Leases:					
AD Center Development LLC	3,387,173	-	(295,271)	3,091,902	308,173
Installment purchases	1,712,845	-	(615,788)	1,097,057	184,699
Total long-term debt	442,597,429	109,098,813	(83,033,614)	468,662,628	30,096,532
Compensated absences	41,640,064	46,548,809	(40,023,873)	48,165,000	34,846,829
Deferred compensation	3,502,776	1,519,371	(1,228,434)	3,793,713	1,159,797
Net Pension Liability	305,258,000	-	(12,977,000)	292,281,000	-
Other Post Employment Benefits	179,231,120	-	(15,122,212)	164,108,908	2,802,690
Total	$972,229,389	$157,166,993	($152,385,133)	$977,011,249	$68,905,848

Authority:	Balance	Additions	Reductions	Balance	One Year
General revenue pledge bonds	$610,091,089	-	($6,957,771)	$603,133,318	$7,490,000
Notes payable	20,020,843	75,000,000	(3,740,373)	91,280,470	3,717,189
Capital leases	20,705	-	(20,705)	-	-
Installment purchases	1,812,833	-	(407,753)	1,405,080	414,033
Total long-term debt	631,945,470	75,000,000	(11,126,602)	695,818,868	11,621,222
Estimated losses on malpractice claims	24,646,615	5,548,869	(5,304,040)	24,891,444	3,250,000
Workers compensation	12,821,441	1,709,045	(1,472,765)	13,057,721	1,700,000
Compensated absences	37,101,078	72,200,092	(69,082,662)	40,218,508	40,218,508
Net Pension Liability	43,367,000	-	(6,871,000)	36,496,000	-
Other Post Employment Benefits	14,343,705	-	(2,501,084)	11,842,621	178,748
Total	$764,225,309	$154,458,006	($96,358,153)	$822,325,162	$56,968,478

MCV Foundation:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable	$5,980,000	$0	($730,000)	$5,250,000	$0

Long-term debt matures as follows:

	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
University:						
	2020	$11,348,660	$18,255,000	$308,173	$184,699	$30,096,532
	2021	11,625,571	19,005,000	321,640	188,420	31,140,631
	2022	10,197,994	18,945,000	335,696	192,216	29,670,906
	2023	10,551,922	19,900,000	350,364	196,089	30,998,375
	2024	10,936,350	18,085,000	365,675	200,039	29,587,064
	2025-2029	58,907,370	68,365,000	1,410,354	135,594	128,818,318
	2030-2034	51,013,396	19,640,000	-	-	70,653,396
	2035-2039	25,206,454	2,625,000	-	-	27,831,454
	2040-2044	8,735,000	-	-	-	8,735,000
	2045-2049	56,785,000	-	-	-	56,785,000
	Add Premium	7,763,911	16,582,041	-	-	24,345,952
	Total	$263,071,628	$201,402,041	$3,091,902	$1,097,057	$468,662,628

	Fiscal Year	Revenue Bonds	Revenue Bonds Direct Placement	Notes Payable	Installment Purchases	Total
Authority:						
	2020	$4,330,000	$3,160,000	$3,717,188	414,033	$11,621,221
	2021	4,520,000	3,260,000	4,027,203	420,410	12,227,613
	2022	4,720,000	3,415,000	4,211,204	426,885	12,773,089
	2023	4,860,000	3,535,000	4,320,518	143,752	12,859,270
	2024	40,110,000	3,660,000	2,514,978	-	46,284,978
	2025-2029	29,655,000	42,465,000	9,724,755	-	81,844,755
	2030-2034	37,715,000	58,240,000	8,492,102	-	104,447,102
	2035-2039	46,570,000	59,380,000	9,829,949	-	115,779,949
	2040-2044	206,850,000	-	11,083,361	-	217,933,361
	2045-2049	27,290,000	-	10,140,851	-	37,430,851
	2055-2058	-	-	12,077,174	-	12,077,174
	2050-2054	-	-	11,141,187	-	11,141,187
	Premium	19,398,318	-	-	-	19,398,318
	Total	$426,018,318	$177,115,000	$91,280,470	$1,405,080	$695,818,868

The direct placement debt includes event of default provisions that could change the timing of the repayment of the outstanding amounts to become immediately due. Generally, these provisions would take effect if VCUMC were to become insolvent, or become unable to adhere to its covenant requirements.

	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
MCV Foundation:						
	2020	-	$770,000	-	-	$770,000
	2021	-	810,000	-	-	810,000
	2022	-	850,000	-	-	850,000
	2023	-	925,000	-	-	925,000
	2024	-	935,000	-	-	935,000
	Thereafter	-	960,000	-	-	960,000
	Total	$0	$5,250,000	$0	$0	$5,250,000

A summary of future interest requirements is as follows:

	Fiscal Year	Revenue Bonds	Notes Payable	Total
University:				
	2020	$10,126,813	$7,750,869	$17,877,682
	2021	9,792,734	6,854,700	16,647,434
	2022	9,414,261	5,919,205	15,333,466
	2023	9,031,979	4,979,426	14,011,405
	2024	8,622,302	4,102,946	12,725,248
	2025-2029	36,614,867	10,996,547	47,611,414
	2030-2034	25,272,185	1,666,653	26,938,838
	2035-2039	17,431,728	160,275	17,592,003
	2040-2044	13,826,533	-	13,826,533
	2045-2049	10,257,706	-	10,257,706
	Total	$150,391,108	$42,430,621	$192,821,729

	Fiscal Year	Revenue Bonds	Revenue Bonds Direct Placement	Notes Payable	Total
Authority:					
	2020	$18,437,275	$3,808,661	$2,878,769	$25,124,705
	2021	18,240,375	3,735,512	2,736,779	24,712,666
	2022	18,034,625	3,658,928	2,621,193	24,314,746
	2023	17,791,625	3,579,654	2,486,824	23,858,103
	2024	16,860,975	3,497,584	2,375,404	22,733,963
	2025-2029	76,626,125	14,657,217	10,947,151	102,230,493
	2030-2034	68,321,338	9,045,195	9,617,643	86,984,176
	2035-2039	59,195,288	1,954,088	8,279,796	69,429,172
	2040-2044	45,567,225	-	6,708,672	52,275,897
	2045-2049	2,241,563	-	4,991,149	7,232,712
	2050-2054	-	-	3,054,826	3,054,826
	2055-2058	-	-	803,522	803,522
	Total	$341,316,414	$43,936,839	$57,501,728	$442,754,981

9. VIRGINIA COMMONWEALTH UNIVERSITY FACULTY EARLY RETIREMENT INCENTIVE PLAN

The University established the Virginia Commonwealth University Faculty Early Retirement Incentive Plan for Faculty (Plan) to provide a financial early retirement incentive for certain tenured faculty that will facilitate the release of tenured faculty resources for budget reallocation or reduction in accordance with the University Strategic Plan goals, changes in enrollment and other University needs. Tenure is a permanent appointment granted to associate professors and professors, which continues until the faculty member leaves the University, is dismissed for cause or is terminated due to a financial crisis.

The Plan provides an annuity for five years from the date of retirement equal to 20% of the average University salary of the faculty members eligible to participate in the Plan, not to exceed 30% of the participant's base annual salary from University resources at the time the agreement was signed. In addition, the University provides a health care benefit supplement until the participant becomes Medicare eligible (currently age 65) if the participant retires, or up to 18 months of COBRA benefits if the participant does not retire.

As of June 30, 2019, 55 faculty members were enrolled in the plan. Payments during fiscal year 2019 were $1,228,434. The present value of the future plan payment schedule follows:

Fiscal Year	Plan Obligations
2020	1,159,797
2021	997,874
2022	769,906
2023	546,616
2024	298,466
2025	21,053
Total	$3,793,713

10. PENSION AND RETIREMENT PLANS

University

Pension Plan Description

All full-time, salaried permanent employees of the University are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Retirement Plan Provisions by Plan Structure		
Plan 1	**Plan 2**	**Hybrid Retirement Plan**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a

compensation at retirement using a formula.	compensation at retirement using a formula.	member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: state employees and members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1	**Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1	***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: members of the Virginia Law Officers' Retirement System (VaLORS). Those employees eligible for

through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of

retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.		the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is

		not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

		<u>**VaLORS:**</u> Not applicable. <u>**Defined Contribution Component:**</u> Not applicable.
Normal Retirement Age <u>**VRS:**</u> Age 65. <u>**VaLORS:**</u> Age 60.	**Normal Retirement Age** <u>**VRS:**</u> Normal Social Security retirement age. <u>**VaLORS:**</u> Same as Plan 1.	**Normal Retirement Age** <u>**Defined Benefit Component:**</u> <u>**VRS:**</u> Same as Plan 2. <u>**VaLORS:**</u> Not applicable. <u>**Defined Contribution Component**</u>: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility <u>**VRS:**</u> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. <u>**VaLORS**</u>: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** <u>**VRS:**</u> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. <u>**VaLORS**</u>: Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** <u>**Defined Benefit Component:**</u> <u>**VRS:**</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. <u>**VaLORS:**</u> Not applicable. <u>**Defined Contribution Component:**</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility <u>**VRS**</u>: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** <u>**VRS:**</u> Age 60 with at least five years (60 months) of creditable service. <u>**VaLORS:**</u> Same as Plan 1.	**Earliest Reduced Retirement Eligibility** <u>**Defined Benefit Component:**</u> <u>**VRS:**</u> Age 60 with at least five years (60 months) of creditable service.

<u>VaLORS</u>: 50 with at least five years of creditable service.		<u>VaLORS:</u> Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component</u>**: Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

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

work-related disability benefits.	work related disability benefits.	
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for prior service. **Defined Contribution Component**: Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The University's contractually required employer contribution rate for the fiscal year ended June 30, 2019 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.88% of covered employee compensation. These rates were based on actuarially determined rate(s) from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Retirement Plan were $30,896,378 and $29,337,693 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from the state agency to the VaLORS Retirement Plan were $1,011,096 and $893,608 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of $284,679,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $7,602,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion of the VRS State Employee Retirement Plan was 5.25855% as compared to 5.10362% at June 30, 2017. At June 30, 2018, the University's proportion of the VaLORS Retirement Plan was 1.21982% as compared to 1.19516% at June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of $15,072,000 for the VRS State Employee Retirement Plan and $624,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018 a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between University contributions and the proportionate share of University contributions.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$5,000	$17,425,000
Net difference between projected and actual earnings on pension plan investments	-	7,560,000
Change in assumptions	1,906,000	266,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,424,000	368,000
Employer contributions subsequent to the measurement date	31,907,474	-
Total	$41,242,474	$25,619,000

$31,907,474 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
FY 2020	($1,295,000)
FY 2021	(2,913,000)
FY 2022	(11,270,000)
FY 2023	(806,000)
	($16,284,000)

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

	State Employee Retirement Plan	VaLORS Retirement Plan
Inflation	2.5%	2.5%
Salary increases, including Inflation	3.5% – 5.35%	3.5% – 4.75%
Investment rate of return	7% percent, net of pension plan investment expenses, including inflation*	7%, net of pension plan investment expenses, including inflation*
Mortality rates		
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 1 year.

	compounded from ages 70 to 85	
Post-Disablement	RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.	RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

	State Employee Retirement Plan	**VaLORS Retirement Plan**
Mortality Rates (pre-retirement, post retirement healthy and disabled)	Update to a more current mortality table RP-2014 projected to 2020	Update to a more current mortality table RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	Increased age 50 rates and lowered rates at older ages
Withdraw Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience	Adjusted rates to better match experience
Salary Scale	No change	No change

Line of Duty Disability	Increased rate from 14% to 25%	Decreased rate from 50% to 35%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	**VaLORS Retirement Plan**
Total pension liability	$23,945,821	$2,047,161
Plan fiduciary net position	18,532,189	1,423,980
Employers' net pension liability (asset)	$5,413,632	$623,181
Plan fiduciary net position as a percentage of the total pension liability	77.39%	69.56%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$431,019,000	$284,679,000	$161,493,000
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	$10,787,000	$7,602,000	$4,965,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018- annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2018 of $1,861,072 due to VRS.

Optional Retirement Plans

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed-contribution programs where the retirement benefits received are based upon the employer (5.4%) and employee (5%) contributions (all of which are paid by the University for faculty hired before July 1, 2010) plus interest and dividends. For faculty hired on or after July 1, 2010, the 5% employee contribution is paid by the employee and the employer contribution, paid by the University, is 8.5%. The two providers are TIAA-CREF and Fidelity. The total pension expense for fiscal year 2019 related to these optional retirement plans was $21,708,885. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2019 of $1,304,723 related to these plans.

Additionally, certain employees of Virginia Commonwealth University are participating in The Select Plan. The Select Plan is a 401(a) defined contribution plan and participation is limited to executives (Dean and above) by invitation. It is primarily designed to continue defined contributions at the regular other retirement plan percentages of salary (as applicable depending upon the faculty member's plan) for executives whose base salaries exceed the compensation maximum for the other retirement plans (currently $280,000). Total pension expense related to The Select Plan for fiscal year 2019 was $179,631. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2019 of $3,466 related to this plan.

Individual contracts issued under these optional plans provide for full and immediate vesting of both the University's and the employee's contributions. Contributions to other retirement plans were calculated using the base salary $231,483,139 in fiscal year 2019. Total pension costs under these plans were $21,888,516 in fiscal year 2019. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2019 of $1,308,189 related to these plans.

Deferred Compensation Plan (DCP)

The Deferred Compensation Plan (DCP) gives full and part-time faculty and staff who contribute at least $10 each pay period through the Tax Deferred Annuity Program (TDA) a matching contribution of 50%, up to a maximum of $20 each pay period, of the amount faculty and staff contribute through the TDA Program. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Total employer contributions under the Deferred Compensation Plan including both VRS and other retirement plan participants, were approximately $1,755,216 for the fiscal year ending 2019.

Authority

VCUMC Virginia Retirement System Plan (VRS Plan)

Prior to July 1, 1997, employees of VCUMC were employees of the Commonwealth of Virginia (the Commonwealth). These employees were eligible to participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). After July 1, 1997, employees could choose to remain in the VRS Plan or enroll in the VCUMC Authority Defined Contribution Plan (the Plan). A description of the VRS pension plan, contributions, actuarial assumptions, net pension liability, long-term expected rate of return and discount rate can be found under the University's section described previously. Contributions from VCUMC to the VRS Plan were $3,114,190 and $3,602,983 for the years ended June 30, 2019 and 2018, respectively.

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

VCUMC reported a liability of $36,496,000 for its proportionate share of the Net Pension Liability for the year ended June 30, 2019. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. VCUMC's proportion of the Net Pension Liability was based on VCUMC's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contribution for all participating employers. At June 30, 2019, VCUMC's proportion of the VRS Plan was 0.67% as compared to 0.74% at June 30, 2018.

VCUMC recognized pension income of $2,934,000 for the Plan for the year ended June 30, 2019. At June 30, 2019, VCUMC reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$2,206,000
Change in assumptions	244,000	-
Net difference between projected and actual earnings on pension plan investments	-	953,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,590,000
Employer contributions subsequent to the measurement date	3,114,190	-
Total	$3,358,190	$8,749,000

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling $3,114,190 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	($3,439,000)
2021	(2,439,000)
2022	(2,525,000)
2023	(102,000)
	($8,505,000)

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

The following presents the VCUMC's proportionate share of the Plan's net pension liability using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
The VCUMC's proportionate share of the VRS state employee retirement plan net pension liability	$55,257,000	$36,496,000	$20,703,000

VCUHS Retirement Plan (VCUHS 401(A) Plan)

The VCUMC Authority Defined Contribution Plan (the Plan) was amended and restated effective January 1, 2002 and is now referred to as the VCUHS Retirement Plan (VCUHS 401(a) Plan). All employees, excluding house staff, working at least 20 hours a week in a benefit-eligible position are eligible to participate in the VCUHS 401(a) Plan. At June 30, 2019, there were 7,624 participants in the VCUHS 401(a) Plan. Per the VCUHS 401(a) Plan document as approved by the Authority's Board of Directors, VCUMC contributes up to 10% of the participant's salary to the VCUHS 401(a) Plan not to exceed the lesser of (a) the amount in accordance with Code 415(d), or (b) one hundred percent (100%) of the Participant's Compensation for such limitation year. Contributions are a function of the employee's age plus years of service per the table below. Total contributions to the VCUHS 401(a) Plan for the year ended June 30, 2019 was approximately $27,926,000. VCUMC shall have the right at any time, and without the consent of any party, to terminate the VCUHS 401(a) Plan in its entirety. Any changes to the provisions of the VCUHS 401(a) Plan, including the contribution requirements, must be approved in writing by the Authority's Board of Directors.

Age Plus Years of Service	Employer Contribution 401(a) Plan
65+	10%
55-65	8
45-55	6
35-45	4
<35	2

VCUMC also sponsors the VCUHS Savings Plan (VCUHS 457(b) Plan), a savings plan that represents employee contributions and employees may also receive a 2% matching contribution in their VCUHS 401(a) Plan based on their 457(b) contribution.

VCUMC has also established the HCP Plan. All persons hired as a health care provider on or after July 1, 1993 and prior to July 1, 1997 and working at least 35 hours of service per week are eligible to participate in the HCP Plan. At June 30, 2019 there were 3 participants in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the VCUHS 401(a) Plan. Total contributions to the HCP Plan for the year ended June 30, 2019 was approximately $28,598.

The VCUHS 401(a) Plan and the HCP Plan use the accrual basis of accounting and the VCUHS 401(a) Plan assets, which consist of mutual funds, are carried at fair market value. The fair market values of the mutual funds are based on quoted market prices. Investments with investment managers are as follows:

	2019
Fidelity Investments	$290,358,796
TIAA/CREF	127,863,731
The Variable Annuity Life Insurance Company (VALIC)	12,129,512
	$430,352,039

MCVAP

MCVAP sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan, which covers substantially all full-time clinical provider employees of MCVAP and the MCVAP 403(b) Salary Deferral Plan (the 403(b) Plan), a salary deferral plan that represents physician contributions. Contributions to the 401(a) Plan by MCVAP, as determined annually at the discretion of the Board of Directors, were approximately $22,002,000 for the year ended June 30, 2019.

MCVAP also participates in the VCUHS Retirement Plan (VCUHS 401(a) Plan), a defined contribution plan, which covers all benefited nonclinical provider employees of MCVAP; the VCUHS Savings Plan (VCUHS 457(b) Plan), a savings plan that represents employee contribution and the MCVAP 403(b) Supplemental Plan (the 403(b) Highly Compensated Plan), a noncontributory defined contribution plan for highly compensated employees. The VCUHS 401(a) Plan contributions (as a percentage of the employee's salary) are a function of the employee's age plus years of service per the table below. MCVAP employees may contribute to the VCUHS 457(b) Savings Plan. Employees may also receive a 2% matching contribution in their VCUHS 401(a) Plan based on their 457(b) contribution. Contributions to the VCUHS 401(a) Plan for the year ended June 30, 2019 was approximately $4,755,850.

Age Plus Years of Service	Employer Contribution VCUHS 401(a) Plan
65+	10%
55-65	8
45-55	6
35-45	4
<35	2

CMH

CMH participants in the VCUHS 401(a) Plan and retirement plan expense was approximately $2,141,000 for the year ending June 30, 2019.

VA Premier

Effective August 1, 1999, VA Premier adopted a 401(k) plan for which Fidelity Investments is the trustee. Prior to January 1, 2015, employees become eligible to participate after completing one year of service, during which the employee completed 1,000 hours of service. Effective January 1, 2015, employees became eligible to participate following one month of service. There is no minimum service or age requirement to participate in the 401(k) plan. Employees may contribute 1% to 90% of their compensation. VA Premier will match 50% of the employee's contributions up to 4% of the employee's compensation. Matching will occur based on the biweekly pay periods.

In addition, VA Premier also contributes 3% of each employee's compensation (Safe Harbor contribution). VA Premier also contributes 2% of each employee's compensation (Non Elective base contribution). Virginia Premier made the Safe Harbor and Non Elective base contributions in an annual installment at the end of the calendar year through December 2014. Starting January 2015, Safe Harbor and Non Elective base contributions are made on the bi-weekly pay periods. Also starting January 2015, Virginia Premier may make additional contributions (Non Elective employer contributions) based on age plus years of service as of January 1st of the plan year. This additional Non Elective contribution was made after the end of calendar years 2015 and later. Employees are fully vested after four years of service in which the employee begins employment. The number of covered employees was 2,180 as of June 30, 2019. Virginia Premier's expense for its contributions to this plan was approximately $8,039,000 for the ended June 30, 2019.

Age Plus Years of Service	Employer Contribution 401(a) Plan
65+	5%
55-65	3
45-55	1
<55	

Children's

Children's has a noncontributory defined benefit pension plan (Pension Plan) covering substantially all Children's employees prior to the plan being frozen in June 2010. The Pension Plan provides benefits that are based on the five consecutive years for which an employee's compensation is highest. Children's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Children's may determine to be appropriate from time to time. Effective June 30, 2010, Children's froze all future benefit accruals for those who were active plan participants and closed the plan to new participants.

The measurement date for determining the Pension Plan's funded status is June 30. The Pension Plan's fair value of plan assets of $11,103,157 as of June 30, 2019, is recorded in other assets on the accompanying consolidated statements of net position. The Pension Plan's liability of $11,949,863 as of June 30, 2019 in included in net pension liability on the accompanying consolidated statement of net position. Children's participants in the VCUHS 401(a) Plan and retirement plan expense was approximately $1,201,000 for the year ended June 30, 2019.

11. OTHER POST-EMPLOYMENT BENEFITS

The University participates in post-employment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System (VRS) or the Department of Human Resources Management. These programs include the Group Life Insurance Program, Retiree Health Insurance Credit Program, Line of Duty Act Program, Virginia Sickness and

Disability Program and the Pre-Medicare Retiree Healthcare Program. Prior to July 1, 1997, employees of VCUMC were employees of the Commonwealth of Virginia and also automatically covered by the Retiree Health Insurance Credit and the Pre-Medicare Retiree Healthcare Programs. After July 1, 1997, new employees are not eligible for the programs. For these employees, hired before July 1, 1997 VCUMC participates in the Retiree Health Insurance Credit Program and for those who remain in the VRS Plan and continued enrollment in the state health benefits program remain eligible for the Pre-Medicare Retiree Healthcare Program. The specific information about each program is described below:

Plan Descriptions

GROUP LIFE INSURANCE (GLI) PROGRAM: All full-time, salaried permanent employees of state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. In addition to the Basic In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. The University deducts these premiums from members' paychecks and pays the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

HEALTH INSURANCE CREDIT (HIC) PROGRAM: All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. VCUMC employees hired prior to July 1, 1997 are also automatically covered by the plan. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. In addition to the Basic Members earn one month of service credit toward the benefit for each month they are employed and for which the University pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

LINE OF DUTY ACT (LODA) PROGRAM: All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The University's contributions are determined by VRS's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

VIRGINIA SICKNESS AND DISABILITY (VSDP) PROGRAM: All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

PRE-MEDICARE RETIREE HEALTHCARE (PMRH) PROGRAM: The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. VCUMC employees who elected to remain in the VRS Plan and continued enrollment in the State Health Benefits Program remain eligible for the program. This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,200 retirees and 91,800 active employees in the program in fiscal year 2018. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Plan Provisions

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.

- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For State employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

For State police officers with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
    - $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
    - $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
    - An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
    - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
    - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).

- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability (LTD)** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employees non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the

Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Pre-Medicare Retiree Healthcare (PMRH) Plan Provisions

Eligible Employees

For a retiree to be eligible for the PMRH Plan, the participant must be a retiring state employee who is eligible for either a monthly benefit from the Virginia Retirement System (VRS) or one of the Commonwealth's qualified Optional Retirement Plans (ORP).

Following are eligibility requirements for VRS retirees:

- Be a retiring state employees who is eligible for a monthly retirement benefit from the VRS
- Start receiving (does not defer) his or her retirement benefit immediately upon retirement*
- His or her employer before retirement must be the Commonwealth of Virginia
- He/she was eligible for (even if not enrolled in) coverage as an active employee in the State Health Benefits Program until retirement date (not including Extended Coverage/COBRA),
- He/she must enroll no later than 31 days from retirement date.

*For VRS retirees, this means that the employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Following are following are eligibility requirements for qualified ORP retirees, effective January 1, 2017**:

- Be a terminating state employee who participates in one of the qualified Optional Retirement Plans
- His or her last employer before retirement must be the Commonwealth of Virginia
- He/she was eligible for (even if not enrolled in) coverage in the State Employee Health Benefits Program for active employees at the time of your termination
- He/she meets the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that he/she would have been eligible for on the date of hire had they not elected the ORP

- He/she must enroll in the State Retiree Health Benefits Program no later than 31 days from the date he/she loses coverage (or loses eligibility for coverage) in the State Health Benefits Program for active employees due to termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

Contributions

GLI PROGRAM: The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the University and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were $2,441,941 and $2,319,624 for the years ended June 30, 2019 and June 30, 2018, respectively.

HIC PROGRAM: The contribution requirement for active employees is governed by §51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the University by the Virginia General Assembly. Each state agencies' contractually required employer contribution rate for the year ended June 30, 2019 was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were $5,436,235 and $5,228,683 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions from VCUMC to the HIC Plan were $374,000 and $647,255 for the years ended June 30, 2019 and June 30, 2018, respectively.

LODA PROGRAM: The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the University by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2019 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were $57,873 and $50,496 for the years ended June 30, 2019 and June 30, 2018, respectively.

VSDP PROGRAM: The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the University by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2019 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were $1,361,365 and $1,343,402 for the years ended June 30, 2019 and June 30, 2018, respectively.

PMRH PROGRAM: The University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Programs

At June 30, 2019, the University and VCUMC reported the following net liabilities (assets) of for its proportionate share of the total OPEB liability for each of the OPEB programs.

University	Liabilities (Assets)	VCUMC	Liabilities (Assets)
GLI	$35,577,000	HIC	$7,495,000
HIC	$60,142,000	PMRH	$4,347,621
LODA	$1,434,000		
VSDP	($11,677,000)		
PMRH	$66,903,908		

These liabilities were measured as of June 30, 2018 and the total OPEB liability used to calculate each OPEB liability was determined by an actuarial valuation as of that date. The University's proportionate share of the GLI, HIC, LODA and VSDP liabilities was based on the University's actuarially determined employer contributions to each program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. VCUMC's proportion of the Net HIC Plan OPEB Liability was based on VCUMC's actuarially determined employer contributions to the HIC Plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. The University's and VCUMC's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers.

At June 30, 2018, the University's proportionate shares were:

GLI State Employees	2.32009% as compared to 2.27455% at June 30, 2017
GLI VaLORS	0.02244% as compared to 0.02256% at June 30, 2017
HIC State Employees	6.52994% as compared to 6.46210% at June 30, 2017
HIC VaLORS	0.06260% as compared to 0.6372% at June 30, 2017
LODA	0.47406% as compared to 0.41559% at June 30, 2017
VSDP State Employees	5.09459% as compared to 4.98190% at June 30, 2017
VSDP VaLORS	0.09033% as compared to 0.09222% at June 30, 2017
PMRH	6.65287% as compared to 6.47855% at June 30, 2017

At June 30, 2018, VCUMC's proportionate shares were:

HIC	.82162% as compared to 0.89831% at June 30, 2017
PMRH	.43232% as compared to .47453% at June 30, 2017

For the year ended June 30, 2019, the University and VCUMC recognized the following expenses for these programs:

University	**Expenses**	**VCUMC**	**Expenses**
GLI	$360,000	HIC	$436,000
HIC	$5,206,000	PMRH	($150,481)
LODA	$115,000		
VSDP	$599,000		
PMRH	$1,930,679		

Since there was a change in proportionate share between measurement dates, a portion of these expenses was related to deferred amounts from changes in proportion.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to the programs from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
GLI	Differences between expected and actual experience	1,740,000	$638,000
	Net difference between projected and actual earnings on program investments	-	1,157,000
	Change in assumptions	-	1,482,000
	Changes in proportion	646,000	21,000
	University contributions subsequent to the measurement date	2,441,941	-
	Total	$4,827,941	$3,298,000
HIC	Differences between expected and actual experience	41,000	-
	Net difference between projected and actual earnings on State plan investments	-	98,000
	Change in assumptions	-	546,000
	Changes in proportion	526,000	120,000
	University contributions subsequent to the measurement date	5,436,235	-
	Total	$6,003,235	$764,000
LODA	Differences between expected and actual experience	213,000	-
	Net difference between projected and actual earnings on plan investments	-	4,000
	Change in assumptions	-	171,000
	Changes in proportion	150,000	172,000
	University contributions subsequent to the measurement date	57,873	-
	Total	$420,873	$347,000
VSDP	Differences between expected and actual experience	-	496,000
	Net difference between projected and actual earnings on plan investments	-	689,000
	Change in assumptions	-	689,000
	Changes in proportion	20,000	166,000
	University contributions subsequent to the measurement date	1,361,365	
	Total	$1,381,365	$2,040,000
PMRH	Difference between actual and expected experience	-	$13,489,752
	Changes in assumptions	-	26,758,357
	Changes in proportion	3,436,033	-
	Sub Total	3,436,033	40,248,109
	Amounts associated with transactions subsequent to the measurement date	2,750,690	-
	Total	$6,186,723	$40,248,109

At June 30, 2019, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the programs from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
HIC	Differences between expected and actual experience	5,000	-
	Net difference between projected and actual earnings on State plan investments	-	12,000
	Change in assumptions	-	68,000
	Changes in proportion	-	967,000
	VCUMC contributions subsequent to the measurement date	374,092	-
	Total	$379,092	$1,047,000
PMRH	Difference between actual and expected experience	-	$876,605
	Changes in assumptions	-	1,738,840
	Changes in proportion	-	1,106,049
	Sub Total	-	3,721,494
	Amounts associated with transactions subsequent to the measurement date	178,748	-
	Total	$178,748	$3,721,494

The preceding amounts reported as deferred outflows of resources related to each program, resulting from the University's and VCUMC's contributions and amounts associated with transactions subsequent to the measurement date, will be recognized as a reduction of each programs net liability (asset) in the fiscal year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB programs will be recognized in each program's expense in future reporting periods as follows:

University **Year Ended June 30**	GLI	HIC	LODA	VSDP	PMRH
FY 2020	($411,000)	($81,000)	$0	($446,000)	($7,645,670)
FY 2021	(411,000)	(81,000)	-	(446,000)	(7,645,670)
FY 2022	(411,000)	(82,000)	-	(446,000)	(7,645,670)
FY 2023	(81,000)	(47,000)	-	(238,000)	(7,645,670)
FY 2024	221,000	79,000	1,000	(222,000)	(5,493,959)
Thereafter	181,000	15,000	15,000	(222,000)	(735,437)
	($912,000)	($197,000)	$16,000	($2,020,000)	($36,812,076)

VCUMC

Year Ended June 30	HIC	PMRH
FY 2020	($223,000)	($772,781)
FY 2021	(223,000)	(772,781)
FY 2022	(223,000)	(772,781)
FY 2023	(219,000)	(772,781)
FY 2024	(135,000)	(555,853)
Thereafter	(19,000)	(74,517)
	($1,042,000)	($3,721,494)

Actuarial Assumptions (GLI, HIC, VSDP, LODA)

The total OPEB liability for the VRS Programs was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including Inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5% – 5.95%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.50%
Locality - General employees	3.5% – 5.35%
Locality - Hazardous duty employees	3.5% – 4.75%
Investment rate of return	7.0% (3.89% LODA), net of pension plan investment expenses, including inflation*
Medical cost trend rates assumption (LODA ONLY)	
Under age 65	7.75% – 5.00%
Ages 65 and older	5.75% – 5.00%
Year of ultimate trend rate (LODA only)	Fiscal year ended 2024

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0% (GLI, HIC, and VSDP) and 3.89% (LODA). However, since the difference was minimal, and a more conservative 7.0% (GLI, HIC, VSDP) investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality Rates (GLI, HIC, VSDP, LODA)

Pre-Retirement	
General State Employees (GLI, HIC, VSDP, LODA) and JRS Employees (GLI, HIC)	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
Teachers (GLI)	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS Employees (GLI, HIC, VSDP, LODA), Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Largest Ten Locality Employers – With Public Safety Employees (LODA) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Largest Ten Locality Employers – General Employees (GLI) and Non-Largest Ten Locality Employers – General Employees (GLI)	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement	
General State Employees (GLI, HIC, VSDP, LODA) and JRS Employees (GLI, HIC)	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
Teachers (GLI)	RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS Employees (GLI, HIC, VSDP, LODA), Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Largest Ten Locality Employers – With Public Safety Employees (LODA) and Non-Largest	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Ten Locality Employers – With Public Safety Employees (LODA)	
Largest Ten Locality Employers – General Employees (GLI) and Non-Largest Ten Locality Employers – General Employees (GLI)	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement	
General State Employees (GLI, HIC, VSDP, LODA) and JRS Employees (GLI, HIC)	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.
Teachers (GLI)	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.
SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS Employees (GLI, HIC, VSDP, LODA), Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Largest Ten Locality Employers – With Public Safety Employees (LODA) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
Largest Ten Locality Employers – General Employees (GLI) and Non-Largest Ten Locality Employers – General Employees (GLI)	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	
General State Employees (GLI, HIC, VSDP, LODA), Teachers (GLI), JRS Employees (GLI, HIC), Largest Ten Locality Employers – General Employees (GLI), Non-Largest Ten Locality Employers – General Employees (GLI), Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Largest Ten Locality Employers – With Public Safety Employees (LODA) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	Updated to a more current mortality table – RP2014 projected to 2020

SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS Employees (GLI, HIC, VSDP, LODA)	Updated to a more current mortality table – RP2014 projected to 2020 and reduced margin for future improvement in accordance with experience

Retirement Rates	
General State Employees (GLI, HIC, VSDP, LODA) and Teachers (GLI)	Lowered rates at older ages and changed final retirement from 70 to 75
SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS Employees (GLI, HIC, VSDP, LODA), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	Increased age 50 rates and lowered rates at older ages
JRS Employees (GLI, HIC)	Decreased rates at first retirement eligibility
Largest Ten Locality Employers – General Employees (GLI) and Non-Largest Ten Locality Employers – General Employees (GLI)	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Largest Ten Locality Employers – With Public Safety Employees (LODA)	Lowered retirement rates at older ages

Withdrawal Rates	
General State Employees (GLI, HIC, VSDP, LODA), Teachers (GLI) and VaLORS Employees (GLI, HIC, VSDP, LODA)	Adjusted rates to better fit experience at each year age and service through 9 years of service
SPORS Employees (GLI, HIC, VSDP, LODA)	Adjusted rates to better fit experience
JRS Employees (GLI, HIC)	No change
Largest Ten Locality Employers – General Employees (GLI), Non-Largest Ten Locality Employers – General Employees (GLI), Largest Ten Locality Employers – Hazardous Duty Employees (GLI), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Largest Ten Locality Employers – With Public Safety Employees (LODA)	Adjusted termination rates to better fit experience at each age and service year
Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	Adjusted rates to better fit experience at each age and service year

Disability Rates	
General State Employees (GLI, HIC, VSDP, LODA), Teachers (GLI), SPORS Employees (GLI, HIC, VSDP, LODA), VaLORS	Adjusted rates to better match experience

Employees (GLI, HIC, VSDP, LODA), Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	
JRS Employees (GLI, HIC)	Removed disability rates
Largest Ten Locality Employers – General Employees (GLI) and Non-Largest Ten Locality Employers – General Employees (GLI)	Lowered disability rates
Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Largest Ten Locality Employers – With Public Safety Employees (LODA)	Increased disability rates

Salary Scale	
All employee classifications	No change

Line of Duty Disability	
General State Employees (GLI, HIC, VSDP, LODA)	Increased rate from 14% to 25%
SPORS Employees (GLI, HIC, VSDP, LODA)	Increased rate from 60% to 85%
VaLORS Employees (GLI, HIC, VSDP, LODA)	Decreased rate from 50% to 35%
Largest Ten Locality Employers – General Employees (GLI)	Increased rate from 14% to 20%
Non-Largest Ten Locality Employers – General Employees (GLI)	Increased rate from 14% to 15%
Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Largest Ten Locality Employers – With Public Safety Employees (LODA)	Increased rate from 60% to 70%
Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Non-Largest Ten Locality Employers – With Public Safety Employees (LODA)	Decreased rate from 60% to 45%

Actuarial Assumptions (PMRH)

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2018. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.21 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end the fiscal year in which contributions are reported

Measurement Date	June 30, 2018 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.19 years
Discount Rate	3.87%
Projected Salary Increases	4.00%
Medical Trend Under 65	Medical & Rx: 8.21% to 5.00% Dental: 4.00% before reflecting excise tax
Year of Ultimate Trend	2025
Mortality	Mortality rates vary by participant status
Pre-Retirement	RP-2014 Employee Rates projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males and females setback 1 year
Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2017 valuation based on recent experience:

Spousal Coverage	Reduced from 50% to 35% based on a blend of recent experience and the prior year assumption.
Retiree Participation	Reduced from 70% to 60% based on a blend of recent experience and the prior year assumption.
Mortality Assumption	Modified slightly to reflect mortality improvement projection scale BB to 2020
Discount rate	Increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2018.

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA Program if and when sufficient experience develops.

The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.

The potential for the periodic review of the disability status of a disabled employee.

For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

Net OPEB Liability (Asset)

The net OPEB liability/asset (NOL/NOA) for the GLI, HIC, LODA and VSDP programs represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2018, NOL/NOA amounts for each program is as follows (amounts expressed in thousands):

	GLI	HIC	LODA	VSDP
Total OPEB liability	$3,113,508	$1,008,184	$315,395	$237,733
Plan fiduciary net position	1,594,773	95,908	1,889	462,961
Employer's net OPEB liability (asset)	$1,518,735	$912,276	$313,506	($225,228)
Plan fiduciary net position as a percentage of the total OBEB liability	51.22%	9.51%	0.60%	194.74%

The total OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return (GLI, HIC, VSDP)

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Long-Term Expected Rate of Return (LODA)

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate (GLI, HIC, VSDP, LODA)

The discount rate used to measure the total OPEB liability was 7.00% for GLI, HIC and VSDP; 3.89% for LODA. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate (PMRH)

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2018.

Sensitivity of the Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the University's and VCUMC's proportionate share of the net GLI, HIC and VSDP OPEB liabilities (assets) using the discount rate of 7.00%, as well as what the University's and VCUMC's proportionate share of the OPEB liabilities (assets) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
University's proportionate share of: GLI Net OPEB Liability	$46,494,000	$35,577,000	$26,713,000
University's proportionate share of: HIC Net OPEB Liability	$66,510,000	$60,142,000	$54,663,000
University's proportionate share of: VSDP Net OPEB Liability	($11,257,000)	($11,677,000)	($12,038,000)
VCUMC's proportionate share of: HIC State Employees Net OPEB Liability	$8,289,000	$7,495,000	$6,813,000

The following presents the University's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
University's proportionate share of: LODA Net OPEB Liability	$1,703,000	$1,486,000	$1,312,000

The following presents the University's and VCUMC's proportionate share of the PMRH OPEB liability using the discount rate of 3.87%, as well as what the University's proportionate share of the Pre- Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.58%) than the current rate:

	1.00% Decrease (2.87%)	Current Rate (3.87%)	1.00% Increase (4.87%)
University's proportionate share of:			
PMRH Net OPEB Liability	$71,585,323	$66,903,906	$62,452,298
VCUMC's proportionate share of:			
PMRH Net OPEB Liability	$4,651,834	$4,347,621	$4,058,342

Sensitivity of the Proportionate Share of the OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA and PMRH programs contain provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's and VCUMC's proportionate share of the liabilities using current health care trend rates as well as one percentage point lower or one percentage point higher than the current rate:

	1.00% Decrease (6.75% decreasing to 4.00%)	Health Care Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
University's proportionate share of:			
LODA Net OPEB Liability	$1,266,000	$1,486,000	$1,760,000

	1.00% Decrease (7.21% decreasing to 4.00%)	Trend Rate (8.21% decreasing to 5.00%)	1.00% Increase (9.21% decreasing to 6.00%)
University's proportionate share of:			
PMRH Net OPEB Liability	$59,673,988	$66,903,906	$75,402,256

	1.00% Decrease (7.21% decreasing to 4.00%)	Trend Rate (8.21% decreasing to 5.00%)	1.00% Increase (9.21% decreasing to 6.00%)
VCUMC's proportionate share of:			
PMRH Net OPEB Liability	$3,877,799	$4,347,621	$4,899,870

Fiduciary Net Position

Detailed information about the GLI, HIC, LODA and VSDP programs is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS OPEB Programs

Included in the University's accounts payable and other liabilities is the following outstanding liabilities as of June 30, 2019 of due to VRS:

GLI	$356,073
HIC	$316,795
VSDP	$82,312

12. RELATED PARTIES

The financial statements do not include the assets, liabilities or fund balances of affiliated organizations. All of these organizations are separately incorporated entities managed by their own Boards and audited by other independent certified public accounting firms. Each organization is described below.

Medical College of Virginia Alumni Association of VCU

The purpose of the Medical College of Virginia Alumni Association of VCU is to organize alumni activities for Virginia Commonwealth University. The University provided funding of $217,236 in 2019 as the principal source of funding for the Association's operation.

Virginia Commonwealth University Alumni Association

The Association was formed for educational purposes to further the best interests of the University, its alumni and students. The University provided funding of $1,264,366 in 2019 as the principal source of funding for the Association's operation.

Virginia Biotechnology Research Park Partnership Authority

The primary purpose of the Virginia Biotechnology Research Park Partnership Authority is to expand knowledge pertaining to scientific and technological research, and development among public and private entities, promote the economic and industrial development of the City of Richmond and the Commonwealth of Virginia. The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues. Bond issuances, long-term notes payable, line of credit debt, appropriations from the Commonwealth, voluntary assessments from property owners located in the Research Park and contract support payments from VCU have funded both the operations and the acquisition and construction of capital assets.

In November 2011, the Authority entered into a lease agreement with Virginia Commonwealth University for the use of the real property, building and improvements located at 800 East Leigh Street, otherwise known as Biotech Center. Biotech Center is the property from which the Authority conducts the majority of its operations. The rent under the lease agreement was $30 and was paid in a lump sum at the beginning of the lease; therefore, there is no related rent expense represented within these financial statements. The lease term ends November 2041.

VCU Investment Management Company

The VCU Investment Management Company, a non-profit, non-stock corporation, organized under Virginia law for exclusively charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code was formed to advise the University and its affiliated foundations on the management of its investments. Approved by the VCU Board of Visitors and VCU Health Board of Directors in June 2015, the VCU Investment Management Company (VCIMCO) will provide investment and investment management services to VCU, the Authority and affiliated foundations.

In May 2017, VCIMCO entered into a loan agreement with the University borrowing $875,000 at an interest rate of 4.67% with the loan maturing in 2022.

13. SHORT TERM DEBT

Line of Credit

	Beginning Balance	Additions	Reductions	Ending Balance
Uses:				
Construct basketball practice facility	$6,645,504	-	$6,645,504	$0
Construct Institute of Contemporary Art	4,100,608	613,782	4,714,390	-
Energy Service Company	3,633,494	9,063,183	12,696,677	-
Expansion School of Engineering research facility	5,745,117	843,471	6,588,588	-
Total line of credit	$20,124,723	$10,520,436	$30,645,159	$0

The line of credit was paid off, closed and replaced by the commercial paper program on June 27th, 2019.

Commercial Paper Program

On May 10, 2019 the Board of Visitors approved the short-term financing of capital projects with commercial paper. This tax-exempt commercial paper financing program gives the University access to finance or refinance up to $75M for capital projects that have either been authorized by the Board or by appropriate legislation enacted by the General Assembly and for which the incurrence of indebtedness has been authorized.

As of June 30, 2019 the amount outstanding was $20,581,000. The days to maturity is 95 days with an effective interest rate of 1.68%.

14. FUNDS HELD IN TRUST BY OTHERS

Under the provisions of the wills of certain benefactors, the University's portion of principal sums with market values of $14,657,354 at June 30, 2019, was held in trust by others. These assets are not included in the University's balance sheet.

15. COMMITMENTS

The University and the Authority are party to various construction commitments. As of June 30, 2019, the remaining commitments were $72,292,022 for the University and approximately $403,025,000 for the Authority. The Authority also has additional commitments for medical equipment, IT and minor capital expenditures at June 30, in the amount of $27,489,000.

The University also is committed under various operating leases (for buildings, computer equipment, business equipment, etc.). The University has renewal options on the leased assets for another similar term. In most cases, the University expects that, in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2019, was $6,186,998 for the University and $14,232,236 for the Authority.

The VCU Real Estate Foundation has entered into 22 leases for residential properties located in Doha, Qatar for the purpose of providing housing for faculty and staff of VCU Qatar. The payments are approximately $1,527,806 (US Dollars) annually based upon the exchange rates as of June 30, 2019. The Qatar Foundation advances the funds to the University and the University makes all rent payments directly to the landlords.

The University has, as of June 30, 2019, the following total future minimum rental payments due under the above leases:

Fiscal Year	University	Authority
2020	5,733,393	13,311,620
2021	4,620,320	8,381,282
2022	3,739,362	7,556,330
2023	2,646,365	7,143,192
2024	1,024,568	6,419,834
2025-2029	2,044,723	13,915,511
2030-2034	368,058	-
	$20,176,789	$56,727,769

16. LITIGATION

The University, Authority and/or individuals acting within their scope of employment on behalf of the University or Authority have been named as a defendant in a number of lawsuits. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University and Authority may be exposed will not have a material effect upon the entity's financial position.

17. TRANSACTIONS BETWEEN COMPONENT UNITS

The University and its component units provide services and support to each other so as to avoid duplication of efforts as much as possible.

The VCU Foundation, the VCU School of Business Foundation and the VCU College of Engineering Foundation hold the University's investments that function as endowments, both true and quasi. As of June 30, 2019, the VCU Foundation and the VCU College of Engineering Foundation held University investments of $26,218,714 and $6,686,075, respectively. The VCU School of Business Foundation held investments of $1,187,982. The University has a due from component units for these investments, which is eliminated in the total column.

The VCU Foundation also holds investments for the VCU Intellectual Properties Foundation in the amount of $1,151,752 and for the VCU Real Estate Foundation in the amount of $8,025,881. The MCV Foundations hold investments for the VCU Intellectual Properties Foundation in the amount of $1,376,813. The University has a due from component units for these investments, which is eliminated in the total column.

The VCU College of Engineering Foundation has constructed two buildings with the proceeds of debt issued by the University. The College of Engineering Foundation transfers sufficient funds to the University annually to fund the debt service. The annual transfer is recorded at the University as a gift received. The University includes one of the buildings and the liability for both buildings on the Statement of Net Position. The VCU College of Engineering Foundation has the phase I building, deferred bond issuance costs, prepaid bond interest, a liability and an accrued contribution to the University on their financial statements which are eliminated in the Statement of Net Position.

The VCU School of Business Foundation has constructed a building with the proceeds of debt issued by the University which is recorded as an asset on the Foundation's Statement of Net Position. The School of Business Foundation transfers sufficient funds to the University annually to fund the debt service. The University has the liability for the outstanding debt on the Statement of Net Position. The VCU School of Business Foundation has deferred issuance costs, a liability and an accrued contribution to the University on their financial statements which are eliminated in the Statement of Net Position.

The MCV Foundation, VCU Foundation, VCU College of Engineering Foundation and VCU School of Business Foundation solicit funds to benefit the University and transfer a portion of those funds to the University to support programs. These transactions have been eliminated from the Statement of Revenues, Expenses and Changes in Net Position from gift revenue and supporting services.

MCV Associated Physicians, a component of the VCU Health System, transfer a portion of their patient revenues to the University to support the academic and research missions. Those transfers are eliminated from hospital services expenses and other operating revenue.

The VCU Real Estate Foundation acquires facilities and rents them to the University and the VCU Health System. Those rental expenses are eliminated from operations and maintenance expenses and other revenues.

Dentistry@VCU bills and collects patient care revenue that is generated by VCU students, residents and employees to facilitate efficiency in billing and collection processes. The funds are either held in escrow with related earnings or transferred to VCU, less expenses. The University has a due from component units for these investments, which is eliminated in the total column.

The University and the VCU Health System support each other through the sharing of capabilities and resources. Reimbursements of costs are made between the entities to ensure that each entity bears the proper portion of costs. Those transactions are eliminated between the revenue recorded and the expense category so that the expense is included in the expense category that reflects the service delivered to the student or public.

18. CONTINGENCIES

VCUMC is self-insured for professional liability claims. There have been malpractice claims asserted against VCUMC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of VCUMC accrues estimated losses on malpractice claims to the extent they fall within the limits of the VCUMC's self-insurance program or exceed the limits of the excess insurance coverage in place at the date of the claim. The undiscounted liability is actuarially determined using industry data and VCUMC's historical experience.

Investments have been set aside based on actuarially determined reserves and are included in assets whose use is limited in the accompanying consolidated statements of net position. At June 30, 2019, the internally restricted funds for VCUMC include $2,931,301 for claims and related legal expenses for reported and unreported incidents occurring since July 1, 1998.

The Authority believes that its consolidated financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or un-asserted VCUMC claims, if any, as of June 30, 2019.

Beginning in July 2018, MCVAP obtained insurance coverage for malpractice claims through ARIES. Additionally, ARIES assumed the previously self-insured estimated liabilities from policy years July 2005 through July 2018. There have been malpractice claims asserted against MCVAP by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of ARIES accrues estimated losses on malpractice claims. The discounted liability is actuarially determined using industry data and MCVAP's historical experience.

Assets whose use is designated, have been internally designated for payment of claims and related legal expenses for reported and unreported incidents. The Authority believes its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to the asserted and unasserted claims covered by ARIES, if any, at June 30, 2019.

CMH is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illness; natural disasters; malpractice; and employee health, dental and accidental benefits. Insurance coverage is provided through ARIES or purchased for claims arising from such matters. CMH can be involved in litigation during the ordinary course of business related to professional liability claims. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2019 is significant.

VA Premier obtains general and professional liability policies through ARIES. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2019 is significant.

Children's obtains insurance coverage for professional liability through ARIES. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2019 is significant.

The Authority believes that its combined financial position would not be materially affected by the ultimate cost related to unasserted claims, if any, as of June 30, 2019.

19. STOP-LOSS COVERAGE

VA Premier has a stop-loss arrangement to limit losses on individual claims. These contracts provide stop-loss coverage for all enrollee claims. The VA Premier contract provides coverage for 90% of all inpatient and outpatient services, physician services and drug related services in excess of $450,000 subject to certain limitations and a lifetime limit of $5 million per enrollee. Premiums paid to the reinsurer for the year ended June 30, 2019 were approximately $5,164,000 and are included in other expenses in the accompanying consolidated statement of revenues, expenses and changes in net position. Benefits of approximately $6,100,000 were provided by the reinsurer for the year ended June 30, 2019 and are netted with medical claims expense in the accompanying consolidated statement of revenues, expenses and changes in net position.

20. INDEMNIFICATIONS

The MCV Foundation has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Foundation's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Foundation has a director and officer insurance policy that further limits its exposure and enables the Foundation to recover a portion of any future amounts paid.

21. NET PATIENT SERVICE REVENUE

The Authority's patient service revenue is as follows for the year ended June 30, 2019:

Gross Patient Revenue:	
Inpatient	$3,356,890,932
Outpatient	2,800,404,505
	6,157,295,437
Provision for uncompensated care and contractual adjustments	(4,407,205,493)
Net patient service revenue VCUMC	1,750,089,944
Net patient service revenue MCVAP	303,393,701
Net patient service revenue CMH	105,196,420
Net patient service revenue Children's	30,912,307
Eliminations	(53,053,307)
Consolidated net patient service revenue	$2,136,539,065

This balance is included in the hospital services line item of the consolidated statement of revenues, expenses, and changes in net position.

22. ESTIMATED MEDICAL CLAIMS PAYABLE

Claim expenses and liabilities arising from services rendered to VA Premier's HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. As of June 30, 2019, the amount of these liabilities included in accounts payable and accrued liabilities was $174,863,244.

23. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert at the end of the biennium, as specifically provided by the General Assembly, unless the University meets management standards.

The following is a summary of the state appropriations for the year ended June 30, 2019:

Original Legislative Appropriation per Chapter 854:	
Educational and general programs item 204	$179,075,722
Higher education student financial assistance item 205	31,777,447
Governor's research initiative for biomedical engineering and regenerative medicine item 206	1,162,500
Higher education research initiative for cancer research item 206	12,500,000
Parkinson's and movement disorder center item 206	350,000
Supplemental Adjustments:	
Virtual Library of Virginia- VIVA	39,671
Virginia military survivors and dependent education program	302,800
Two year college transfer grant program	510,498
Richmond teacher residency	1,411,334
Fund for excellence and innovation	12,000
Central appropriation redistributions	1,560,393
PBIS of VTSS	433,526
Special education teacher support	91,233
Clinical Faculty Payment	27,706
Higher education equipment trust fund	9,848,982
Higher education equipment trust fund NGF ch. 854 item 279	(401,647)
Capital fee for out of state students ch. 854 item 279	(2,224,530)
Total	$236,477,635

24. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. The University also purchases certain contingency insurance coverage related to the VCU School of the Arts in Qatar. Information relating to the Commonwealth's insurance plans is available in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

25. CONTRIBUTIONS RECEIVABLE

MCV Foundation:	
Receivable in less than one year	$10,210,000
Receivable in one to five years	14,796,000
Receivable in more than five years	41,000
	25,047,000
Less:	
Discounts	(1,247,000)
Allowances	(747,000)
Net contribution receivable	$23,053,000

Discount rate of 2.52% was used in determining the present value of the contributions receivable.

VCU Foundation:	
Receivable in less than one year	$3,885,877
Receivable in one year or more	6,673,072
	10,558,949
Less:	
Discounts	(331,861)
Allowances	(703,966)
Net contribution receivable	$9,523,122

Discount rate between 0.11% and 2.45% were used in determining the present value of the contributions receivable.

VCU School of Business Foundation:	
Receivable in less than one year	$642,702
Receivable in one to five years	5,319,576
	5,962,278
Less:	
Discounts	(110,380)
Allowances	(144,261)
Net contribution receivable	$5,707,637

Discount rate between 1.01% and 2.73% were used in determining the present value of the contributions receivable.

VCU College of Engineering Foundation:	
Receivable in less than one year	$119,672
Receivable in one to seven years	1,254,994
	1,374,666
Less:	
Discounts	(63,734)
Allowances	(13,109)
Net contribution receivable	$1,297,823

Discount rate between .65% and 1.76% were used in determining the present value of the contributions receivable.

26. DERIVATIVE INSTRUMENT

At the beginning of the fiscal year, the University had two fixed-payer interest rate swaps with a notional amount of $51,770,000, which declines to $4,835,000 at the termination date of November 1, 2030. The swaps were used as cash flow hedges by the University in order to provide a hedge against changes in interest rates on a similar amount of the University's variable-rate debt. The fair value of the swaps was calculated by Deutsche Bank using undisclosed proprietary methods. The swaps were entered into at a zero market value and no payments were made or received when they were initiated.

In November 2018, the University refunded its Series 2012 A and B General Revenue bonds associated with two fixed-payer interest rate swaps. At that time, the hedging relationship between the interest rate swap agreement and the bonds were terminated. At the time of the termination, the fair market value of the swap was $4,228,000. New General Revenue bonds were issued to finance the termination payments of the two interest rate swaps associated with these bonds.

In June 2007, VCUMC entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 tax-exempt bonds. The swaps have a combined initial notional amount of $125,000,000 which declines over time to $15,700,000 at the termination date of July 1, 2037. The nominal amount as of June 30, 2019 was $115,790,000. VCUMC pays a fixed rate of 3.84% and the counterparty pays 67% of 30-day LIBOR (1.61% as of June 30, 2019). The payments are settled monthly. Payments or receipts under the terms of the swap are recorded as interest expense. As of June 30, 2019, the fair market value of the swap of $35,697,300 is included in other liabilities in the accompanying consolidated statements of net position. For the year ended June 30, 2019, the change in fair value of the swaps was $(8,474,488).

In June 2013, VCUMC refunded the Series 2008 Bonds using proceeds of the Series 2013A Bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2008 bonds was terminated, and the accumulated change in fair value of the interest rate swaps was included in the calculation of the deferred loss on refunding. In June 2013, VCUMC reestablished hedge accounting by designating the Series 2013A Bonds as the hedged debt.

In December 2005, VCUMC entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 bonds. The swap has a notional amount of $75,000,000 which declines over time to $8,000,000 at the maturity date of July 1, 2030. The nominal amount as of June 30, 2019 was $61,325,000. VCUMC pays a fixed rate of 3.50% and the counterparty pays 67% of 30-day LIBOR (1.61% as of June 30, 2019). The payments are settled monthly. Payments or receipts under the terms of the swap are recorded as interest expense. As of June 30, 2019, the fair market value of the swap of $9,502,288 is included in other liabilities in the accompanying consolidated statements of net position. For the year ended June 30, 2019, the change in fair value of the swap was $(2,172,952).

In June 2013, VCUMC refunded the Series 2005 bonds using proceeds of the Series 2013B bonds. At that time, the hedging relationship between the interest rate swap agreement and the Series 2005 bonds was terminated, and the accumulated change in fair value of the interest rate swap was included in the calculation of the deferred loss on refunding. In June 2013, MVCH reestablished hedge accounting by designating the Series 2013B bonds as hedged debt.

VCUMC uses interest rate swap agreements to limit this exposure to rising interest rates on its variable-rate debt. Interest rate differentials to be paid or received as a result of the swap agreements are accrued and recognized as an adjustment of interest expense related to the associated debts. Derivatives are recognized on the statements of net position at their fair value. Fair value is calculated using the zero-coupon method, which considers known and projected contractual cash flows. VCUMC assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items. Changes in fair value of a derivative that are effective and are designated and qualify as cash flow hedges are recorded as deferred inflows or outflows on the accompanying consolidated statements of net position.

Below are debt service requirements of VCUMC's debt and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary.

Maturity	Principal	Interest	Hedging Derivative Instruments, Net	Total
2020	$3,160,000	$3,808,661	$2,914,759	$9,883,420
2021	3,260,000	3,735,512	2,869,353	9,864,865
2022	3,415,000	3,658,928	2,821,248	9,895,176
2023	3,535,000	3,579,654	2,771,661	9,886,315
2024	3,660,000	3,497,584	2,719,636	9,877,220
2025-2029	42,465,000	14,657,217	12,399,928	69,522,145
2030-2034	58,240,000	9,045,195	9,169,082	76,454,277
2035-2039	59,380,000	1,954,088	3,895,823	65,229,911
Total	$177,115,000	$43,936,839	$39,561,490	$260,613,329

27. SUBSEQUENT EVENTS

As of June 30, 2019, the College of Engineering Foundation had $317,598 of cash surrender value of life insurance recorded as an asset on the consolidated statement of net position related to an insurance policy. During fiscal year 2020, the Foundation expects to receive $1,000,000 on the insurance policy due to the death of the insured on August 15, 2019.

On October 18, 2019, the Authority executed a Stock Purchase Agreement to sell an 80% interest in its wholly-owned subsidiary Virginia Premier Health Plan, Inc. ("Virginia Premier") to Sentara Healthcare, a not-for-profit nonstock corporation that is wholly unrelated to the Authority. The close of such sale is currently expected to occur on or about May 1, 2020, subject to the completion of certain conditions to closing.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
For the Years Ending up to June 30, 2019, 2018, 2017, 2016 and 2015

University - State Employee

	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	5.26%	5.10%	5.12%	5.10%	4.97%
Employer's proportionate share of net pension liability	$284,679,000	$297,415,000	$337,179,000	$312,358,000	$277,982,000
Employer's covered payroll	$217,121,483	$204,261,684	$201,682,517	$196,421,847	$191,084,233
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	131.12%	145.60%	167.18%	159.02%	145.48%
Plan fiduciary net position as a percentage of the total pension liability	77.39%	75.33%	71.29%	72.81%	74.28%

University - VaLORS

	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	1.22%	1.20%	1.15%	1.15%	1.06%
Employer's proportionate share of net pension liability	$7,602,000	$7,843,000	$8,914,000	$8,182,000	$7,120,000
Employer's covered payroll	$4,243,397	$4,082,915	$4,006,294	$3,900,759	$3,694,440
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	179.15%	192.09%	222.50%	209.75%	192.72%
Plan fiduciary net position as a percentage of the total pension liability	69.56%	67.22%	61.01%	62.64%	63.05%

Authority

	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.67%	0.74%	0.79%	0.87%	0.94%
Employer's proportionate share of net pension liability	$36,496,000	$43,367,000	$52,121,000	$53,472,000	$52,598,000
Employer's covered payroll	$24,977,594	$32,650,805	$34,987,924	$38,331,215	$41,277,334
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	146.11%	132.82%	148.97%	139.50%	127.43%
Plan fiduciary net position as a percentage of the total pension liability	77.39%	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available. The amounts presented have a measurement date of the previous year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
NET PENSION LIABILITY

University: State Employee

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$30,896,378	$30,896,378	$0	$227,265,042	13.6%
2018	$29,337,693	$29,337,693	$0	$217,121,483	13.5%
2017	$27,649,005	$27,649,005	$0	$204,261,684	13.5%
2016	$28,015,041	$28,015,041	$0	$201,682,517	13.9%
2015	$23,961,950	$23,961,950	$0	$196,421,847	12.2%

University: VaLORS Employee

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$1,011,096	$1,011,096	$0	$4,493,320	22.5%
2018	$893,608	$893,608	$0	$4,243,397	21.1%
2017	$856,350	$856,350	$0	$4,082,915	21.0%
2016	$751,154	$751,154	$0	$4,006,294	18.7%
2015	$684,450	$684,450	$0	$3,900,759	17.5%

Authority

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$3,114,190	$3,114,190	$0	$21,067,304	14.8%
2018	$3,602,983	$3,602,983	$0	$24,977,594	14.4%
2017	$3,926,430	$3,926,430	$0	$32,650,805	12.0%
2016	$4,761,770	$4,761,770	$0	$34,987,924	13.6%
2015	$4,145,864	$4,145,864	$0	$38,331,215	10.8%

Schedule is intended to show information for 10 years. 2015 was the first year for this presentation, additional years will be included as they become available.

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM
For the Years Ending up to June 30, 2019 and 2018

University

	2019	2018
Employer's portion of the net GLI OPEB liability (asset)	2.34%	2.30%
Employer's proportionate share of net GLI OPEB liability (asset)	$35,577,000	$34,569,000
Employer's covered payroll	$444,778,200	$422,276,388
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	8.00%	8.19%
Plan fiduciary net position as a percentage of the total GLI OPEB liability (asset)	51.22%	48.86%

Schedule is intended to show information for 10 years. 2019 was the second year for this presentation, additional years will be included as they become available.
The amounts presented have a measurement date of the previous year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM

University

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$2,441,940	$2,441,940	$0	$464,513,764	0.5%
2018	$2,319,624	$2,319,624	$0	$444,778,200	0.5%
2017	$2,193,253	$2,193,253	$0	$422,276,388	0.5%
2016	$2,433,216	$2,433,216	$0	$411,845,386	0.6%
2015	$2,340,317	$2,340,317	$0	$396,819,296	0.6%
2014	$1,808,327	$1,808,327	$0	$382,916,340	0.5%
2013	$1,323,357	$1,323,357	$0	$354,104,353	0.4%
2012	$389,172	$389,172	$0	$345,496,078	0.1%
2011	$395,647	$395,647	$0	$326,195,368	0.1%
2010	$1,017,598	$1,017,598	$0	$322,051,713	0.3%

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
HEATH INSURANCE PROGRAM
For the Years Ending up to June 30, 2019 and 2018

University

	2019	2018
Employer's portion of the net HIC OPEB liability (asset)	6.59%	6.53%
Employer's proportionate share of net HIC OPEB liability (asset)	$60,142,000	$59,419,000
Employer's covered payroll	$443,037,262	$421,549,820
Employer's proportionate share of the net HIC OPEB liability (asset) as a percentage of its covered payroll	13.57%	14.10%
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	9.51%	8.03%

Authority

	2019	2018
Employer's portion of the net HIC OPEB liability (asset)	0.82%	0.90%
Employer's proportionate share of net HIC OPEB liability (asset)	$7,495,000	$8,180,000
Employer's covered payroll	$42,434,663	$47,623,512
Employer's proportionate share of the net HIC OPEB liability (asset) as a percentage of its covered payroll	17.66%	17.18%
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	9.51%	8.03%

Schedule is intended to show information for 10 years. 2019 was the second year for this presentation, additional years will be included as they become available.
The amounts presented have a measurement date of the previous year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
HEATH INSURANCE PROGRAM

University

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$5,436,235	$5,436,235	$0	$462,500,563	1.2%
2018	$5,228,683	$5,228,683	$0	$443,037,261	1.2%
2017	$4,951,561	$4,951,561	$0	$421,549,820	1.2%
2016	$4,313,368	$4,313,368	$0	$410,776,125	1.1%
2015	$4,146,910	$4,146,910	$0	$395,699,109	1.0%
2014	$3,818,857	$3,818,857	$0	$381,881,465	1.0%
2013	$3,405,310	$3,405,310	$0	$353,525,732	1.0%
2012	$344,424	$344,424	$0	$344,413,443	0.1%
2011	$445,119	$445,119	$0	$325,139,117	0.1%
2010	$3,229,486	$3,229,486	$0	$320,591,339	1.0%

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LINE OF DUTY ACT PLAN
For the Years Ending up to June 30, 2019 and 2018

University

	2019	2018
Employer's portion of the net LODA OPEB liability (asset)	0.47%	0.42%
Employer's proportionate share of net LODA OPEB liability	$1,486,000	$1,093,000
Employer's covered-employee payroll	N/A*	N/A*
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll	N/A*	N/A*
Plan fiduciary net position as a percentage of the total LODA OPEB liability (asset)	0.60%	1.30%

Schedule is intended to show information for 10 years. 2019 was the second year for this presentation, additional years will be included as they become available. The amounts presented have a measurement date of the previous year end.
* The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution verses a payroll-based contribution.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LINE OF DUTY ACT PLAN

University

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a % of Covered Employee Payroll
2019	$57,873	$57,873	$0	N/A*	N/A*
2018	$50,496	$50,496	$0	N/A*	N/A*
2017	$44,822	$44,822	$0	N/A*	N/A*
2016	$48,252	$48,252	$0	N/A*	N/A*
2015	$48,252	$48,252	$0	N/A*	N/A*
2014	$48,021	$48,021	$0	N/A*	N/A*
2013	$35,561	$35,561	$0	N/A*	N/A*
2012	$0	$0	$0	N/A*	N/A*
2011	N/A**	N/A**		N/A*	N/A*
2010	N/A**	N/A**		N/A*	N/A*

* The Line of Duty Program (LODA) includes full-time employees, part-time employees and volunteers. Contributions for the program are based on the number of full-time equivalent employees in the program using a per capita-based contributions versus a payroll-based contribution.
** FY 2011 was the first year for the Line of Duty Act Program, however there were no contributions.

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
VIRGINIA SICKNESS AND DISABILITY PROGRAM
For the Years Ending up to June 30, 2019 and 2018

University

	2019	2018
Employer's portion of the net VSDP OPEB liability (asset)	5.18%	5.07%
Employer's proportionate share of net VSDP OPEB liability (asset)	($11,677,000)	($10,418,000)
Employer's covered payroll	$203,545,787	$185,049,708
Employer's proportionate share of the net VSDP OPEB liability (asset) as a percentage of its covered payroll	-5.74%	-5.63%
Plan fiduciary net position as a percentage of the total VSDP OPEB liability (asset)	194.74%	186.63%

Schedule is intended to show information for 10 years. 2019 was the second year for this presentation, additional years will be included as they become available
The amounts presented have a measurement date of the previous year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
VIRGINIA SICKNESS AND DISABILITY PROGRAM

University

Plan for the year ended June 30,	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	$1,361,365	$1,361,365	$0	$218,024,883	0.6%
2018	$1,343,402	$1,343,402	$0	$203,545,787	0.7%
2017	$1,221,414	$1,221,414	$0	$185,049,708	0.7%
2016	$1,192,441	$1,192,441	$0	$180,667,862	0.7%
2015	$1,141,021	$1,141,021	$0	$174,915,547	0.7%
2014	$796,824	$796,824	$0	$169,539,538	0.5%
2013	$786,113	$786,113	$0	$174,853,924	0.4%
2012	$0	$0	$0	$181,503,118	0.0%
2011	$70,941	$70,941	$0	$170,371,780	0.0%
2010	$1,710,199	$1,710,199	$0	$170,892,570	1.0%

SCHEDULE OF EMPLOYER'S SHARE OF OPEB LIABILITY
PRE-MEDICARE RETIREES HEALTH PROGRAM
For the Years Ending up to June 30, 2019 and 2018

University

	2019	2018
Employer's portion of the OPEB liability (asset)	6.65%	6.48%
Employer's proportionate share of OPEB liability (asset)	$66,903,906	$84,150,119
Employer's covered-employee payroll	$452,007,927	$437,766,050
Employer's proportionate share of the Retiree Healthcare OPEB liability as a percentage of its covered employee payroll	14.8%	19.2%

Authority

	2019	2018
Employer's portion of the OPEB liability (asset)	0.43%	0.47%
Employer's proportionate share of OPEB liability (asset)	$4,347,621	$6,163,705
Employer's covered-employee payroll	$18,552,352	$20,659,339
Employer's proportionate share of the Retiree Healthcare OPEB liability as a percentage of its covered employee payroll	23.4%	29.8%

Schedule is intended to show information for 10 years. 2019 was the second year for this presentation, additional years will be included as they become available.
The amounts presented have a measurement date of the previous year end.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VRS State Employee Pension Plan, Group Life Insurance Program, Health Insurance Credit Program, Line of Duty Act Program and Disability Insurance Program

Changes of benefit terms – There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees (VRS, GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees (VRS, GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees (GLI, HIC):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement from 70 to 75

Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Largest Ten Locality Employers – Public Safety Employees (LODA):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI) and Non-Largest Ten Locality Employers – Public Safety Employees (LODA):

Mortality Rates (Pre-retirement, post-retirement healthy and disabled)	Updated to a more current mortality table – RP – 2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Pre-Medicare Retirees Health Program

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the June 30, 2017 valuation based on recent experience:

- Spousal Coverage – reduced that rate from 50% to 35%
- Retiree Participation – reduced the rate from 70% to 60%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 6, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Commonwealth University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Virginia Commonwealth University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Reporting Entity

As discussed in Note 1 of the accompanying financial statements, the fiscal year 2018 financial statements have been restated due to a change in reporting entity. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 3 through 11; the Schedule of Employer's Share of Net Pension Liability and the Schedule of Employer Contributions on pages 115 through 116; the Schedules of Employer's Share of Net OPEB Liability and the Schedules of Employer Contributions for the Group Life Insurance Program, Health Insurance Program, Line of Duty Act Plan, and Virginia Sickness and Disability Program on pages 117 through 121; the Schedule of Employers Share of OPEB Liability for the Pre-Medicare Retirees Health Program on page 122; and the notes to required supplementary information on pages 124 through 127. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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