

University of Richmond

Consolidated Financial Statements, the Schedule of Expenditures of Federal Awards, and Audit of Federal Awards Performed in Accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

June 30, 2020

With Independent Auditors' Reports Thereon in Accordance with Government Auditing Standards and Uniform Guidance Including Supplementary Schedule of Financial Responsibility Data in Accordance with 34.CFR 668.171 for the U.S. Department of Education





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 Consolidated Financial Statements

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 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 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of financial responsibility data as of and for the year ended June 30, 2020 is presented for purposes of additional analysis as required by the U.S. Department of Education 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 supplementary schedule of financial responsibility data 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 8, 2020, except as to note 13, which is as of February 26, 2021, on our consideration of University of Richmond'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of University of Richmond's 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 University of Richmond's internal control over financial reporting and compliance.

KPMG LLP

Richmond, Virginia

October 8, 2020, except as to note 13 and our report on the supplementary schedule of financial responsibility data, which are as of February 26, 2021

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		Total	2019 Total
	Without donor restrictions	With donor restrictions		
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
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
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
<i>Donor-restricted endowment funds</i>			
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
<i>Donor-restricted endowment funds</i>			
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			2019 Total
	Without donor restrictions	With donor restrictions	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
<i>Alternative investments</i>					
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
<i>Alternative investments</i>					
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 2020	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

¹Discount 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-rate¹		
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

¹Variable 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		
<i>Donor-restricted endowments</i>		
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.

13 Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171 (FRS). The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be

based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize financial data of the University which are modified as required by the FRS or are not otherwise presented in the financial statements or other notes to the consolidated financial statements. These amounts are presented below, as of and for the year ended June 30, 2020. Notes payable on the Consolidated Statement of Financial Position is considered pre-implementation debt outstanding as of July 1, 2019.

Additional Financial Responsibility Data	
Property, plant and equipment, net	
Property, plant and equipment, net - pre-implementation (Assets as of July 1, 2019)	\$ 284,725
Property, plant and equipment, net - post-implementation with outstanding debt for original purchase	—
Property, plant and equipment, net - post-implementation without outstanding debt for original purchase	24,364
Construction in progress - reconciling item (Note 5)	57,444
Property, plant and equipment, net	366,533
Net assets with donor restrictions: restricted in perpetuity	
Endowment historical gift value (Note 2)	375,827
Endowment beneficial interest in trusts (Note 2)	29,549
Other net assets with donor restrictions: restricted in perpetuity	20,666
Net assets with donor restrictions: restricted in perpetuity	\$ 426,042

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2020

(in thousands)

Primary Reserve Ratio	
Expendable net assets¹	
Net assets without donor restrictions	\$ 1,309,307
Net assets with donor restrictions	1,287,156
Postretirement benefits obligation	20,435
Notes payable	232,209
<i>Less</i>	
Property, plant, and equipment, net (Note 13)	366,533
Net assets with donor restrictions: restricted in perpetuity (Note 13)	426,042
Total expendable net assets	2,056,532
Expenses and losses without donor restrictions²	
Total operating expenses without donor restrictions	301,507
Change in fair value of interest rate swap agreements	8,733
Other non-operating activities, net	5,927
Total expenses and losses without donor restrictions	316,167
Equity Ratio	
Modified net assets¹	
Net assets without donor restrictions	1,309,307
Net assets with donor restrictions	1,287,156
Total modified net assets	2,596,463
Modified assets¹	
Total assets	2,953,129
Net Income Ratio	
Change in net assets without donor restrictions²	(61,717)
Revenues and gains without donor restrictions²	
Total operating revenue and other additions	310,530
Nonoperating contributions	1,402
Nonoperating investment return	(65,652)
Nonoperating net assets released from restrictions	9,345
Revenue and gains without donor restrictions	\$ 255,625

¹ Amounts from the Consolidated Statement of Financial Position unless noted otherwise.

² Amounts from the Consolidated Statement of Activities unless noted otherwise.

See independent auditors' report.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

	CFDA Number	Total Expenditures	Pass-Through Entity Expenditures	Amounts Provided to Subrecipients	Identifying Number Assigned by the Pass-Through Entity
Student Financial Aid Cluster					
United States Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007	\$ 457,738	—	—	
Federal Work Study Program	84.033	366,508	—	—	
Federal Pell Grant Program	84.063	2,923,917	—	—	
Federal Perkins Loan Program	84.038	4,608,661	—	—	
Federal Direct Student Loans	84.268	22,034,109	—	—	
Teacher Education Assistance for College & Higher Education Grants	84.379	1,876	—	—	
Student Financial Aid Cluster Total		30,392,809	—	—	
Research & Development Cluster					
US Department of Agriculture					
Agricultural Research Basic & Applied Research	10.001	62,795	—	—	
Plant & Animal Disease, Pest Control, & Animal Care	10.025	53,805	—	—	
US Department of Interior - National Park Service					
Cooperative Research & Training Programs of the National Park System	15.945	3,384	—	3,384	
National Aeronautics Space Administration					
Science	43.001	39,219	—	—	
National Science Foundation					
Mathematical & Physical Sciences	47.049	62,849	—	—	
Computer & Information Science & Engineering	47.070	900	—	—	
Biological Sciences	47.074	118,402	—	—	
Pass-Through from Virginia Commonwealth University	47.074	—	1,230	—	FP00000649_SA001
Social, Behavioral, & Economic Sciences	47.075	33,037	—	—	
Education & Human Resources	47.076	109,226	—	—	
Office of Integrative Activities	47.083	209,000	—	—	
Pass-Through from Business Higher Education Forum	47.083	—	40,000	—	1936894-0008
Pass-Through from Virginia Commonwealth University	47.083	—	169,000	—	FP00010700_SA001
US Department of Energy					
Office of Financial Assistance Financial Program	81.049	98,288	—	—	

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2020

	CFDA Number	Total Expenditures	Pass-Through Entity Expenditures	Amounts Provided to Subrecipients	Identifying Number Assigned by the Pass-Through Entity
US Department of Health & Human Services - Administration for Community Living					
ACL National Institute on Disability, Independent Living, & Rehabilitation Research	93.433	325,892	—	140,306	
US Department of Health & Human Services - National Institutes of Health					
Mental Health Research Grants	93.242	139,608	—	39,862	
Arthritis, Musculoskeletal, & Skin Diseases Research	93.846	100,460	—	45,838	
Allergy, Immunology, & Transplantation Research	93.855	128,411	—	26,295	
Pass-Through from Old Dominion University Research Foundation	93.855	—	41,218	—	18-121-100684-010
Biomedical Research & Research Training	93.859	142,975	—	24,980	
Research & Development Cluster Total		1,628,251	251,448	280,665	
US Department of Transportation					
National Priority Safety Programs	20.616	2,806	—	—	
Pass-Through from Virginia Department of Motor Vehicles	20.616	—	2,806	—	M6OT-2020-50363- 20363 M6OT-2019- 59361-9361
National Endowment for the Arts					
Promotion of the Arts Partnership Agreement	45.025	3,699	—	—	
Pass-Through from Mid- Atlantic Arts Foundation	45.025	—	3,699	—	31594, 31595, 32184
National Endowment for the Humanities					
Promotion of the Humanities Office of Digital Humanities	45.169	39,544	—	—	
United States Department of Education					
Arts in Education - Professional Development for Arts Educators	84.351C	244,326	—	—	
Pass-Through from Richmond Public Schools	84.351C	—	244,326	—	U351C170099
COVID-19 Higher Education Emergency Relief Fund (Student Portion)	84.425E	1,212,773	—	—	
US Department of Health & Human Services					
Opioid STR	93.788	27,053	—	—	
Pass-Through from Virginia Commonwealth University	93.788	—	27,053	—	FP00010682-SA004
Total Expenditures of Federal Awards		\$ 33,551,261	529,332	280,665	

See independent auditors' report 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, 2020. All federal awards received directly and indirectly from federal agencies are included in this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in

the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. 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. The University has not elected to use the 10% de minimis indirect cost rate discussed in Uniform Guidance Section 200.414.

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 *Uniform Guidance*. Under these cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

3 Federal Perkins Loan Program

The Federal Perkins Loan Program (CFDA Number 84.038) (Perkins) is administered directly by the University and the current year loaned amount under Perkins was \$0. The total amount of Perkins loans outstanding at June 30, 2020 under Perkins was \$2,248,202 and is included in other assets in the

University's consolidated statement of financial position as of June 30, 2020. The amount of Perkins loans on the Schedule includes the beginning outstanding loan balance, the current year loaned amount, and administrative charges, if applicable.

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 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, 2020.

5 Reconciliation of Schedule to Consolidated Statement of Activities

Reconciliation of Schedule of Expenditures of Federal Awards to Consolidated Statement of Activities	
Federal grant expenditures per the Schedule (Total expenditures less loan programs)	\$ 6,908,491
Less: Federal grants considered agency transactions	(2,925,793)
Add: Nonfederal grants and contracts	1,076,607
Grants and contracts per Consolidated Statement of Activities	\$ 5,059,305



KPMG LLP
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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 University of Richmond (the University), which comprise the consolidated statement of financial position as of June 30, 2020, 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 8, 2020, except as to note 13, which is as of February 26, 2021.

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) as a basis for designing 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 a 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 University of Richmond'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 financial statements. 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 University of Richmond'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

Richmond, Virginia
October 8, 2020, except as to note 13 to the consolidated financial
statements, which is as of February 26, 2021



KPMG LLP
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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 the Uniform Guidance

The Board of Trustees
University of Richmond:

Report on Compliance for Each Major Federal Program

We have audited University of Richmond's (the University) compliance with the types of compliance requirements described in the *OMB 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, University of Richmond 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.



The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

Report on Internal Control over Compliance

Management of University of Richmond 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 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 the Uniform Guidance, 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of University of Richmond as of and for the year ended June 30, 2020, and have issued our report thereon dated October 8, 2020, except as to note 13, which is as of February 26, 2021, which contained an unmodified opinion on those consolidated 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 the Uniform Guidance 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

Richmond, Virginia
February 26, 2021

UNIVERSITY OF RICHMOND
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weakness: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the consolidated financial statements: **No**
- (d) Internal control deficiencies over the major program disclosed by the audit:
 - Material weakness: **No**
 - Significant deficiencies: **Yes 2020-001 and 2020-002**
- (e) Type of report issued on compliance for each major program: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major programs:
 - Student Financial Assistance Programs Cluster (Various CFDA)**
 - Higher Education Emergency Relief Act (HEERF) Student Aid Portion (CFDA #84.425E)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low risk auditee: **Yes**

(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

Finding 2020-001: Special Test and Provision - Disbursements to or on Behalf of Students

Federal Award Year

July 1, 2019 through June 30, 2020

Federal Program

Student Financial Assistance; CFDA Number 84.268 – Federal Direct Student Loan Program

Federal Agency

U.S. Department of Education

(Continued)

UNIVERSITY OF RICHMOND
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Criteria

Per 34 CFR section 668.165(a)(3), if an institution credits a student's account with a Direct Loan, the institution must notify the student or parent in writing of the date and amount of the disbursement, the student's right or parent's right to cancel all or a portion of that loan or loan disbursement, and have the loan proceeds returned to the holder of that loan, and the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. Further, for institutions that implement affirmative confirmation, the loan disbursement notification must be made no earlier than 30 days before, and no later than 30 days after crediting the student's account with the loan.

Per 2 CFR 200.303, the nonfederal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition Found, Including Perspective

We selected 40 students for testing of loan disbursements notification and noted that one student did not receive a notification of their Fall 2019 loan disbursements. The Spring 2020 disbursements notifications were sent within the requirement for the 40 students selected for testing.

Possible Cause and effect

Loan disbursement notifications are initiated by the Office of Financial Aid weekly. Due to the wrong date range used in the notification process, students with loan disbursements on certain days were not sent loan disbursement notifications. The Office of Financial Aid also did not monitor the notification process to ensure compliance.

Questioned Costs

None identified.

Whether the sampling was a statistically valid sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit

Yes – Finding 2019-001.

Recommendation

We recommend the University enhance its controls over the loan disbursements notification process to ensure that the proper parameters are used when initiating the notification process on a weekly basis. We also recommend an after-the-fact review of notifications to ensure compliance.

Views of Responsible Officials

Management concurs with KPMG's recommendation to enhance its controls over the loan disbursements notification process as well as perform a review of notification to ensure compliance. This recommendation was identified in the prior year audit with corrective action implemented as of January 15, 2020. Since these procedures have been updated, all impacted students after this date have been notified of their loan

(Continued)

UNIVERSITY OF RICHMOND
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

disbursement timely. Procedures for reviewing notifications have been implemented and are being closely monitored.

Finding 2020-002: Enrollment Reporting

Federal Award Year

July 1, 2019 through June 30, 2020

Federal Program

Student Financial Assistance; CFDA Number 84.268 – Federal Direct Student Loan Program

Federal Agency

U.S. Department of Education

Criteria

Per 34 CFR Section 685.309 and 34 CFR Section 690.83, a school shall complete and return the student status confirmation report to the Secretary within 60 days of receipt. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Per 34 CFR Section 685.309 and 34 CFR Section 690.83, institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website for both Campus Level and Program Level enrollment information.

Per 2 CFR 200.303, the nonfederal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition Found, Including Perspective

In the program level enrollment data, there were 2 out of 40 students for which the program enrollment effective date did not agree to the University's records.

Possible Cause and Effect

Management's control over the review for accuracy of the information submitted for program level enrollment reporting was not operating consistently during the fiscal year.

Questioned Costs

None identified.

Whether the sampling was a statistically valid sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit

No.

(Continued)

UNIVERSITY OF RICHMOND
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Recommendation

We recommend the University enhance the precision of the control around the review of accuracy of the program level enrollment information.

View of Responsible Officials

Management concurs with KPMG's recommendation to enhance its controls over the accuracy of the program level enrollment information. As of January 22, 2021, procedures have been enhanced to review individual student enrollment information for accuracy prior to submission within the required timeframe.