University of Richmond and its Affiliates

Consolidated Financial Statements, Supplemental Schedules, including the Schedule of Expenditures of Federal Awards, and Audit of Federal Awards Performed in Accordance with U.S. Office of Management and Budget Circular A-133

June 30, 2015

(With Independent Auditors' Reports Thereon in Accordance with *Government Auditing Standards* and OMB Circular A-133)

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Trustees
University of Richmond:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Richmond and its affiliates (the University), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Richmond and its affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Report on Summarized Comparative Information

We have previously audited the University of Richmond and its affiliates' 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015 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 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.

KPMG LLP

October 1, 2015

Consolidated Statement of Financial Position

As of June 30, 2015

With comparative financial information as of June 30, 2014

(in thousands)

	2015	2014
Assets:		
Cash and cash equivalents	$ 31,865	97,520
Pledges receivable, net	21,832	22,258
Investments	2,436,404	2,344,795
Other assets, net	27,652	27,211
Property, plant and equipment, net	333,404	323,997
Consolidated variable interest entity		
Investments	1,549,579	1,360,390
Other assets	80,823	116,703
Total assets	**$ 4,481,559**	**4,292,874**
Liabilities:		
Accounts payable and other liabilities	$ 46,248	49,797
Postretirement benefits	15,991	15,412
Notes payable	226,237	229,400
Interest rate swap agreements	25,632	22,778
Liabilities of consolidated variable interest entity	31,211	9,754
Funds held on behalf of others	1,601,088	1,496,470
Total liabilities	**1,946,407**	**1,823,611**
Net assets:		
Unrestricted	1,273,554	1,221,713
Temporarily restricted	885,091	881,571
Permanently restricted	376,507	365,979
Total net assets	**2,535,152**	**2,469,263**
Total liabilities and net assets	**$ 4,481,559**	**4,292,874**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2015

With summarized comparative financial information for the year ended June 30, 2014

(in thousands)

	2015				2014
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenues:					
Tuition and fees	$ 175,280	—	—	175,280	169,922
Less scholarship allowance	(69,325)	—	—	(69,325)	(66,154)
Net tuition and fees	105,955	—	—	105,955	103,768
Grants and contracts	4,278	—	—	4,278	5,676
Contributions	11,390	910	—	12,300	9,595
Investment return, net	60,102	43,716	—	103,818	98,143
Auxiliary enterprises	43,850	—	—	43,850	42,605
Other sources	7,416	—	—	7,416	4,769
Net assets released from restrictions	40,086	(40,086)	—	—	—
Total operating revenues	**273,077**	**4,540**	**—**	**277,617**	**264,556**
Operating expenses:					
Instruction	77,315	—	—	77,315	70,879
Research	6,210	—	—	6,210	6,234
Public service	3,427	—	—	3,427	3,164
Academic support and libraries	44,506	—	—	44,506	41,259
Student services	21,888	—	—	21,888	22,312
Institutional support	40,556	—	—	40,556	36,583
Auxiliary enterprises	67,081	—	—	67,081	60,443
Total operating expenses	**260,983**	**—**	**—**	**260,983**	**240,874**
Increase in net assets from operating activities	**12,094**	**4,540**	**—**	**16,634**	**23,682**
Nonoperating activities:					
Contributions	—	313	9,047	9,360	22,580
Investment return, net	116,901	18,926	537	136,364	467,672
Change in fair value of interest rate swap agreements	(2,854)	—	—	(2,854)	(943)
Change in postretirement benefits	(113)	—	—	(113)	(1,276)
Affiliated organizations' expenses	(13,380)	—	—	(13,380)	(13,950)
Other nonoperating activities, net	2,826	(1,742)	944	2,028	(7,619)
Net assets released from restrictions	18,517	(18,517)	—	—	—
	121,897	(1,020)	10,528	131,405	466,464
Less change in net assets related to variable interest entity	(82,150)	—	—	(82,150)	(202,771)
Increase (decrease) in net assets from nonoperating activities	**39,747**	**(1,020)**	**10,528**	**49,255**	**263,693**
Increase in net assets	**51,841**	**3,520**	**10,528**	**65,889**	**287,375**
Net assets at beginning of year	**1,221,713**	**881,571**	**365,979**	**2,469,263**	**2,181,888**
Net assets at end of year	**$ 1,273,554**	**885,091**	**376,507**	**2,535,152**	**2,469,263**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2015

With comparative financial information for the year ended June 30, 2014

(in thousands)

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 65,889	287,375
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	22,682	20,160
Net unrealized and realized gains on investments	(162,968)	(314,990)
Amortization of note premiums	(1,188)	(1,239)
Contributions restricted for purchase of property and equipment	(4,653)	(5,185)
Contributions restricted for endowment	(8,408)	(11,128)
Change in fair value of interest rate swap agreements	2,854	943
Change in investments of consolidated variable interest entity	(189,189)	(113,458)
Change in other assets of consolidated variable interest entity	35,880	(66,600)
Change in liabilities of consolidated variable interest entity	21,457	(25,471)
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	426	(9,378)
Other assets, net	(441)	(3,045)
Accounts payable and other liabilities	(3,549)	2,525
Postretirement benefits	579	1,661
Funds held on behalf of others	104,618	222,070
Net cash used in operating activities	**(116,011)**	**(15,760)**
Cash flows from investing activities:		
Proceeds from sales of investments	442,205	364,162
Purchases of investments	(370,846)	(416,719)
Purchases of property, plant and equipment	(32,089)	(51,823)
Net cash provided by (used in) investing activities	**39,270**	**(104,380)**
Cash flows from financing activities:		
Contributions restricted for purchase of property and equipment	4,653	5,185
Contributions restricted for endowment	8,408	11,128
Repayment of notes payable	(1,975)	(1,900)
Net cash provided by financing activities	**11,086**	**14,413**
Net decrease in cash and cash equivalents	(65,655)	(105,727)
Cash and cash equivalents at beginning of year	97,520	203,247
Cash and cash equivalents at end of year	**$ 31,865**	**97,520**
Supplemental disclosure:		
Cash paid for interest on notes payable and interest rate swap agreements	8,332	9,123
Cash paid for income taxes	1,219	4,741

See accompanying notes to the consolidated financial statements.

1 Organization and Summary of Significant Accounting Policies

Organization

The University of Richmond is a private institution of higher education located in Richmond, Virginia that provides a collaborative learning and research environment to students and professionals through a combination of liberal arts, law, business, leadership studies and continuing education.

Spider Management Company, LLC (SMC), a wholly controlled affiliate of the University of Richmond, provides investment research, advice, counsel and management with respect to the University of Richmond's endowment assets. The Richmond Fund, LP (Richmond Fund) is an investment limited partnership that provides a vehicle for unaffiliated 501(c) organizations to achieve investment returns that mirror the investment returns achieved by the University of Richmond's endowment. The Richmond Fund Management Company, LLC (RFMC), a wholly controlled affiliate of SMC, is the general partner of the Richmond Fund and is managed by SMC's Board of Managers. Richmond Quadrangle, LLC, a wholly controlled affiliate of the University of Richmond, owns and operates a building and land located in Richmond, Virginia.

Basis of Presentation

The consolidated financial statements include the financial statements of the University of Richmond and its affiliates (collectively, the University). The consolidated financial statements have been prepared on the accrual basis of accounting and significant intercompany balances and transactions have been eliminated in consolidation.

The assets and liabilities in the consolidated statement of financial position are presented in order of liquidity with the exception of investments, which have certain components that are considered short term and others that are considered long term.

The University classifies revenues earned and expenses incurred related to its core missions of teaching, research and scholarship, and investment returns made available for current use as operating revenues or expenses in the consolidated statement of activities. All other activities, including contributions restricted by donors or designated for longer term use by the Board of Trustees (the Board), are shown as a component of nonoperating activities.

Variable Interest Entity

Richmond Fund is considered a variable interest entity (VIE) consolidated by SMC based upon an analysis by management. SMC controls the activities of the Richmond Fund and as an investment management company, is considered to be the variable interest holder most closely associated with Richmond Fund's business. Consequently, SMC is considered to be the primary beneficiary. SMC is then consolidated by the University of Richmond.

The assets of the Richmond Fund are not available to creditors of the University of Richmond. Similarly, investors of the Richmond Fund have no recourse against the credit of the University of Richmond. The noncontrolling interest of the Richmond Fund is reported as funds held on behalf of others in the consolidated statement of financial position.

As the general partner of the Richmond Fund, RFMC receives management fees based on assets under management and performance allocations based upon returns earned by the Richmond Fund. The University's financial position, financial performance and cash flows are affected by the amount of management fees and performance allocations earned and payable to the University.

Net Asset Classes

The accompanying consolidated financial statements present information regarding the University's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted	Are not subject to donor restrictions but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.
Temporarily Restricted	Are subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions. Temporarily restricted net assets consist principally of gifts restricted by donors for capital projects, which have not yet been completed, and other operating purposes, and unconditional pledges expected to be received in future periods.
Permanently Restricted	Are subject to donor restrictions requiring that they be maintained permanently, thereby restricting the use of principal. Usually, donor restrictions allow part or all of the income earned to be used currently for either a restricted or unrestricted purpose. Permanently restricted net assets consist principally of contributed permanent endowment balances.

Cash and Cash Equivalents

Cash equivalents with a maturity of three months or less at date of purchase are reported as cash and cash equivalents. Cash equivalents held by investment custodians are reported as investments in the accompanying consolidated financial statements.

Investments

Investments are recorded at fair value in the consolidated statement of financial position. In determining fair value, the University uses various methods, including the market, income and cost approaches.

Investments in stocks, bonds and other fixed income securities are valued based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying fund managers and reviewed by the University after considering various sources of information.

The University has estimated the fair value of its hedge funds, real asset funds and private equity funds on the basis of the net asset value (NAV) per share of the investment or its equivalent, as a practical expedient, if a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the University's fiscal year end date. If the NAV is not fair value based or not available at the University's fiscal year end date, the University estimates the NAV. The University uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Hedge and private equity funds are subject to the terms of the respective funds' agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge fund and private equity arrangements. The University's investments are also subject to management and performance fees as specified in such funds' agreements.

Investments in real estate consist primarily of investment funds which invest in real estate partnerships as well as mortgages held by the University. Real estate funds are valued using NAV of the fund and mortgages are valued using the discounted cash flow method.

Investments are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment transactions are accounted for on a trade date basis. Dividend income or expense is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Cash dividends declared on stocks for which the securities portfolio reflects a short position as of the reporting date are recognized as an expense on the ex-dividend date. Realized gains and losses are determined by the specific identification method for investments in investment funds and average cost for investments in securities.

Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the consolidated statement of activities net of related investment fees. Realized and unrealized gains and losses are reported in the consolidated statement of activities as increases or decreases in unrestricted net assets, where there are no donor restrictions, or temporarily restricted net assets, until amounts have been appropriated and the donor-imposed or regulatory time restrictions have been satisfied.

Fair Value Measurements

The University measures certain assets and liabilities that are recognized or disclosed in the accompanying consolidated financial statements at fair value. The University determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities traded in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other market-corroborated inputs.
Level 3	Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The carrying amounts of accounts payable and other liabilities approximate fair value due to the short maturity of these financial instruments. The fair value of interest rate swap agreements is determined using pricing models developed based on the London Interbank Offered Rate (LIBOR) and other unobservable market data. The value was determined after considering the potential impact of collateralization and netting agreements, and adjusted to reflect nonperformance risk of both the counterparty and the University. The carrying amount of notes payable with variable interest rates approximates the fair value because the variable rates reflect current market rates for notes payable with similar maturities and credit qualities. As disclosed in Note 6, the fair value of notes payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities.

Derivative Instruments

Certain derivative instruments, such as interest rate swap agreements, are used by the University. The University recognizes all derivative instruments as either assets or liabilities in the consolidated statement of financial position at their respective fair values. Changes in fair value of derivatives are recognized as a change in net assets in the consolidated statement of activities.

Property, Plant and Equipment

Property, plant and equipment consisting of land, improvements, buildings, equipment and library books are stated at cost, if acquired by purchase, or estimated fair value at the date of donation, if contributed by a donor, net of accumulated depreciation. Depreciation is calculated using the straight-line method based on estimated useful lives of 30 to 50 years for buildings, 10 to 20 years for improvements, 5 to 10 years for equipment and 10 years for library books.

Collections

The University's collections of historically significant artifacts, scientific specimens and art objects are held for education, research, scientific inquiry, and public exhibition. Their value is not reflected in the University's consolidated financial statements, as permitted by U.S. generally accepted accounting principles (GAAP).

Revenue Recognition

Tuition and Fees

Student tuition and fees are recorded as revenue during the year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are categorized as deferred income and reported within accounts payable and other liabilities in the consolidated statement of financial position. Student aid provided by the University for tuition and fees is reflected as a reduction of tuition and fee revenue.

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue in the consolidated statement of activities, based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted contribution revenue. Contributions of other assets are recorded at the estimated fair value at the date of gift. Unconditional pledges are recorded at the estimated present value on the date of the commitment, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met. At June 30, 2015, the fair value of the conditional pledges received by the University is indeterminable.

Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, the University is exempt from Federal income taxes to the extent provided under Section 501 of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements. When applicable, the University recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and other liabilities. No interest expense or penalties have been recognized as of and for the year ended June 30, 2015. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2011 forward.

The Richmond Fund, RFMC and Richmond Quadrangle, LLC do not record provisions for income taxes because the partners and members report their share of the entities' income or loss on their respective income tax returns.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comparative Financial Information

The consolidated financial statements include certain prior year information for comparative purposes, which do not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2014, from which this information was derived.

New Accounting Pronouncements

The University has elected the early adoption of ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for the year ended June 30, 2015, and has applied the amendments retrospectively to all periods presented herein. As a result, those investments whose fair value is measured at NAV (or its equivalent) using the practical expedient are not categorized within the fair value hierarchy.

2 Endowment

At June 30, 2015, the University's endowment consisted of approximately 1,300 individual funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University has interpreted the Commonwealth of Virginia's enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, purposes, and durations for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund should be donor-restricted assets until appropriated for expenditure by the Board.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the University and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the University;
7. The University's investment policies.

Spending Policy

The University's spending policy was developed with the objectives of meeting the current operating needs of the University, providing year-to-year budget stability and protecting the future purchasing power of the endowment assets against the impact of inflation.

Under normal circumstances, endowment spending will increase at a rate of 6% per year above the previous year's spending rate. If, however, this amount exceeds 6% or is less than 4% of a three-year moving average of the market value of the endowment assets calculated on a one-year lagged basis, spending will be reduced to 6% or increased to 4% of the three-year moving average, respectively.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations. Per the University's investment policy, as approved by the Board, the primary investment objective is to earn an average annual real total return of at least 5% per year over the long term. Actual returns in any given year may vary from this amount. A secondary objective is to outperform, over the long term, a blended policy benchmark. The policy benchmark represents the weighted average of benchmark returns for each asset class in the policy asset allocation.

Strategies Employed for Achieving Objectives

To satisfy the return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University's asset allocation policy provides a diversified strategic mix of asset classes which emphasizes investments in equity and fixed income securities, investment funds, real assets, real estate and cash and produces the highest expected investment return within a prudent risk framework.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. At June 30, 2015, there were no significant deficiencies of this nature.

Endowment Net Assets at June 30 (in thousands)

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	824,157	359,063	1,183,220
Board-designated endowment funds	1,199,695	—	—	1,199,695
Total endowment net assets	**$ 1,199,695**	**824,157**	**359,063**	**2,382,915**

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	805,233	348,269	1,153,502
Board-designated endowment funds	1,195,966	—	—	1,195,966
Total endowment net assets	**$ 1,195,966**	**805,233**	**348,269**	**2,349,468**

Changes in Endowment Net Assets (in thousands)

	2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2014 Total
Beginning endowment net assets	$ 1,195,966	805,233	348,269	2,349,468	2,038,585
Investment return:					
Investment income, net	7,979	—	30	8,009	23,190
Net appreciation (depreciation)	71,671	61,134	(2,125)	130,680	316,318
Total investment return (loss)	79,650	61,134	(2,095)	138,689	339,508
Contributions	224	—	9,022	9,246	12,304
Appropriated for expenditure	(59,159)	(42,210)	—	(101,369)	(96,998)
Board-designated funds transfer	6,000	—	—	6,000	25,000
Transfers from annuity funds	—	—	140	140	7,695
Reinvested endowment income	3,499	—	2,777	6,276	5,015
Other adjustments	538	—	950	1,488	(1,474)
Endowment net assets before eliminations	1,226,718	824,157	359,063	2,409,938	2,329,635
Intercompany eliminations	(27,023)	—	—	(27,023)	19,833
Ending endowment net assets	**$ 1,199,695**	**824,157**	**359,063**	**2,382,915**	**2,349,468**

3 Investments and Derivatives

Fair Value Measurements

The following tables show the estimated fair value of University investments, investments of VIE, and derivatives for the fiscal year ended June 30. As stated in Note 1, the University has elected the early adoption of ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for the year ended June 30, 2015. Fair value measurements not valued using the practical expedient are categorized into a three-level hierarchy.

Fair Value of Assets and Liabilities (in thousands)

	2015	2014
Assets		
Investments		
Cash equivalents	$ 646	834
Corporate bonds and other fixed income	62,549	61,848
Common stock and preferred stock	23,007	23,731
Commingled funds	1,787	1,556
Hedge funds		
Equity oriented	1,068,068	1,092,311
Multi-strategy	303,753	299,819
Credit	239,084	172,875
Private equity funds	486,223	471,128
Real estate	77,037	62,901
Real asset funds	173,886	153,247
Other investments	364	4,545
Total investments	2,436,404	2,344,795
Investments of consolidated VIE		
Common stock and preferred stock	320,885	329,975
Commingled funds	42,562	49,215
Hedge funds		
Equity oriented	487,831	400,450
Multi-strategy	145,544	133,552
Credit	135,760	59,969
Real estate	19,921	—
Private equity funds	251,983	231,675
Real estate	37,815	38,774
Real asset funds	107,278	116,780
Total investments of consolidated VIE	1,549,579	1,360,390
Total assets	**$ 3,985,983**	**3,705,185**
Liabilities		
Interest rate swap agreements	$ 25,632	22,778

Fair Value of Assets and Liabilities by Level at June 30, 2015 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash equivalents	$ 646	—	—	646
Corporate bonds and other fixed income	3,459	59,090	—	62,549
Common stock and preferred stock	23,007	—	—	23,007
Commingled funds	1,787	—	—	1,787
Investments measured at net asset value[1]				2,348,415
Total investments	28,899	59,090	—	2,436,404
Investments of consolidated VIE				
Common stock and preferred stock	320,807	78	—	320,885
Commingled funds	42,562	—	—	42,562
Investments measured at net asset value[1]				1,186,132
Total investments of consolidated VIE	363,369	78	—	1,549,579
Total assets	**$ 392,268**	**59,168**	**—**	**3,985,983**
Liabilities				
Interest rate swap agreements	$ —	—	25,632	25,632

[1] Fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Fair Value of Assets and Liabilities by Level at June 30, 2014 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash equivalents	$ 834	—	—	834
Corporate bonds and other fixed income	—	61,848	—	61,848
Common stock and preferred stock	23,731	—	—	23,731
Commingled funds	1,556	—	—	1,556
Investments measured at net asset value[1]				2,256,826
Total investments	26,121	61,848	—	2,344,795
Investments of consolidated VIE				
Common stock and preferred stock	329,413	562	—	329,975
Commingled funds	48,880	335	—	49,215
Investments measured at net asset value[1]				981,200
Total investments of consolidated VIE	378,293	897	—	1,360,390
Total assets	**$ 404,414**	**62,745**	**—**	**3,705,185**
Liabilities				
Interest rate swap agreements	$ —	—	22,778	22,778

[1] Fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Investment Return

The components of investment return as reflected in the consolidated statement of activities are shown below. Investment return designated for operations is defined as the endowment spending distribution, as determined by the University's spending policy, and other investment income from unrestricted sources.

Investment Return (in thousands)

	2015	2014
Interest and dividends, net of fees	$ 25,399	42,804
Net realized and unrealized gains – University	162,968	314,990
Net realized and unrealized gains – consolidated variable interest entity	51,815	208,021
Total investment return	240,182	565,815
Less: Spending on current operations		
Endowment spending	101,835	95,744
Other investment income	1,983	2,399
Investment return – operating	**103,818**	**98,143**
Investment return – nonoperating	**$ 136,364**	**467,672**

Alternative Investment Commitments and Redemption Information at June 30, 2015 (in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments				
Hedge funds				
Equity oriented	$ 1,068,068	22,500	Daily to rolling 3 year lock-up	10 - 90 days
Multi-strategy	303,753	1,086	Monthly to annually	45 - 180 days
Credit	239,084	17,518	Quarterly to rolling 2 year lock-up	60 - 365 days
Private equity funds	486,223	206,059	N/A	N/A
Real estate	77,037	66,734	N/A	N/A
Real assets funds	173,886	121,051	N/A	N/A
	$ 2,348,051	**434,948**		
Investments of consolidated VIE				
Hedge funds				
Equity oriented	487,831	—	Daily to rolling 5 year lock-up	10 - 105 days
Multi-strategy	145,544	—	Monthly to annually	45 - 75 days
Credit	135,760	—	Quarterly to rolling 2 year lock-up	90 – 365 days
Real estate	19,921	—	Quarterly	60 days
Private equity funds	251,983	64,640	N/A	N/A
Real estate	37,815	13,898	N/A	N/A
Real assets funds	107,278	16,749	N/A	N/A
	$ 1,186,132	**95,287**		

Redemptions

Of the investments reported at NAV, approximately $0.87 billion were redeemable at June 30, 2015. It is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value in secondary markets, such estimates of fair value may differ from values that would have been applied had a readily available market existed, and those differences could be material. It is reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and that discount could be significant.

Derivatives

The University entered into four fixed interest rate swap agreements to convert the variable interest rates on notes payable to fixed rates without exchanging the underlying principal amounts. The University anticipates holding the interest rate swap agreements until the associated debt has been retired. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 0.187% at June 30, 2015.

Certain University derivative instruments contain provisions requiring that long term, unsecured debt be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. During the year ended June 30, 2015, the University's long term debt ratings exceeded these benchmarks. No collateral was required to be posted related to the University's interest rate swap agreements during the year ended June 30, 2015.

Derivatives (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2015	Fair Value Liability 2014	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (6,174)	(5,669)	(505)
June 1, 2031	3.744	30,000	(7,987)	(7,118)	(869)
August 1, 2034	4.000	25,000	(8,296)	(7,288)	(1,008)
November 1, 2036	3.744	10,000	(3,175)	(2,703)	(472)
			$ (25,632)	**(22,778)**	**(2,854)**

4 Pledges Receivable

Following is an analysis of the maturities of the University's unconditional pledges receivable as of June 30. Pledges receivable are designated for specific purposes including endowment, capital activities, and programmatic support.

Pledges Receivable, net (in thousands)

	2015	2014
Unconditional pledges expected to be collected in:		
Less than one year	$ 12,409	1,327
One year to five years	11,552	23,654
	23,961	24,981
Less unamortized discount[1]	(968)	(1,351)
Less allowance for uncollectible amounts	(1,161)	(1,372)
	$ 21,832	**22,258**

[1]*Discount rates range from 1.1% to 5.6%*

5 Property, Plant and Equipment

Property, plant, and equipment, as shown in the consolidated statement of financial position, consist of the following as of June 30:

Property, Plant and Equipment, net (in thousands)

	2015	2014
Land	$ 20,740	20,740
Buildings	426,973	381,236
Improvements	37,716	31,129
Equipment	95,286	93,372
Library books	73,902	70,882
Construction in progress	31,612	57,986
	686,229	655,345
Accumulated depreciation	(352,825)	(331,348)
	$ 333,404	**323,997**

6 Notes Payable

The University has issued tax-exempt revenue bonds through the Virginia College Building Authority. Principal payments are due in varying annual installments between 2016 and 2042. Proceeds were used to refinance existing debt as well as to construct, equip, or improve several capital projects on campus. Principal balances, including unamortized premium amounts, were as follows at June 30:

Notes Payable (in thousands)

	2015	2014
Tax-exempt fixed-rate		
Series 2011A, 3.00% - 5.00%, final maturity in 2023	$ 20,643	22,948
Series 2011B, 5.00%, final maturity in 2021	42,232	43,007
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,462	61,545
Tax-exempt variable-rate[1]		
Series 2004, 0.04%, final maturity in 2034	46,000	46,000
Series 2006, 0.04%, final maturity in 2037	55,900	55,900
	$ 226,237	**229,400**

[1]Variable rates for Series 2004 and Series 2006 notes reset weekly and daily, respectively. Interest rates shown reflect averages for the year ended June 30, 2015.

Estimated Aggregate Annual Maturities of Notes Payable (in thousands)

Years ending June 30:	
2016	$ 21,825
2017	2,170
2018	2,275
2019	2,390
2020	2,495
Thereafter	190,885
	222,040
Unamortized premium	4,197
	$ 226,237

Fair value of notes payable at June 30, 2015 was $230.0 million.

The University has standby credit facilities to enable the University to repurchase tendered variable-rate debt in the event of a failed remarketing. Two diversified facilities totaling $101.9 million are available to the University solely for this purpose and may not be used for the operating or capital needs of the University. There were no draws against these standby credit facilities for the year ended June 30, 2015.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.4 million, was $6.6 million for the year ended June 30, 2015. Interest capitalized into the cost of construction was $1.3 million for the year ended June 30, 2015.

On July 14, 2015 the University authorized the issuance and sale of $40.0 million of taxable notes. See Note 13 for additional information.

7 Retirement Plans and Postretirement Benefits

The University has certain contributory defined contribution retirement annuity plans for academic and nonacademic employees. Contributions are based on a percentage of the employee's salary. The University contributed $9.6 million into these plans for the year ended June 30, 2015.

The University sponsors defined benefit health care plans that provide postretirement medical benefits to full-time employees who meet minimum age and service requirements. These plans, which are closed to new participants, are not funded.

The University utilizes a measurement date of June 30. Net actuarial loss and prior service cost not yet recognized as a component of net periodic postretirement costs were $7.7 million at June 30, 2015. At June 30, 2015 and 2014, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 7.10% and 7.23%, respectively, and is assumed to decrease gradually to 4.50% by the year 2038 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2015 year would increase the postretirement liability by $0.7 million and increase the net periodic postretirement benefit cost by $0.1 million. At June 30, 2015 and 2014, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.35% and 4.15%, respectively.

For the nontaxable federal subsidy related to the postretirement benefit plan drug benefit, the University has determined actuarial equivalence of its plans. Therefore, the accumulated benefit obligation and the net periodic benefit cost reflect a reduction arising from this subsidy.

Changes in Postretirement Benefit Obligation (in thousands)

		2015	2014
Change in postretirement benefit obligation:			
Accrued postretirement benefit obligation at beginning of year	$	15,412	13,751
Service cost		460	395
Interest cost		620	632
Benefits paid		(962)	(872)
Actuarial loss		461	1,506
Accrued postretirement benefit obligation at end of year	**$**	**15,991**	**15,412**

Net Periodic Postretirement Benefit Cost (in thousands)

		2015	2014
Net periodic postretirement benefit cost:			
Service cost	$	460	395
Interest cost		620	632
Amortization of unrecognized net loss		352	292
Amortization of prior service cost		(4)	(62)
	$	**1,428**	**1,257**

Estimated Future Benefit Payments For Years Ended (in thousands)

Years ending June 30:		
2016	$	1,016
2017		1,018
2018		997
2019		1,053
2020		1,084
2021 – 2025		5,466

8 Composition of Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 consist primarily of donor restricted endowment amounts whose income supports scholarships, professorships, lectureships and library funds.

Composition of Temporarily Restricted Net Assets (in thousands)

		2015	2014
Support of particular operating activities	$	43,729	41,551
Acquisition of long-lived assets		17,205	34,787
Accumulated appreciation on donor-restricted endowment funds		824,157	805,233
	$	**885,091**	**881,571**

9 Leases

On May 1, 2003, Richmond Quadrangle, LLC entered into a real estate lease agreement with Philip Morris USA, Inc. that commenced on November 1, 2003. The initial lease has terms of fifteen years and an option to extend the lease for three consecutive five year terms. The lease is classified as an operating lease by the University.

The rental income pursuant to this lease agreement for the year ended June 30, 2015 was $3.5 million and is included in other sources in the consolidated statement of activities. Future minimum rental income due under the terms of this agreement is as follows:

Future Minimum Rental Income (in thousands)

Years ending June 30:		
2016	$	3,549
2017		3,620
2018		3,693
2019		1,239
	$	**12,101**

10 Allocation of Expenses

The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities. Expenses are allocated on the basis of certain financial and nonfinancial data. The composition of expenses for the year ended June 30, 2015 is as follows:

Allocation of Expenses (in thousands)

Functional category		Direct expenses	Maintenance of plant[2]	Interest	Depreciation	Total expenses
Program services						
Instruction	$	70,351	3,087	838	3,039	77,315
Research		5,331	362	161	356	6,210
Public service		2,353	509	64	501	3,427
Academic support and libraries		32,293	5,189	1,915	5,109	44,506
Student services		17,700	2,010	199	1,979	21,888
Auxiliary enterprises		44,994	9,763	2,715	9,609	67,081
		173,022	**20,920**	**5,892**	**20,593**	**220,427**
Supporting services						
Institutional support[1]		37,741	1,173	487	1,155	40,556
	$	**210,763**	**22,093**	**6,379**	**21,748**	**260,983**

[1] Fundraising expenses of $5.7 million and depreciation expense for Richmond Quadrangle, LLC of $0.4 million are included in direct expenses in institutional support.

[2] Depreciation and interest expenses of $0.5 million and $0.2 million, respectively, are included in maintenance.

11 Related Party Transactions

The following related party transactions have all been eliminated in consolidation.

Investment management fees paid to SMC by the University for the year ended June 30, 2015 were $4.3 million.

Per the terms of the Richmond Fund's operating agreement dated January 28, 2008, the responsibility for managing the Richmond Fund is vested exclusively with the general partner, RFMC. The Richmond Fund pays RFMC a quarterly management fee, payable in arrears, equal to 1% per annum of the first $100 million of each limited partner's assets under management, 0.75% of the next $150 million, 0.5% of the next $250 million and 0.4% of the amount in excess of $500 million. Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2015 were $13.1 million, of which $3.5 million was payable to RFMC at June 30, 2015. At the end of each calendar year, the general partner may be entitled to a performance allocation with respect to each allocation layer of each limited partner equal to 10% of the net profits in excess of the net profits such limited partner would have achieved if the allocation layer had grown at 10%.

On January 28, 2008, the University entered into a blended rate of return agreement with the Richmond Fund. The purpose of the agreement is to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return prior to fees and expenses. An amendment to the agreement, effective June 30, 2015, changed the required settlement of the swap from quarterly to no less than once per calendar year within 60 days of a quarter end date. The University anticipates holding the swap agreement until termination of the Richmond Fund. The fair value of the swap at June 30, 2015 was a liability to the University and a receivable to the Richmond Fund in the amount of $5.4 million. The change in fair value for the year ended June 30, 2015 totaled $32.3 million and was a loss for the University and a gain for the Richmond Fund.

12 Contingencies and Commitments

Contingencies

From time to time, the University is involved in various legal proceedings in the normal course of operations. In management's opinion, the University is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, results of operations and/or liquidity of the University.

The University receives revenues under U.S. government funded grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. government. Recovery of indirect costs is based on predetermined rates negotiated with the U.S. government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the consolidated financial statements.

Commitments

The University is in the process of constructing, renovating and equipping certain facilities. The expected cost to complete construction in progress at June 30, 2015 was approximately $32.9 million.

13 Subsequent Events

On July 14, 2015, the University authorized the issuance and sale of $40.0 million of taxable notes through a private placement with New York Life Insurance and Annuity Corporation. The notes bear interest at a fixed rate of 3.60% and fully mature on July 14, 2045. Proceeds from the issuance will be used to advance refund the $19.7 million bullet maturity related to the VCBA 2011B bond due March 1, 2016. The remainder will be used for various capital projects.

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2015 consolidated financial statements through October 1, 2015, the date the consolidated financial statements were issued, and determined that there are no other items to disclose.

Statement of Financial Position

As of June 30, 2015

With comparative financial information as of June 30, 2014

(in thousands)

	2015	2014
Assets:		
Cash and cash equivalents	$ 33,225	98,929
Pledges receivable, net	21,832	22,258
Investments	2,462,852	2,371,820
Other assets, net	26,935	26,364
Property, plant and equipment, net	307,477	297,648
Total assets	**$ 2,852,321**	**2,817,019**
Liabilities:		
Accounts payable and other liabilities	$ 49,309	80,166
Postretirement benefits	15,991	15,412
Notes payable	226,237	229,400
Interest rate swap agreements	25,632	22,778
Total liabilities	**317,169**	**347,756**
Net assets:		
Unrestricted	1,273,554	1,221,713
Temporarily restricted	885,091	881,571
Permanently restricted	376,507	365,979
Total net assets	**2,535,152**	**2,469,263**
Total liabilities and net assets	**$ 2,852,321**	**2,817,019**

The supplementary information in this schedule presents the statement of financial position of the University of Richmond exclusive of the financial position of the affiliated entities discussed in note 1 to the consolidated financial statements.

See accompanying Independent Auditors' Report and notes to the consolidated financial statements.

Statement of Activities

For the year ended June 30, 2015

With summarized financial information for the year ended June 30, 2014

(in thousands)

	2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2014 Total
Operating revenues:					
Tuition and fees	$ 175,280	—	—	175,280	169,922
Less scholarship allowance	(69,325)	—	—	(69,325)	(66,154)
Net tuition and fees	105,955	—	—	105,955	103,768
Grants and contracts	4,278	—	—	4,278	5,676
Contributions	11,390	910	—	12,300	9,595
Investment return, net	60,102	43,716	—	103,818	98,143
Auxiliary enterprises	43,850	—	—	43,850	42,605
Other sources	14,884	—	—	14,884	15,057
Net assets released from restrictions	40,086	(40,086)	—	—	—
Total operating revenues	**280,545**	**4,540**	**—**	**285,085**	**274,844**
Operating expenses:					
Instruction	77,315	—	—	77,315	70,879
Research	6,210	—	—	6,210	6,234
Public service	3,427	—	—	3,427	3,164
Academic support and libraries	44,506	—	—	44,506	41,259
Student services	21,888	—	—	21,888	22,312
Institutional support	44,292	—	—	44,292	40,412
Auxiliary enterprises	67,081	—	—	67,081	60,443
Total operating expenses	**264,719**	**—**	**—**	**264,719**	**244,703**
Increase in net assets from operating activities	**15,826**	**4,540**	**—**	**20,366**	**30,141**
Nonoperating activities:					
Contributions	—	313	9,047	9,360	22,580
Investment return, net	17,638	18,926	537	37,101	244,288
Change in fair value of interest rate swap agreements	(2,854)	—	—	(2,854)	(943)
Change in postretirement benefits	(113)	—	—	(113)	(1,276)
Other nonoperating activities, net	2,827	(1,742)	944	2,029	(7,616)
Net assets released from restrictions	18,517	(18,517)	—	—	—
Increase (decrease) in net assets from nonoperating activities	**36,015**	**(1,020)**	**10,528**	**45,523**	**257,033**
Increase in net assets	**51,841**	**3,520**	**10,528**	**65,889**	**287,174**
Net assets at beginning of year	**1,221,713**	**881,571**	**365,979**	**2,469,263**	**2,182,089**
Net assets at end of year	**$ 1,273,554**	**885,091**	**376,507**	**2,535,152**	**2,469,263**

The supplementary information in this schedule presents the statement of activities of the University of Richmond exclusive of the activities of the affiliated entities discussed in note 1 to the consolidated financial statements.

See accompanying Independent Auditors' Report and notes to the consolidated financial statements.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

Federal grantor/program title	CFDA number	Grant expenditures	Loan disbursements	Total
Student financial assistance program cluster:				
Direct payments:				
Department of Education				
Federal Pell Grant Program	84.063	$ 2,496,517	—	2,496,517
Federal Supplemental Educational Opportunity Grant Program	84.007	247,428	—	247,428
Federal Work Study Program	84.033	342,008	—	342,008
Teacher Education Assistance for College and Higher Education Grant Program	84.379	2,973	—	2,973
Federal Perkins Loan Program (note 3)	84.038	—	5,151,048	5,151,048
Federal Direct Loan Program (note 4)	84.268	—	25,290,057	25,290,057
Total student financial assistance programs cluster		**3,088,926**	**30,441,105**	**33,530,031**
Research and development programs cluster:				
Direct payments:				
Department of Agriculture – National Institute of Food & Agriculture				
Population Persistence at an Invasion Front: Climatic Institutions of the Spread of the Gypsy Moth	10.310	5,065	—	5,065
Department of Defense				
Baseline Surveys for Amphibians and Prothonotary Warblers at Fort A.P. Hill, Virginia	12.300	37,260	—	37,260
Department of Interior - National Park Service				
Natural Resource Stewardship	15.944	8,004	—	8,004
Department of Justice				
University Coordinated Community Response: The Campus Alliance to End Violence	16.525	133,722	—	133,722
National Science Foundation				
MATHEMATICAL AND PHYSICAL SCIENCES:				
Research at Undergraduate Institutions: Chemical Investigations into the Bioactivity of the DNA Lesion 8-Oxo-2-Deoxyguanosine	47.049	28,557	—	28,557
CAREER: Theoretical Studies of the Relationships between Bonding Preferences in Inorganic Molecules, their Oligomers, and Extended Solids - Focusing on Metal Halides	47.049	57,864	—	57.864
Research at Undergraduate Institutions: Reaction Acceleration, Mediation, & Catalysis by In Situ Silylation	47.049	28,276	—	28,276
Research at Undergraduate Institutions: Single Molecule Metrology in Scanning Probe Microscopy through Correction of Fast Time Scale Positional Errors	47.049	56,486	—	56,486

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

Federal grantor/program title	CFDA number	Grant expenditures	Loan disbursements	Total
Direct payments, continued:				
National Science Foundation, continued				
MATHEMATICAL AND PHYSICAL SCIENCES, CONTINUED:				
Research at Undergraduate Institutions:				
Collaborative Research: Multireference Studies of Organic Polyradicals, Radical Reactions and Graphene Nanoribbons	47.049	$ 25,043	—	25,043
2014 Spring Topology & Dynamics Conference	47.049	500	—	500
Research at Undergraduate Institutions: Cosmic Microwave Background Polarization Analysis with Undergraduates	47.049	23,778	—	23,778
Research at Undergraduate Institutions: Xerogel Based-Amperometric Biosensors Incorporating Nanoparticle Networks – Adaptable Templates for Clinically Relevant Measurements	47.049	474	—	474
BIOLOGICAL SCIENCES:				
Collaborative Research: Assembling the Tree of Life, Porifera Tree of Life, The Porifera Tree of Life Project	47.074	3,128	—	3,128
Research at Undergraduate Institutions: Understanding Steroid Regulation of Ionotropic Glutamate Receptors	47.074	85,660	—	85,660
Research at Undergraduate Institutions: Arts Revision of the Poorly Known Frog Genus Chiasmocleis	47.074	27,277	—	27,277
SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES:				
Major Research Instrumentation Grant: Acquisition of Apparatus to Study "Expressions of the Parental Brain"	47.075	7,711	—	7,711
Research at Undergraduate Institutions: An Interdisciplinary Approach for Increasing Female Involvement & Achievement in STEM	47.075	61,465	—	61,465
Collaborative Research: Women's Empowerment, Food Security, and Farm Productivity	47.075	13,492	—	13,492
Department of Energy				
Medium Energy Nuclear Physics at the University of Richmond	81.049	40,947	—	40,947
Nuclear Structure Research	81.049	56,093	—	56,093
A Theoretical Investigation of the Structure and Reactivity of the Molecular Constituents of Oil, Sand and Oil Shale	81.049	44,602	—	44,602
Stewardship Science at the University of Richmond	81.112	143,349	—	143,349
Department of Education				
National Center for Education Research	84.305	273,788	—	273,788
Enhancing Outcome-Based Performance Measures	84.133	56,107	—	56,107

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

Federal grantor/program title	CFDA number	Grant expenditures	Loan disbursements	Total
Direct payments, continued:				
Department of Health and Human Services – Administration for Community Living				
Enhancing Outcome-Based Performance Measures	93.433	$ 18,345	—	18,345
Estimating Return on Investment in State Vocational Rehabilitation Programs	93.433	200,278	—	200,278
Department of Health and Human Services – National Institutes of Health				
The Synthesis and Bioassay of Novel Pyrroles	93.395	89,123	—	89,123
Enzymatic and Motor Properties of Myosin 19	93.398	8,299	—	8,299
Sodalis Glossinidius Iron Acquisition	93.855	88,547	—	88,547
Lipid Modulation of Potassium Channels	93.859	25,040	—	25,040
Pass through payments:				
Department of Defense				
VIRGINIA COMMONWEALTH UNIVERSITY:				
Chronic Effects of Neurotrauma Consortium	12.420	18,360	—	18,360
National Aeronautics and Space Administration				
UNIVERSITY OF PENNSYLVANIA:				
Research Opportunities in Space and Earth Science	43.001	102,946	—	102,946
Total research and development programs cluster		**1,769,586**	**—**	**1,769,586**
Other grants:				
Direct payments:				
Department of Interior - National Park Service				
Evaluating Potential National Natural Landmarks	15.945	7,978	—	7,978
Pass through payments:				
Department of Interior - National Park Service				
UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE:				
Assessment of Natural Resource Condition, Shenandoah National Park	15.945	8,606	—	8,606
National Endowment for the Arts				
MID-ATLANTIC ARTS FOUNDATION:				
Partnership Agreement Grant	45.025	15,813	—	15,813
Agency for International Development				
AMERICAN COUNCIL ON EDUCATION - HIGHER EDUCATION FOR DEVELOPMENT:				
Building Conservation Capacity for a Changing Amazonia	98.012	360,975	—	360,975
Total other grants		**393,372**	**—**	**393,372**
Total federal awards		**$ 5,251,884**	**30,441,105**	**35,692,989**

See accompanying Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Notes to the Schedule of Expenditures of Federal Awards.

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the University of Richmond and its affiliates (the University) for the year ended June 30, 2015. All federal awards received directly and indirectly from federal agencies are included in this Schedule. Although the University is required to match certain amounts, as defined in the grant agreements, no such matching has been included in this Schedule. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the consolidated financial position, activities, and cash flows of the University.

2 Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting.

Expenditures for federal student financial assistance programs are recognized as incurred and include grants to students under the Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Programs, student earnings under the Federal Work Study Program, and administrative cost allowances, where applicable.

Expenditures for loans related to the Federal Direct Loan are reported in the Schedule when disbursed.

New loans made during the fiscal year and loans from previous fiscal years for which the University has continuing compliance requirements to adhere to related to the Federal Perkins Loan Program are reported in the Schedule.

Expenditures for other federal awards are recognized as incurred using the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-21, *Costs Principles for Educational Institutions*. Under these cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

3 Federal Perkins Loan Program

The total amount of Perkins loans outstanding at June 30, 2015 under the Federal Perkins Loans Program (CFDA Number 84.038) was $5,151,048 and is included in other assets in the University's consolidated statement of financial position as of June 30, 2015.

4 Federal Direct Loan Program

The University participates in the Federal Direct Loan Program (CFDA Number 84.268) (the Program), which includes the Federal Direct Subsidized Loan Program, the Federal Direct Unsubsidized Loan Program, and the Federal Direct PLUS Program. The Program requires the University to request cash from the U.S. Department of Education and disburse such funds.

The University is responsible only for the performance of certain administrative functions with respect to the Program, and accordingly, these loans are not included in the University's basic consolidated financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under the Program at June 30, 2015.

5 Reconciliation of Schedule to Consolidated Statement of Activities

Reconciliation of Schedule of Expenditures of Federal Awards to Consolidate Statement of Activities	
Federal grant expenditures per the Schedule	$ 5,251,884
Less: Federal grants considered agency transactions	(2,499,490)
Add: Nonfederal grants and contracts	1,525,606
Grants and contracts per Consolidated Statement of Activities for the year ended June 30, 2015	**$ 4,278,000**

6 Subrecipients

The University passed through to subrecipients Research and Development Programs cluster funds and Agency for International Development funds totaling approximately $466,000 and $189,000, respectively, for the year ended June 30, 2015.

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
University of Richmond:

We have audited, in accordance with the 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, the consolidated financial statements of the University of Richmond and its affiliates (the University), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 1, 2015

KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Trustees
University of Richmond:

Report on Compliance for Each Major Federal Program

We have audited the University of Richmond and its affiliates' (the University's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of

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requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2015, and have issued our report thereon dated October 1, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

February 25, 2016

UNIVERSITY OF RICHMOND AND ITS AFFILIATES

Schedule of Finding and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

(a) The type of report issued on the consolidated financial statements: **unmodified opinion**

(b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the consolidated financial statements: **none reported**

(c) Material weaknesses in internal control over financial reporting disclosed by the audit of the consolidated financial statements: **none**

(d) Noncompliance that is material to the consolidated financial statements: **none**

(e) Significant deficiencies in internal control over major programs: **none reported**

(f) Material weaknesses in internal control over major programs: **none**

(g) The type of report issued on compliance for major programs: **unmodified opinion**

(h) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: **none reported**

(i) Major programs:

Research and Development Programs Cluster (CFDA Nos. 10.310, 12.300, 12.420, 15.944, 16.525, 43.001, 47.049, 47.074, 47.075, 81.049, 81.112, 84.133, 84.305, 93.395, 93.398, 93.433, 93.855 and 93.859)

Student Financial Assistance Programs Cluster (CFDA Nos. 84.007, 84.033, 84.038, 84.063, 84.268 and 84.379)

(j) Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**

(k) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **no**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

(3) Findings and Questioned Costs relating to Federal Awards

None reported