University of Richmond

Consolidated Financial Statements

June 30, 2020

With Independent Auditors' Report Thereon

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

Independent Auditors' Report

The Board of Trustees
University of Richmond:

We have audited the accompanying consolidated financial statements of University of Richmond, which comprise the consolidated statement of financial position as of June 30, 2020, 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 Consolidated 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. 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 financial position of University of Richmond as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited University of Richmond's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 8, 2020

Consolidated Statement of Financial Position

As of June 30, 2020

With comparative financial information as of June 30, 2019
(in thousands)

	2020	2019
Assets		
Cash and cash equivalents	$ 125,963	68,181
Pledges receivable, net	12,378	13,027
Investments	2,394,307	2,561,158
Beneficial interest in perpetual trusts	29,549	29,711
Other assets, net	24,399	28,121
Property, plant and equipment, net	366,533	350,382
Total assets	**$ 2,953,129**	**3,050,580**
Liabilities		
Accounts payable and other liabilities	$ 70,360	56,535
Postretirement benefits obligation	20,435	18,740
Notes payable	232,209	235,127
Interest rate swap agreements	33,662	24,929
Total liabilities	**356,666**	**335,331**
Net assets		
Without donor restrictions	1,309,307	1,371,024
With donor restrictions	1,287,156	1,344,225
Total net assets	**2,596,463**	**2,715,249**
Total liabilities and net assets	**$ 2,953,129**	**3,050,580**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2020

With summarized comparative financial information for the year ended June 30, 2019
(in thousands)

	2020			
	Without donor restrictions	**With donor restrictions**	**Total**	**2019 Total**
Operating revenues				
Tuition and fees (Net of scholarship allowance of $86,344 and $83,725)	$ 114,869	—	114,869	113,378
Grants and contracts	5,059	—	5,059	3,696
Contributions	9,196	3,926	13,122	10,318
Investment return, net	118,456	888	119,344	120,499
Auxiliary enterprises	36,480	—	36,480	43,387
Other sources	24,065	—	24,065	22,027
Net assets released from restrictions	2,405	(2,405)	—	—
Total operating revenues	**310,530**	**2,409**	**312,939**	**313,305**
Operating expenses				
Instruction	88,932	—	88,932	91,168
Research	4,106	—	4,106	4,829
Public service	3,732	—	3,732	3,845
Academic support and libraries	50,933	—	50,933	51,374
Student services	53,724	—	53,724	53,654
Institutional support	54,156	—	54,156	49,823
Auxiliary enterprises	45,924	—	45,924	50,459
Total operating expenses	**301,507**	**—**	**301,507**	**305,152**
Change in net assets from operating activities	**9,023**	**2,409**	**11,432**	**8,153**
Nonoperating activities				
Contributions	1,402	9,372	10,774	17,332
Investment return, net	(65,652)	(58,863)	(124,515)	(5,873)
Change in fair value of interest rate swap agreements	(8,733)	—	(8,733)	(6,154)
Change in postretirement benefits	(1,175)	—	(1,175)	1,098
Other nonoperating activities, net	(5,927)	(642)	(6,569)	(3,703)
Net assets released from restrictions	9,345	(9,345)	—	—
Change in net assets from nonoperating activities	**(70,740)**	**(59,478)**	**(130,218)**	**2,700**
Change in net assets	**(61,717)**	**(57,069)**	**(118,786)**	**10,853**
Net assets at beginning of year	**1,371,024**	**1,344,225**	**2,715,249**	**2,704,396**
Net assets at end of year	**$ 1,309,307**	**1,287,156**	**2,596,463**	**2,715,249**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2020

With comparative financial information for the year ended June 30, 2019
(in thousands)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (118,786)	10,853
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	29,521	28,870
Net unrealized and realized gains on investments	(33,306)	(127,839)
Settlement activity for rate of return agreement	16,356	10,093
Amortization of note premiums	(423)	(454)
Contributions restricted for purchase of property and equipment	(3,324)	(2,348)
Contributions restricted for endowment	(4,690)	(8,170)
Change in fair value of interest rate swap agreements	8,733	6,154
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	649	(3,389)
Beneficial interest in perpetual trusts	162	72
Other assets, net	3,722	1,102
Accounts payable and other liabilities	(4,107)	(40,484)
Postretirement benefits obligation	1,695	1,544
Net cash used in operating activities	**(103,798)**	**(123,996)**
Cash flows from investing activities		
Proceeds from sales of investments	574,154	525,557
Purchases of investments	(373,997)	(361,581)
Purchases of property, plant and equipment	(44,096)	(36,323)
Net cash provided by investing activities	**156,061**	**127,653**
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	3,324	2,348
Contributions restricted for endowment	4,690	8,170
Repayment of notes payable	(2,495)	(2,390)
Net cash provided by financing activities	**5,519**	**8,128**
Net increase in cash and cash equivalents	57,782	11,785
Cash and cash equivalents at beginning of year	68,181	56,396
Cash and cash equivalents at end of year	**$ 125,963**	**68,181**
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	$ 9,610	7,668
Cash paid for income taxes	500	—
Increase in property, plant and equipment related to accounts payable	1,576	1,455

See accompanying notes to the consolidated financial statements.

1 Organization & Summary of Significant Accounting Policies

Organization

The University of Richmond (the University) 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, provides investment research, advice, counsel and management with respect to the University's endowment assets. The Richmond Fund Management Company, LLC (RFMC), a wholly controlled affiliate of SMC, is the general partner of the Richmond Fund, LP (Richmond Fund) and is managed by SMC's Board of Managers. The 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 of the University's endowment.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Significant inter-entity 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, scholarship and service, 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.

Net Asset Classes

The accompanying consolidated financial statements present information regarding the University's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions

Net assets that are subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions.

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 in the accompanying consolidated statement of financial position. Cash equivalents held by investment custodians are reported within investments in the accompanying consolidated financial statements. These investments are not considered cash equivalents for purposes of the consolidated statement of cash flows.

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.

For investments made directly by the University whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. The University's interests in alternative investment funds such as fixed income, equities, hedged strategies, private capital, and real assets are reported at the net asset value (NAV) reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, the University has concluded, as a practical expedient, that the NAV approximates fair value.

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 the NAV of the fund.

Investments are exposed to several risks, including 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. 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 expenses. Investment return is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions, 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 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.

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 value. Changes in fair value of derivatives are recognized as a change in net assets without donor restrictions in the consolidated statement of activities.

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.

Property, Plant and Equipment

Property, plant and equipment consisting of land, improvements, buildings, equipment and library books are stated at cost, if purchased, or estimated fair value at the date of gift, 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. GAAP.

Revenue Recognition

Tuition and Fees

Student tuition and fees are recorded as revenue during the academic term that the related academic services are rendered. Student tuition and fees received in advance of services rendered are considered as deferred revenue and reported within accounts payable and other liabilities in the consolidated statement of financial position. Payments for tuition are typically due the first Monday in August for the Fall semester, first Monday in December for the Spring term, and the first date of each respective summer term. Undergraduate tuition and fees are approximately 88% of total gross tuition and fees.

The University offers several summer terms where revenue is recognized ratably over each summer term. Summer tuition revenue recognized was $3.1 million for the year ended June 30, 2020. Summer tuition revenue deferred was $0.8 million as of June 30, 2020.

Need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students for the years ended June 30, 2020 and 2019 were $86.3 million and $83.7 million, respectively.

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue based upon any donor-imposed restrictions, on the date of the donor's commitment or gift. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as contribution revenue without donor restrictions. Contributions of other assets are recorded at estimated fair value at the date of gift. Unconditional pledges are recorded at estimated present value at 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. As of June 30, 2020, the fair value of the conditional pledges received by the University is indeterminable.

Auxiliary Enterprises

The University's auxiliary enterprises are managed as self-supporting activities. Auxiliaries consist primarily of food services, housing, and bookstore operations. Auxiliary revenues are recognized over the academic term or at the point of sale for bookstore operations.

Tax Status

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.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. Among other things, the TCJA imposes an excise tax on net investment income for certain organizations and establishes new rules for calculating unrelated business taxable income. The University is subject to the excise tax; however, there is uncertainty in the available proposed regulatory guidance. The University has reflected an estimate in its consolidated financial statements for both unrelated trade or business income tax and the excise tax using the current proposed regulatory guidance. The University continues to evaluate the impact of the TCJA on current and future tax positions.

The University accounts for uncertain tax positions, when applicable. Apart from those impacted by the TCJA, the University has not taken any uncertain tax positions. No interest expense or penalties have been recognized as of and for the year ended June 30, 2020. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2016 and forward.

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.

New Accounting Pronouncements

ASU 2016-02, *Leases (Topic 842)*, as amended, was issued by the Financial Accounting Standards Board (FASB) in February 2016. ASU 2016-02 increases transparency and comparability among organizations by requiring recognition of rights and obligations arising from lease contracts as assets and liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the University beginning in fiscal year 2021. The University is still assessing the impact of this update on its consolidated financial statements.

Comparative Financial Information and Reclassifications

The consolidated financial statements include certain prior year information presented for comparative purposes, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended June 30, 2019, from which this information was derived.

Current Environment

The COVID-19 pandemic has negatively affected national, state, and local economies as well as global financial markets and the higher education landscape in general. Commencing March 23, 2020, course instruction at the University was conducted virtually and most students vacated the campus. The University issued refunds of $5.4 million in fiscal year 2020 for housing and dining services not provided. Students continued to meet their academic requirements for the remainder of the 2019 – 20 academic year. While the total financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

Subsequent Events

The University has evaluated subsequent events for potential recognition or disclosure in the June 30, 2020 consolidated financial statements through October 8, 2020, the date the consolidated financial statements were issued.

On July 14, 2020, the University authorized the issuance and sale of $55.0 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 2.95% and fully mature on July 14, 2050. A portion of the proceeds will be used to repay the Series 2011A and 2011B tax-exempt revenue bonds. The remainder will be used for various capital projects.

2 Endowment

At June 30, 2020, the University's endowment consisted of approximately 1,450 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.

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 level of 3% 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. 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 based on the current asset allocation policy. A third objective is to rank in the top quartile of the National Association of College and University Business Officers' reported endowment returns.

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 and current yield. The University's asset allocation policy provides a diversified strategic mix of asset classes which emphasizes investments in equity and fixed income securities, hedge funds, private equity, real assets, real estate funds, and cash and produces the highest expected investment return within a prudent risk framework.

Underwater Endowment Funds

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. The University has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of June 30, 2020, donor-restricted endowment funds with deficiencies of this nature had original gift values totaling $16.4 million and fair values totaling $16.0 million, resulting in an underwater amount of $0.4 million.

Endowment Net Assets as of June 30 (in thousands)

	2020		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$ 1,197,948	—	1,197,948
Donor-restricted endowment funds			
Historical gift value	—	375,827	375,827
Accumulated gains	—	802,278	802,278
Beneficial interest in trusts	—	29,549	29,549
Total endowment net assets	**$ 1,197,948**	**1,207,654**	**2,405,602**

	2019		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$ 1,253,632	—	1,253,632
Donor-restricted endowment funds			
Historical gift value	—	366,124	366,124
Accumulated gains	—	863,742	863,742
Beneficial interest in trusts	—	29,711	29,711
Total endowment net assets	**$ 1,253,632**	**1,259,577**	**2,513,209**

Changes in Endowment Net Assets (in thousands)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019 Total
Beginning endowment net assets	$ 1,253,632	1,259,577	2,513,209	2,506,098
Investment return, net	502	1,609	2,111	115,367
Contributions	92	4,690	4,782	8,219
Board designated funds transfer	3,875	—	3,875	—
Charitable gift annuity transfer	—	2,170	2,170	—
Appropriated for expenditure	(64,297)	(63,232)	(127,529)	(122,699)
Reinvested endowment income	4,271	2,466	6,737	6,329
Other adjustments	(127)	374	247	(105)
Ending endowment net assets	**$ 1,197,948**	**1,207,654**	**2,405,602**	**2,513,209**

3 Investments and Other Fair Value Measurements

Fair Value Measurements

The following tables show the estimated fair value of University investments as of June 30. Fair value measurements not valued using NAV as the practical expedient are categorized into a three-level hierarchy.

Fair Value of Investments by Level as of June 30 (in thousands)

	2020				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash equivalents	$ —	—	—	—	—
Corporate bonds & other fixed income	3,516	1,245	—	—	4,761
Common stock and preferred stock	858	—	—	—	858
Commingled funds	2,370	—	—	—	2,370
Alternative investments					
Credit	—	—	—	302,356	302,356
Global equity long-only	—	—	—	635,546	635,546
Global equity long/short	—	—	—	423,487	423,487
Multi-strategy	—	—	—	173,433	173,433
Private equity funds	—	—	—	556,403	556,403
Real assets	—	—	—	160,090	160,090
Real estate	—	—	—	135,003	135,003
Total investments	**$ 6,744**	**1,245**	**—**	**2,386,318**	**2,394,307**

	2019				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash equivalents	$ 25,776	—	—	—	25,776
Corporate bonds & other fixed income	96,012	6,878	—	—	102,890
Common stock and preferred stock	733	—	—	—	733
Commingled funds	2,098	—	—	—	2,098
Alternative investments					
Credit	—	—	—	263,907	263,907
Global equity long-only	—	—	—	564,175	564,175
Global equity long/short	—	—	—	526,878	526,878
Multi-strategy	—	—	—	125,202	125,202
Private equity funds	—	—	—	592,314	592,314
Real assets	—	—	—	240,045	240,045
Real estate	—	—	—	117,140	117,140
Total investments	**$124,619**	**6,878**	**—**	**2,429,661**	**2,561,158**

Alternative Investment Commitments and Redemption Information (in thousands)

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments				
Credit	$ 302,356	36,781	Quarterly to annually	45 - 150 days
Global equity long-only	635,546	30,000	Daily to rolling 2-year lock-up	30 - 90 days
Global equity long/short	423,487	—	Daily to rolling 3-year lock-up	45 - 90 days
Multi-strategy	173,433	17,610	Quarterly to 1-year lock-up	45 - 90 days
Private equity funds	556,403	239,279	N/A	N/A
Real assets	160,090	63,528	N/A	N/A
Real estate	135,003	185,494	N/A	N/A
	$2,386,318	**572,692**		

Redemptions

Of the investments reported at NAV, approximately $902.3 million were redeemable at June 30, 2020. 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 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.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. As such, these assets fall within level 3 of the hierarchy of fair value inputs, with changes resulting from net investment return of $(0.2) million. Distributions from these trusts are recorded as investment return designated for current operations.

Derivatives

The University has four fixed interest rate swap agreements to convert variable interest rates on notes payable to fixed rates without exchanging the underlying principal amounts. These liabilities fall within level 3 of the hierarchy of fair value inputs. 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 0.18% at June 30, 2020.

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 collateral on derivatives in net liability positions. During the year ended June 30, 2020, 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, 2020.

Derivatives as of June 30 (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2020	Fair Value Liability 2019	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (7,200)	(5,543)	(1,657)
June 1, 2031	3.744	30,000	(10,335)	(7,689)	(2,646)
August 1, 2034	4.000	25,000	(11,371)	(8,350)	(3,021)
November 1, 2036	3.744	10,000	(4,756)	(3,347)	(1,409)
			$ (33,662)	**(24,929)**	**(8,733)**

4 Pledges Receivable

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

Pledges Receivable, net as of June 30 (in thousands)

	2020	2019
Unconditional pledges expected to be collected in:		
Less than one year	$ 4,401	4,012
One year to five years	8,929	10,157
	13,330	14,169
Less unamortized discount[1]	(441)	(611)
Less allowance for uncollectible amounts	(511)	(531)
	$ 12,378	**13,027**

[1]*Discount rates range from 0.5% to 3.8%*

5 Property, Plant and Equipment

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

Property, Plant and Equipment as of June 30 (in thousands)		
	2020	**2019**
Land	$ 5,978	5,906
Buildings	537,765	520,307
Improvements	49,963	47,521
Equipment	97,881	96,896
Library books	88,760	85,805
Construction in progress	57,444	36,127
	837,791	792,562
Accumulated depreciation	(471,258)	(442,180)
	$ 366,533	**350,382**

6 Notes Payable

The University issued tax-exempt revenue bonds through the Virginia College Building Authority and taxable notes through a private placement with New York Life Insurance and Annuity Corporation. 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 as of June 30:

Notes Payable as of June 30 (in thousands)		
	2020	**2019**
Tax-exempt fixed-rate		
Series 2011A, 4.50% - 5.00%, final maturity in 2023	$ 8,356	10,948
Series 2011B, 5.00%, final maturity in 2021	20,906	21,149
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,047	61,130
Tax-exempt variable-rate[1]		
Series 2004, 1.25%, final maturity in 2035	46,000	46,000
Series 2006, 1.16%, final maturity in 2037	55,900	55,900
Taxable fixed-rate		
Series 2015, 3.60%, final maturity in 2046	40,000	40,000
	$ 232,209	**235,127**

[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, 2020.*

Repayments of Notes Payable for Years Ended June 30 (in thousands)	
Years ending June 30:	
2021	$ 23,360
2022	2,745
2023	2,880
2024	4,650
2025	2,255
Thereafter	194,995
	230,885
Unamortized premium	1,324
	$ 232,209

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, 2020.

The University has a one-year revolving credit facility in the amount of $20.0 million to support timing differences within the operating cash portfolio. Interest on drawn amounts is calculated at the greater of (a) the LIBOR daily floating rate and (b) 1.00%, plus 1.55%. Any unused outstanding credit balance incurs a fee of 0.375%. There was no outstanding balance against this facility as of June 30, 2020.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.5 million, was $9.1 million for the year ended June 30, 2020.

7 Retirement Plans and Postretirement Benefits

The University has 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 $11.7 million into these plans for the year ended June 30, 2020.

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 $9.3 million at June 30, 2020. At June 30, 2020 and 2019, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 5.80% and 6.00%, respectively, and is assumed to decrease gradually to 4.50% by the year 2038 and remain at that level thereafter. At June 30, 2020 and 2019, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 2.65% and 3.50%, 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 Benefits Obligation (in thousands)			
		2020	**2019**
Accrued postretirement benefits obligation at beginning of year	$	18,740	17,196
Service cost		656	555
Interest cost		636	707
Benefits paid		(1,129)	(1,120)
Actuarial loss		1,532	1,402
Accrued postretirement benefits obligation at end of year	**$**	**20,435**	**18,740**

Net Periodic Postretirement Benefit Cost (in thousands)			
		2020	**2019**
Service cost	$	656	555
Interest cost		636	707
Amortization of unrecognized net loss		357	303
	$	**1,649**	**1,555**

Estimated Future Benefit Payments for Years Ended June 30 (in thousands)		
2021	$	1,107
2022		1,140
2023		1,140
2024		1,181
2025		1,214
2026 – 2030		6,176

8 Composition of Net Assets

Net assets without donor restrictions include board-designated endowments that are used to support general operations. Within the donor-restricted endowments category, other programming consists of endowments restricted for specific programmatic purposes, including instruction; library support and materials; and athletics.

Composition of Net Assets as of June 30 (in thousands)		
	2020	**2019**
Without donor restrictions		
Board-designated endowments	$ 1,197,948	1,253,632
Other net assets without donor restrictions	111,359	117,392
Total without donor restrictions	**1,309,307**	**1,371,024**
With donor restrictions		
Donor-restricted endowments		
Scholarships and fellowships	538,911	557,022
Professorships	222,667	234,489
Other programming	446,076	468,066
Purpose restricted and other	79,502	84,648
Total with donor restrictions	**1,287,156**	**1,344,225**
	$ 2,596,463	**2,715,249**

9 Expenses

The composition of expenses for the year ended June 30, 2020 is as follows:

Operating Expenses for the Year Ended June 30, 2020 (in thousands)					
	Compensation and benefits	**Materials and supplies**	**Services and other**	**Interest and depreciation**	**Total**
Instruction	$ 75,819	2,498	5,323	5,292	**88,932**
Research	1,970	246	1,189	701	**4,106**
Public service	2,139	110	716	767	**3,732**
Academic support and libraries	25,918	6,456	8,761	9,798	**50,933**
Student services	30,813	3,299	12,504	7,108	**53,724**
Institutional support	39,880	2,728	9,478	2,070	**54,156**
Auxiliary enterprises	15,298	9,993	7,698	12,935	**45,924**
Total operating expenses	**$ 191,837**	**25,330**	**45,669**	**38,671**	**301,507**
2019 operating expenses	**$ 185,242**	**34,504**	**47,877**	**37,529**	**305,152**

Program services are comprised of instruction, research, public service, academic support and libraries, student services, and auxiliary enterprises. Athletics expenses are included in student services. Supporting services includes institutional support. Fundraising expenses of $5.7 million are included in institutional support. The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities on a square footage basis.

10 Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board. As further described in Note 6, the University may draw upon a revolving credit facility to manage cash flows. At June 30, 2020, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2020 (in thousands)	
Financial assets available for general expenditures within one year	
Cash and cash equivalents	$ 95,863
Operating investments	4,665
Liquidity resources	
Revolving credit facility	20,000

Additionally, the University has $1.2 billion in board-designated endowments, of which $902.3 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2021 spending from the endowment, which is estimated to be $128.1 million.

11 Related Party Transactions

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2020 were $13.3 million, of which $3.2 million was due to RFMC. RFMC earned a performance allocation of $4.0 million during the year ended June 30, 2020.

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. The agreement requires settlement of the agreement at least once a calendar year. The University anticipates holding the agreement until termination of the Richmond Fund. As of June 30, 2020, and 2019 the University has a liability to the Richmond Fund in the amount of $24.3 million and $8.0 million, respectively, which is included in accounts payable and other liabilities on the accompanying consolidated statement of financial position. The settlement value for the year ended June 30, 2020 totaled $37.2 million which has been recorded against investment return.

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, change in net assets, 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, 2020 was approximately $47.7 million.