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, 2021

With Independent Auditors' Reports Thereon

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 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, 2021, 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 financial position of University of Richmond as of June 30, 2021, 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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, 2021 is presented for purposes of additional analysis as required by the US 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, 2021, except as to note 13, which is as of February 24, 2022, 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, 2021 except as to note 13 and our report on the supplementary schedule
of financial responsibility data, which are as of February 24, 2022

Consolidated Statement of Financial Position

As of June 30, 2021

With comparative financial information as of June 30, 2020
(in thousands)

	2021	2020
Assets		
Cash and cash equivalents	$ 149,614	125,963
Pledges receivable, net	12,416	12,378
Investments	3,290,440	2,394,307
Beneficial interest in perpetual trusts	37,721	29,549
Other assets, net	63,032	24,399
Property, plant and equipment, net	373,240	366,533
Total assets	**$ 3,926,463**	**2,953,129**
Liabilities		
Accounts payable and other liabilities	$ 59,454	70,360
Postretirement benefits obligation	20,797	20,435
Notes payable	257,864	232,209
Interest rate swap agreements	26,132	33,662
Total liabilities	**364,247**	**356,666**
Net assets		
Without donor restrictions	1,792,231	1,309,307
With donor restrictions	1,769,985	1,287,156
Total net assets	**3,562,216**	**2,596,463**
Total liabilities and net assets	**$ 3,926,463**	**2,953,129**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2021

With summarized comparative financial information for the year ended June 30, 2020
(in thousands)

	2021			
	Without donor restrictions	With donor restrictions	Total	2020 Total
Operating revenues				
Tuition and fees (Net of scholarship allowance of $89,118 and $86,344)	$ 116,181	—	116,181	114,869
Grants and contracts	10,057	—	10,057	5,059
Contributions	5,200	5,597	10,797	13,122
Investment return, net	122,743	1,356	124,099	119,344
Auxiliary enterprises	32,844	—	32,844	36,480
Other sources	25,473	—	25,473	24,065
Net assets released from restrictions	3,245	(3,245)	—	—
Total operating revenues	**315,743**	**3,708**	**319,451**	**312,939**
Operating expenses				
Instruction	90,670	—	90,670	88,932
Research	4,163	—	4,163	4,106
Public service	3,380	—	3,380	3,732
Academic support and libraries	46,965	—	46,965	50,933
Student services	49,970	—	49,970	53,724
Institutional support	57,583	—	57,583	54,156
Auxiliary enterprises	47,697	—	47,697	45,924
Total operating expenses	**300,428**	**—**	**300,428**	**301,507**
Change in net assets from operating activities	**15,315**	**3,708**	**19,023**	**11,432**
Nonoperating activities				
Contributions	626	11,364	11,990	10,774
Investment return, net	462,855	470,358	933,213	(124,515)
Change in fair value of interest rate swap agreements	7,530	—	7,530	(8,733)
Change in postretirement benefits	223	—	223	(1,175)
Other nonoperating activities, net	(8,439)	2,213	(6,226)	(6,569)
Net assets released from restrictions	4,814	(4,814)	—	—
Change in net assets from nonoperating activities	**467,609**	**479,121**	**946,730**	**(130,218)**
Change in net assets	**482,924**	**482,829**	**965,753**	**(118,786)**
Net assets at beginning of year	**1,309,307**	**1,287,156**	**2,596,463**	**2,715,249**
Net assets at end of year	**$ 1,792,231**	**1,769,985**	**3,562,216**	**2,596,463**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2021

With comparative financial information for the year ended June 30, 2020
(in thousands)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 965,753	(118,786)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	31,537	29,521
Net unrealized and realized gains on investments	(1,044,180)	(33,306)
Settlement activity for rate of return agreement	(59,643)	16,356
Amortization of note premiums	(360)	(423)
Contributions restricted for purchase of property and equipment	(3,303)	(3,324)
Contributions restricted for endowment	(8,035)	(4,690)
Change in fair value of interest rate swap agreements	(7,530)	8,733
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	(38)	649
Beneficial interest in perpetual trusts	(8,172)	162
Other assets, net	(3,332)	3,722
Accounts payable and other liabilities	14,663	(4,107)
Postretirement benefits obligation	362	1,695
Net cash used in operating activities	**(122,278)**	**(103,798)**
Cash flows from investing activities		
Proceeds from sales of investments	842,818	574,154
Purchases of investments	(694,771)	(373,997)
Purchases of property, plant and equipment	(39,471)	(44,096)
Net cash provided by investing activities	**108,576**	**156,061**
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	3,303	3,324
Contributions restricted for endowment	8,035	4,690
Repayment of notes payable	(28,985)	(2,495)
Proceeds from issuance of notes payable	55,000	—
Net cash provided by financing activities	**37,353**	**5,519**
Net increase in cash and cash equivalents	23,651	57,782
Cash and cash equivalents at beginning of year	125,963	68,181
Cash and cash equivalents at end of year	**$149,614**	**125,963**
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	$8,961	9,610
Cash paid for income taxes	3,775	500
Change in property, plant and equipment related to accounts payable	(1,227)	1,576

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. Richmond Fund is not included in the consolidated financial statements.

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 87% 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 $3.2 million for the year ended June 30, 2021. Summer tuition revenue deferred was $0.4 million as of June 30, 2021.

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, 2021 and 2020 were $89.1 million and $86.3 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, 2021, 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. 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 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 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, 2021. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2017 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 and adopted by the University for fiscal year 2021. 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. Recorded leases of $2.6 million are shown in other assets and accounts payable and other liabilities on the consolidated statement of financial position as of June 30, 2021.

Current Environment

The COVID-19 pandemic has continued to impact national, state, and local economies as well as global financial markets and the higher education landscape in general. In response to this impact, the University has made significant investments to protect the health of the University community and promote the continuity of its academic mission as stated in footnote 9. These expenses, along with emergency grants paid directly to students, have been partially offset by federal and state grants awarded to the University totaling approximately $6.1 million during fiscal year 2021. These revenues are shown in grants and contracts on the consolidated statement of activities.

Comparative Financial Information

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, 2020, from which this information was derived.

Subsequent Events

The University has evaluated subsequent events for potential recognition or disclosure in the June 30, 2021 consolidated financial statements through October 8, 2021, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2021, the University's endowment consisted of approximately 1,480 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.

The University's annual endowment spending distribution is determined each year based on the sum of a two-part, spending formula:

Market-value based component

This component is calculated by determining the average endowment market value at June 30 for the preceding five years, lagged by one year, and multiplying that calculated amount by five percent (5%). Thirty percent (30%) of this calculated amount is included in the determination of the annual spend from the endowment.

Spending component

This component is calculated by increasing or decreasing seventy percent (70%) of the prior year's calculated endowment spending distribution by an inflation factor, using a five-year average of the Higher Education Price Index, as published by the Commonfund.

For fiscal year 2021, the University's Board chose to maintain the fiscal year 2020 endowment spending rate and did not apply the spending formula.

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, 2021, there were no significant deficiencies of this nature.

Endowment Net Assets as of June 30 (in thousands)

	2021		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$ 1,664,669	—	1,664,669
Donor-restricted endowment funds			
Historical gift value	—	389,597	389,597
Accumulated gains	—	1,259,506	1,259,506
Beneficial interest in trusts	—	37,721	37,721
Total endowment net assets	**$ 1,664,669**	**1,686,824**	**3,351,493**

	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**

Changes in Endowment Net Assets (in thousands)

	2021			
	Without donor restrictions	With donor restrictions	Total	2020 Total
Beginning endowment net assets	$ 1,197,948	1,207,654	2,405,602	2,513,209
Investment return, net	526,666	528,969	1,055,635	2,111
Contributions	—	8,035	8,035	4,782
Board designated funds transfer	—	—	—	3,875
Charitable gift annuity transfer	—	1,467	1,467	2,170
Appropriated for expenditure	(64,268)	(63,569)	(127,837)	(127,529)
Reinvested endowment income	4,270	2,518	6,788	6,737
Other adjustments	53	1,750	1,803	247
Ending endowment net assets	**$ 1,664,669**	**1,686,824**	**3,351,493**	**2,405,602**

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

	2021				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash equivalents	$215,969	—	—	—	215,969
Corporate bonds & other fixed income	94,181	400	—	—	94,581
Common stock and preferred stock	143,625	—	—	—	143,625
Commingled funds	3,225	—	—	—	3,225
Alternative investments					
Credit	—	—	—	326,616	326,616
Global equity long-only	—	—	—	962,728	962,728
Global equity long/short	—	—	—	196,282	196,282
Multi-strategy	—	—	—	99,460	99,460
Private equity funds	—	—	—	819,490	819,490
Real assets	—	—	—	249,788	249,788
Real estate	—	—	—	178,676	178,676
Total investments	**$457,000**	**400**	**—**	**2,833,040**	**3,290,440**

	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**

Alternative Investment Commitments and Redemption Information (in thousands)

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments				
Credit	$ 326,616	69,818	Quarterly to annually	90 – 150 days
Global equity long-only	962,728	20,000	Quarterly to rolling 3-year	30 - 90 days
Global equity long/short	196,282	—	Quarterly to annually	60 - 90 days
Multi-strategy	99,460	15,087	Quarterly to semi-annually	90 days
Private equity funds	819,490	282,600	N/A	N/A
Real assets	249,788	42,109	N/A	N/A
Real estate	178,676	174,017	N/A	N/A
	$2,833,040	**603,631**		

Redemptions

Of the investments reported at NAV, approximately $618.1 million were redeemable at June 30, 2021. 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 $8.2 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 0.10% at June 30, 2021.

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, 2021, 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, 2021.

Derivatives as of June 30 (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2021	Fair Value Liability 2020	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (5,522)	(7,200)	1,678
June 1, 2031	3.744	30,000	(7,995)	(10,335)	2,340
August 1, 2034	4.000	25,000	(8,924)	(11,371)	2,447
November 1, 2036	3.744	10,000	(3,691)	(4,756)	1,065
			$ (26,132)	**(33,662)**	**7,530**

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)

	2021	2020
Unconditional pledges expected to be collected in:		
Less than one year	$ 5,155	4,401
One year to five years	8,061	8,929
	13,216	13,330
Less unamortized discount[1]	(326)	(441)
Less allowance for uncollectible amounts	(474)	(511)
	$ 12,416	**12,378**

[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)	2021	2020
Land	$ 5,932	5,978
Buildings	587,702	537,765
Improvements	55,104	49,963
Equipment	106,457	97,881
Library books	91,540	88,760
Construction in progress	27,279	57,444
	874,014	837,791
Accumulated depreciation	(500,774)	(471,258)
	$ 373,240	**366,533**

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.

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 was used to repay the Series 2011A and 2011B tax-exempt revenue bonds. The remainder was used for various capital projects.

Principal balances, including unamortized premium amounts, were as follows as of June 30:

Notes Payable as of June 30 (in thousands)	2021	2020
Tax-exempt fixed-rate		
Series 2012, 3.00% - 4.00%, final maturity in 2042	$ 60,964	61,047
Series 2011A & 2011B, retired in 2021	—	29,262
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
Series 2020, 2.95%, final maturity in 2051	55,000	—
	$ 257,864	**232,209**

[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, 2021.

Repayments of Notes Payable for Years Ended June 30 (in thousands)	
2022	$ —
2023	—
2024	4,650
2025	2,255
2026	6,140
Thereafter	243,855
	256,900
Unamortized premium	964
	$ 257,864

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, 2021.

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) 0.00%, plus 0.65%. Any unused outstanding credit balance incurs a fee of 0.125%. There was no outstanding balance against this facility as of June 30, 2021.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.5 million, was $9.8 million for the year ended June 30, 2021.

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, 2021.

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 $9.1 million at June 30, 2021. At June 30, 2021 and 2020, the

weighted average annual assumed rate of increase in the per capita cost of covered benefits was 6.00% and 5.80%, respectively, and is assumed to decrease gradually to 4.0% by the year 2047 and remain at that level thereafter. At June 30, 2021 and 2020, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 2.65%.

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)

		2021	2020
Accrued postretirement benefits obligation at beginning of year	$	20,435	18,740
Service cost		751	656
Interest cost		527	636
Benefits paid		(1,106)	(1,129)
Actuarial loss		190	1,532
Accrued postretirement benefits obligation at end of year	**$**	**20,797**	**20,435**

Net Periodic Postretirement Benefit Cost (in thousands)

		2021	2020
Service cost	$	751	656
Interest cost		527	636
Amortization of unrecognized net loss		414	357
	$	**1,692**	**1,649**

Estimated Future Benefit Payments for Years Ended June 30 (in thousands)

2022	$	1,117
2023		1,131
2024		1,200
2025		1,210
2026		1,213
2027 – 2031		6,324

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)	2021	2020
Without donor restrictions		
Board-designated endowments	$ 1,664,669	1,197,948
Other net assets without donor restrictions	127,562	111,359
Total without donor restrictions	**1,792,231**	**1,309,307**
With donor restrictions		
Donor-restricted endowments		
Scholarships and fellowships	758,880	538,911
Professorships	308,996	222,667
Other programming	618,948	446,076
Purpose restricted and other	83,161	79,502
Total with donor restrictions	**1,769,985**	**1,287,156**
	$ 3,562,216	**2,596,463**

9 Expenses

The composition of expenses for the year ended June 30, 2021 is as follows:

Operating Expenses for the Year Ended June 30, 2021 (in thousands)	Compensation and benefits	Materials and supplies	Services and other	Interest and depreciation	Total
Instruction	$ 78,517	2,484	4,107	5,562	**90,670**
Research	2,234	231	1,002	696	**4,163**
Public service	1,904	110	555	811	**3,380**
Academic support and libraries	24,462	6,505	5,315	10,683	**46,965**
Student services	29,699	2,658	9,914	7,699	**49,970**
Institutional support	36,571	5,186	13,410	2,416	**57,583**
Auxiliary enterprises	15,598	8,342	10,309	13,448	**47,697**
Total operating expenses	**$ 188,985**	**25,516**	**44,612**	**41,315**	**300,428**
2020 operating expenses	**$ 191,837**	**25,330**	**45,669**	**38,671**	**301,507**

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 $5.8 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.

COVID-19 response expenses were $13.2 million for the fiscal year ended June 30, 2021, including $12.4 million shown in institutional support. In addition, the University made $1.4 million of direct COVID related emergency payments to students, which is shown in student services.

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 the Board. As further described in Note 6, the University may draw upon a revolving credit facility to manage cash flows. At June 30, 2021, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2021 (in thousands)	
Financial assets available for general expenditures within one year	
Cash and cash equivalents	$ 80,268
Operating investments	94,479
Liquidity resources	
Revolving credit facility	20,000

Additionally, the University has $1.7 billion in board-designated endowments, of which $980.6 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2022 spending from the endowment, which is estimated to be $131.2 million.

11 Related Party Transactions

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2021 were $14.1 million, shown in other sources on the consolidated statement of activities, of which $3.6 million was due to RFMC. RFMC earned a performance allocation of $8.5 million during the year ended June 30, 2021.

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, 2021, the University has a receivable from the Richmond Fund in the amount of $35.3 million, which is included in other assets on the accompanying consolidated statement of financial position. At June 30, 2020, the University had a liability in the amount of $24.3 million, which was included in accounts payable and other liabilities on the consolidated statement of financial position. The settlement value for the year ended June 30, 2021 totaled $7.4 million which has been recorded in 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, 2021 was approximately $13.7 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 consolidated financial statements or other notes to the consolidated financial statements. These amounts are presented below, as of and for the year ended June 30, 2021.

Additional Financial Responsibility Data	
Property, plant and equipment, net	
Property, plant and equipment, net - pre-implementation (Assets capitalized as of July 1, 2019)	$ 259,245
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	86,716
Construction in progress (Note 5)	27,279
Property, plant and equipment, net	**373,240**
Net assets with donor restrictions: restricted in perpetuity	
Endowment, funds historical gift value (Note 2)	389,597
Endowment, beneficial interest in trusts (Note 2)	37,721
Other net assets with donor restrictions: restricted in perpetuity	21,827
Net assets with donor restrictions: restricted in perpetuity	**$ 449,145**
Notes payable, net	
Notes payable, net - pre-implementation (Notes outstanding as of July 1, 2019)	**202,864**
Notes payable, net - post-implementation, for capital	**26,015**
Notes payable, net, qualified	**228,879**
Notes payable, net - post-implementation, refinancing	**28,985**
Notes payable, net	**$ 257,864**

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2021

(in thousands)

Primary Reserve Ratio		
Expendable net assets[1]		
Net assets without donor restrictions	$	1,792,231
Net assets with donor restrictions		1,769,985
Postretirement benefits obligation		20,797
Notes payable, pre-implementation (Note 13)		228,879
Less		
Property, plant, and equipment, net (Note 13)		373,240
Net assets with donor restrictions: restricted in perpetuity (Note 13)		449,145
Total expendable net assets	**$**	**2,989,507**
Expenses and losses without donor restrictions[2]		
Total operating expenses without donor restrictions	$	300,428
Other non-operating activities, net		8,439
Total expenses and losses without donor restrictions	**$**	**308,867**
Equity Ratio		
Modified net assets[1]		
Net assets without donor restrictions	$	1,792,231
Net assets with donor restrictions		1,769,985
Total modified net assets		**3,562,216**
Modified assets[1]		
Total assets	**$**	**3,926,463**
Net Income Ratio		
Change in net assets without donor restrictions[2]	**$**	**482,924**
Revenues and gains without donor restrictions[2]		
Total operating revenue and other additions	$	315,743
Nonoperating contributions		626
Nonoperating investment return		462,855
Change in fair value of interest rate swap agreements		7,530
Change in post retirement benefits		223
Nonoperating net assets released from restrictions		4,814
Revenue and gains without donor restrictions	**$**	**791,791**

[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, 2021

	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	$ 579,119	—	—	
Federal Work Study Program	84.033	297,103	—	—	
Federal Pell Grant Program	84.063	2,842,733	—	—	
Federal Perkins Loan Program	84.038	4,608,661	—	—	
Federal Direct Student Loans	84.268	21,967,168	—	—	
Teacher Education Assistance for College & Higher Education Grants	84.379	4,707	—	—	
Student Financial Aid Cluster Total		**30,299,491**	**—**	**—**	
Research & Development Cluster					
US Department of Agriculture					
Agricultural Research Basic & Applied Research	10.001	21,850	—	—	
Plant & Animal Disease, Pest Control, & Animal Care	10.025	130,735	—	—	
National Aeronautics Space Administration					
Science	43.001	216,780	—	—	
National Science Foundation					
Mathematical & Physical Sciences	47.049	241,640	—	—	
Biological Sciences	47.074	139,008	—	—	
Social, Behavioral, & Economic Sciences	47.075	37,084	—	—	
Education & Human Resources	47.076	198,766	—	8,224	
Office of Integrative Activities	47.083	14,422	—	—	
Pass-Through from Virginia Commonwealth University	47.083	—	14,422	—	FP00010700_SA001
US Department of Energy					
Office of Financial Assistance Financial Program	81.049	78,135	—	—	

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

	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	147,848	—	41,171	
US Department of Health & Human Services - National Institutes of Health					
Mental Health Research Grants	93.242	137,057	—	28,134	
Arthritis, Musculoskeletal, & Skin Diseases Research	93.846	16,002	—	—	
Allergy, Immunology, & Transplantation Research	93.855	71,289	—	—	
Pass-Through from Old Dominion University Research Foundation	93.855	—	23,198	—	18-121-100684-010
Biomedical Research & Research Training	93.859	70,719	—	11,405	
Research & Development Cluster Total		**1,521,335**	**37,620**	**88,934**	
US Department of Justice					
Coronavirus Emergency Supplemental Funding Program	16.034	15,929	—	—	
Pass-Through from Virginia Department of Criminal Justice		—	15,929	—	20-A5118CE20
US Department of Transportation					
National Priority Safety Programs	20.616	4,270	—	—	
Pass-Through from Virginia Department of Motor Vehicles	20.616	—	4,270	—	M6OT-2020-50363-20363; M6OT-2021-51216-21216
National Endowment for the Arts					
Promotion of the Arts Partnership Agreement	45.025	9,000	—	—	
Pass-Through from Mid-Atlantic Arts Foundation	45.025	—	9,000	—	31453
National Endowment for the Humanities					
Promotion of the Humanities Office of Digital Humanities	45.169	12,271	—	—	
United States Department of Education					
Arts in Education - Professional Development for Arts Educators	84.351C	203,620	—	—	
Pass-Through from Richmond Public Schools	84.351C	—	203,620	—	U351C170099
COVID-19 Education Stabilization Fund	84.425C	117,600	—	—	
Pass-Through from Virginia Department of Education	84.425C	—	117,600	—	S425C200042

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

	CFDA Number	Total Expenditures	Pass-Through Entity Expenditures	Amounts Provided to Subrecipients	Identifying Number Assigned by the Pass-Through Entity
COVID-19 Higher Education Emergency Relief Fund (Student Portion)	84.425E	1,212,773	—	—	
COVID-19 Higher Education Emergency Relief Fund (Institutional Portion)	84.425F	2,914,451	—	—	
US Department of Health & Human Services					
Opioid STR	93.788	32,130	—	—	
Pass-Through from Virginia Commonwealth University	93.788	—	32,130	—	FP00010682-SA004 FP00014166-SA002
US Department of Health & Human Services					
COVID-19 Disaster Grants Public Assistance	97.036	742,469	—	—	
Pass-Through from Virginia Department of Emergency Management	97.036	—	742,469	—	FEMA-4512-DR-VA
Total Expenditures of Federal Awards		**$ 37,085,339**	**1,162,638**	**88,934**	

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, 2021. 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, 2021 under Perkins was $1,603,099 and is included in other assets in the University's consolidated statement of financial position as of June 30, 2021. 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, 2021.

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)	$	10,509,510
Less: Federal grants considered agency transactions		(2,847,440)
Add: Other grants and contracts not included in the Schedule		2,395,012
Grants and contracts per Consolidated Statement of Activities	**$**	**10,057,082**

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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, 2021, 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 8,2021, except as to note 13, which is as of February 24, 2022.

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 the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia
October 8, 2021 except as to note 13, which is as of February 24, 2022

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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, 2021. 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, 2021.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2021, and have issued our report thereon dated October 8, 2021, except as to note 13, which is as of February 24, 2022, 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 24, 2022

UNIVERSITY OF RICHMOND

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

(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: **None reported**

(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): **No**

(g) Major programs:

Research and Development Cluster (Various CFDA)

Student Financial Assistance Programs Cluster (Various CFDA)

Higher Education Emergency Relief Fund (HEERF) Student Aid Portion (CFDA #84.425E)

Higher Education Emergency Relief Fund (HEERF) Institutional Portion (CFDA #84.425F)

(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

None reported.