



University of Richmond
2014-15 TREASURER'S REPORT



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Message From the Vice President for
Business and Finance/Treasurer

To The Board of Trustees, President, Faculty, Staff and Students University of Richmond

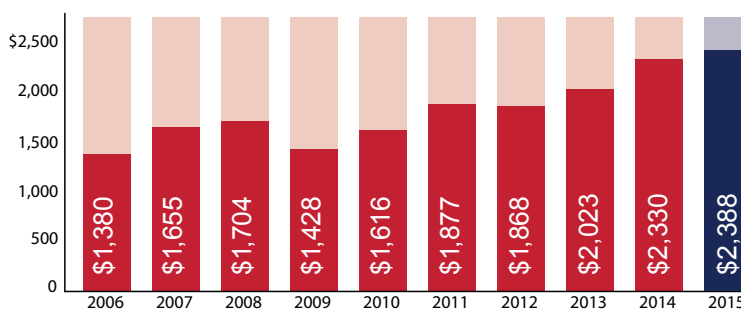
Dear Colleagues:

I am pleased to present the University of Richmond's audited consolidated financial statements for the fiscal year ended June 30, 2015. Fiscal 2015 was another exceptional year for the University largely due to solid operating performance, positive investment performance, and the culmination of the University's capital campaign, *The Campaign for Richmond: Fulfilling the Promise*. The University's significant financial resources provide the means to sustain and enhance a superb educational experience for our outstanding students. Moreover, these resources help to ensure that the University is able to attract the brightest, most ambitious students to our campus, regardless of their economic background. We remain committed to making a University of Richmond education accessible and affordable through our need-blind admissions policy for undergraduate students, and our promise to meet the full demonstrated financial need of our undergraduates throughout their four years on campus.

Fiscal 2015 operating revenues totaled \$277.6 million, a 4.9% increase over the previous year. Net tuition revenue for the year was \$106.0 million, representing a year-over-year increase of 2.1%. Given the more challenging national landscape for higher education, particularly for graduate programs, this increase exemplifies the University's continued strength in the market for high-achieving undergraduate students. Net investment return designated to support operations was \$103.8 million, an increase of 5.7% over last year. Total fiscal 2015 contributions designated as operating revenue were \$12.3 million, as the University successfully concluded its *Fulfilling the Promise* campaign on December 31, 2014. Gifts and commitments achieved over the course of the campaign totaled \$172.1 million, exceeding the goal of \$150 million. Operating expenses totaled \$261.0 million, resulting in an increase in net assets from operating activities of \$16.6 million for fiscal 2015.

The University's consolidated statement of financial position consisted of assets totaling \$4.5 billion, liabilities totaling \$2.0 billion, and total net assets of \$2.5 billion. Compared to last year, the University's overall consolidated net assets increased by \$66 million, or 2.7%.

Endowment Market Value
(in millions)



The investment environment for the 12-month period ended June 30, 2015, was less compelling compared to the previous year. Nevertheless, the University's endowment investment manager, Spider Management Company, continued to deliver positive investment performance in fiscal 2015. The one-year return for the University's total endowment was 6.3%, which we anticipate will rank among the top quartile of all endowment investment returns reported by colleges and universities across the nation for this period. The University's endowment has continued to benefit from Spider Management's commitment to capital preservation as it seeks excellent risk-adjusted growth opportunities. Over the long-term, Spider Management has consistently delivered strong returns for the University's portfolio, achieving an average annual return of 9.74% for the 10-year period ended June 30, 2015. These results compare quite favorably to standard portfolio benchmark return (70% MSCI AC World and 30% Barclays Aggregate Bond Index) of 6.13% for the same period.

The University continued its careful stewardship of the campus and its facilities, completing comprehensive renovations to Jeter Hall and Thomas Hall this year. Both buildings, which are student residences original to the Richmond College campus, have been converted from traditional-style dormitories to suite-style residence halls. Looking ahead, the University will begin a full renovation to North Court student residence in October 2015. North Court is original to the Westhampton College campus and is listed on the National Register of Historic Places. Comprehensive renovations to many of the earliest campus buildings reflect the University's commitment to care for and modernize existing campus facilities. These investments will ensure that the University's historic buildings will continue to provide first-rate residential and academic spaces for many future generations of students. During fiscal 2015, the University also commenced construction of the Queally Center for Admission and Career Services. As envisioned in the 2011 Campus Master Plan, this building will serve to welcome prospective students and families to campus and provide a space for employers and graduate school representatives to meet with our University of Richmond students. We anticipate that this exciting new building, made possible by the remarkable lead gift commitment by Paul and Anne-Marie Queally and many other generous donors, will open in the fall of 2016.

The end to fiscal 2015 coincides with the conclusion of Edward Ayers' extraordinary service as President of the University. Under the leadership of President Ayers, the University made enormous strides attracting increasing numbers of high-achieving students seeking admission, successfully recruiting talented faculty and staff to our community, and enriching the University's educational programs. The University's financial strength is a testament to the continued careful stewardship of our resources during a period of remarkable progress. As President Ayers steps down, the University is well positioned to pursue our educational mission and strengthen our position as a leader in higher education, both nationally and globally.



David B. Hale
Vice President for Business and Finance/Treasurer



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Mon. - Fri. 9:00 - 4:00
9:30 - 1:00



Independent Auditors' Report

The Board of Trustees University of Richmond:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Report on Summarized Comparative Information

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

Other Matter

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

KPMG LLP

Richmond, Virginia
October 1, 2015



Consolidated
Financial Statements

Consolidated Statement of Financial Position

As of June 30, 2015

With comparative financial information as of June 30, 2014

(in thousands)

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

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2015

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

(in thousands)

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

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2015

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

(in thousands)

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

See accompanying notes to the consolidated financial statements.



$$4. z \times \frac{dy}{dt} = 2z \frac{dz}{dt}$$
$$z(5)(2) = z(13) \frac{dz}{dt} \Rightarrow \left(\frac{dz}{dt} = \frac{10}{13} \right)$$

9-2) = 26

→ $2y \frac{dy}{dt} =$

25

Notes to the Consolidated
Financial Statements

1 Organization and Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

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

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

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

Variable Interest Entity

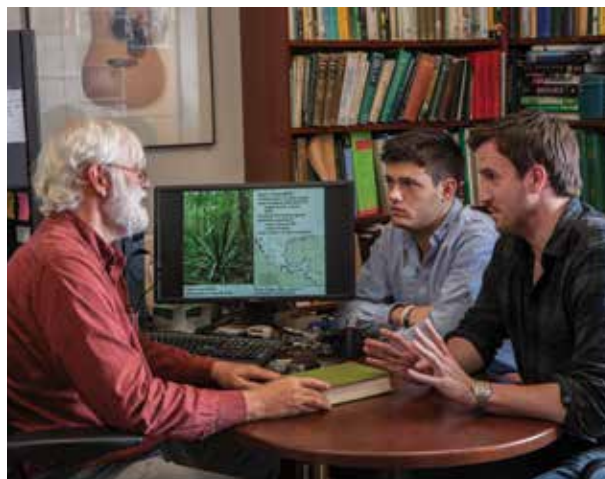
Richmond Fund is considered a variable interest entity (VIE) consolidated by SMC based upon an analysis by management. SMC controls the activities of the Richmond Fund and as an investment management company, is considered to be the variable interest holder most closely associated with Richmond Fund's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

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

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

Net Asset Classes

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



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

Cash and Cash Equivalents

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

Investments

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

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

The University has estimated the fair value of its hedge funds, real asset funds and private equity funds on the basis of the net asset value (NAV) per share of the investment or its equivalent, as a practical expedient, if a) the underlying investment manager’s calculation of NAV is fair value based, and b) the NAV has been calculated as of the University’s fiscal year end date. If the NAV is not fair value based or not available at the University’s

fiscal year end date, the University estimates the NAV. The University uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Hedge and private equity funds are subject to the terms of the respective funds’ agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge fund and private equity arrangements. The University’s investments are also subject to management and performance fees as specified in such funds’ agreements.

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

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

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

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

Fair Value Measurements

The University measures certain assets and liabilities that are recognized or disclosed in the accompanying consolidated financial statements at

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

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

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

Derivative Instruments

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

Property, Plant and Equipment

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

Collections

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

Revenue Recognition

Tuition and Fees

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

Contributions

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

Income Taxes

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

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

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comparative Financial Information

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

New Accounting Pronouncements

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

2 Endowment

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

Interpretation of Relevant Law

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

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

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

Spending Policy

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

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

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations. Per the University's investment policy, as approved by the Board, the primary investment objective is to earn an average annual real total return of at least 5% per year over the long term. Actual returns in any

given year may vary from this amount. A secondary objective is to outperform, over the long term, a blended policy benchmark. The policy benchmark represents the weighted average of benchmark returns for each asset class in the policy asset allocation.

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

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

Endowment Net Assets at June 30 (in thousands)

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

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

Changes in Endowment Net Assets (in thousands)

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



3 Investments and Derivatives

Fair Value Measurements

The following tables show the estimated fair value of University investments, investments of VIE, and derivatives for the fiscal year ended June 30. As stated in Note 1, the University has elected the early adoption of ASU 2015-07, *Disclosures for*

Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), for the year ended June 30, 2015. Fair value measurements not valued using the practical expedient are categorized into a three-level hierarchy.

Fair Value of Assets and Liabilities (in thousands)

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

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

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

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

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

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

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

Investment Return

The components of investment return as reflected in the consolidated statement of activities are shown below. Investment return designated for operations is

defined as the endowment spending distribution, as determined by the University's spending policy, and other investment income from unrestricted sources.

Investment Return (in thousands)

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

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

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

Redemptions

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

Derivatives

The University entered into four fixed interest rate swap agreements to convert the variable interest rates on notes payable to fixed rates without

exchanging the underlying principal amounts. The University anticipates holding the interest rate swap agreements until the associated debt has been retired. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 0.187% at June 30, 2015.

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

Derivatives (in thousands)

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

4 Pledges Receivable

Following is an analysis of the maturities of the University's unconditional pledges receivable as of June 30. Pledges receivable are designated for

specific purposes including endowment, capital activities, and programmatic support.

Pledges Receivable, net (in thousands)

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

¹Discount rates range from 1.1% to 5.6%



5 Property, Plant and Equipment

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

Property, Plant, and Equipment, net (in thousands)

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

6 Notes Payable

The University has issued tax-exempt revenue bonds through the Virginia College Building Authority. Principal payments are due in varying annual installments between 2016 and 2042. Proceeds were used to refinance existing debt

as well as to construct, equip, or improve several capital projects on campus. Principal balances, including unamortized premium amounts, were as follows at June 30:

Notes Payable (in thousands)

	<u>2015</u>	<u>2014</u>
Tax-exempt fixed-rate		
Series 2011A, 3.00% - 5.00%, final maturity in 2023	\$ 20,643	22,948
Series 2011B, 5.00%, final maturity in 2021	42,232	43,007
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,462	61,545
Tax-exempt variable-rate¹		
Series 2004, 0.04%, final maturity in 2034	46,000	46,000
Series 2006, 0.04%, final maturity in 2037	55,900	55,900
	<u>\$ 226,237</u>	<u>229,400</u>

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, 2015.

Estimated Aggregate Annual Maturities of Notes Payable (in thousands)

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

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

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

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

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

7 Retirement Plans and Postretirement Benefits

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

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

The University utilizes a measurement date of June 30. Net actuarial loss and prior service cost not yet recognized as a component of net periodic postretirement costs were \$7.7 million at June 30, 2015. At June 30, 2015 and 2014, the weighted average annual assumed rate of increase in the

per capita cost of covered benefits was 7.10% and 7.23%, respectively, and is assumed to decrease gradually to 4.50% by the year 2038 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2015 year would increase the postretirement liability by \$0.7 million and increase the net periodic postretirement benefit cost by \$0.1 million. At June 30, 2015 and 2014, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.35% and 4.15%, respectively.

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

Changes in Postretirement Benefit Obligation (in thousands)

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

Net Periodic Postretirement Benefit Cost (in thousands)

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

Estimated Future Benefit Payments For Years Ended (in thousands)

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

8 Composition of Net Assets

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

Composition of Temporarily Restricted Net Assets (in thousands)

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

9 Leases

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

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

Future Minimum Rental Income (in thousands)

Years ending June 30:

2016	\$ 3,549
2017	3,620
2018	3,693
2019	<u>1,239</u>
	<u>\$ 12,101</u>

10 Allocation of Expenses

The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities. Expenses

are allocated on the basis of certain financial and nonfinancial data. The composition of expenses for the year ended June 30, 2015 is as follows:

Allocation of Expenses (in thousands)

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

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

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

11 Related Party Transactions

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

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

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

each allocation layer of each limited partner equal to 10% of the net profits in excess of the net profits such limited partner would have achieved if the allocation layer had grown at 10%.

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

12 Contingencies and Commitments

Contingencies

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

The University receives revenues under U.S. government funded grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable

costs, which are subject to audit, and are reported to the U.S. government. Recovery of indirect costs is based on predetermined rates negotiated with the U.S. government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the consolidated financial statements.

Commitments

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

13 Subsequent Events

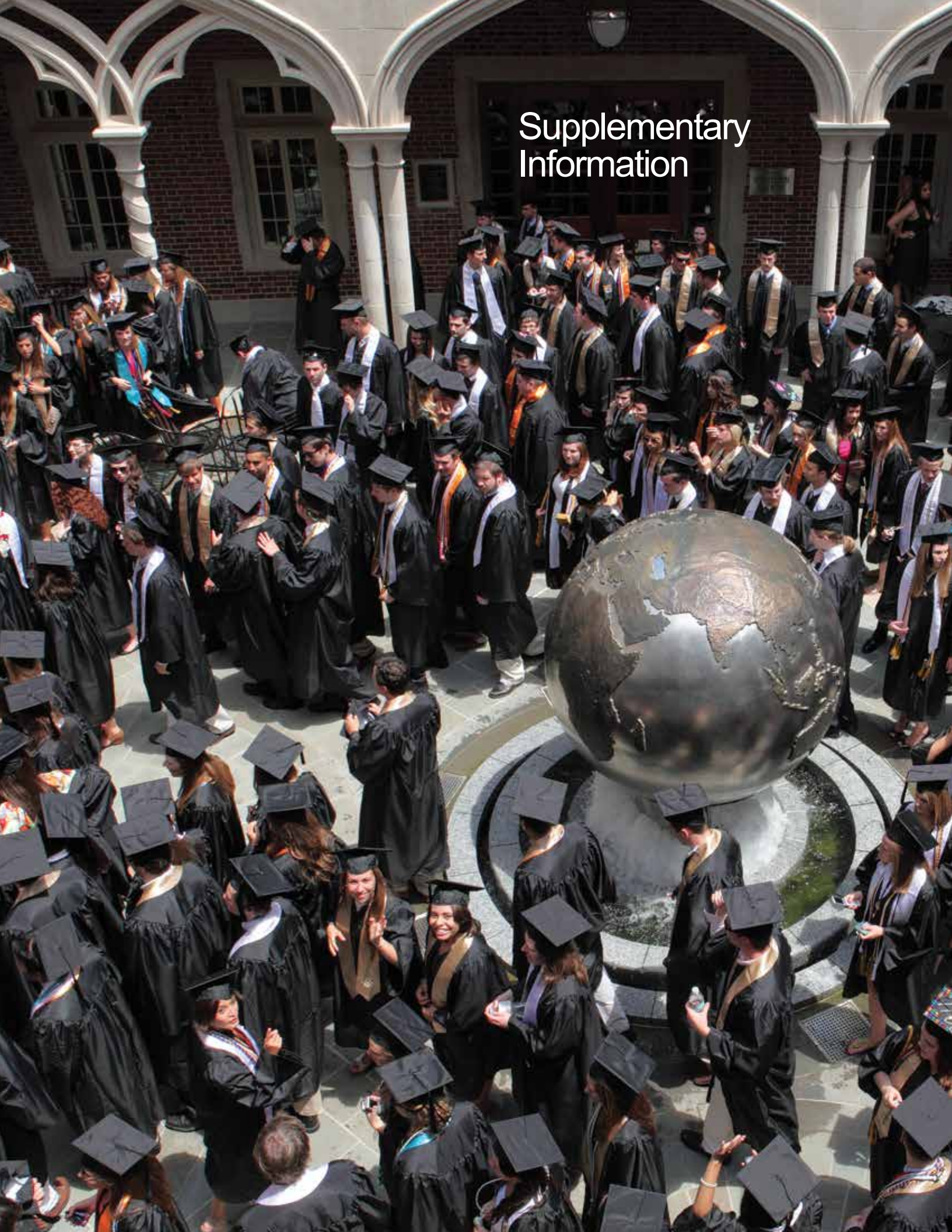
On July 14, 2015, the University authorized the issuance and sale of \$40.0 million of taxable notes through a private placement with New York Life Insurance and Annuity Corporation. The notes bear interest at a fixed rate of 3.60% and fully mature on July 14, 2045. Proceeds from the issuance will be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

will be used for various capital projects.

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



Supplementary Information



University of Richmond

Statement of Financial Position

As of June 30, 2015

With comparative financial information as of June 30, 2014

(in thousands)

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

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

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

University of Richmond

Statement of Activities

For the year ended June 30, 2015

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

(in thousands)

	2015			2014 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating revenues:				
Tuition and fees	\$ 175,280	—	—	175,280
Less scholarship allowance	(69,325)	—	—	(69,325)
Net tuition and fees	105,955	—	—	105,955
Grants and contracts	4,278	—	—	4,278
Contributions	11,390	910	—	12,300
Investment return, net	60,102	43,716	—	103,818
Auxiliary enterprises	43,850	—	—	43,850
Other sources	14,884	—	—	14,884
Net assets released from restrictions	40,086	(40,086)	—	—
Total operating revenues	280,545	4,540	—	285,085
Operating expenses:				
Instruction	77,315	—	—	77,315
Research	6,210	—	—	6,210
Public service	3,427	—	—	3,427
Academic support and libraries	44,506	—	—	44,506
Student services	21,888	—	—	21,888
Institutional support	44,292	—	—	44,292
Auxiliary enterprises	67,081	—	—	67,081
Total operating expenses	264,719	—	—	264,719
Increase in net assets from operating activities	15,826	4,540	—	20,366
Nonoperating activities:				
Contributions	—	313	9,047	9,360
Investment return, net	17,638	18,926	537	37,101
Change in fair value of interest rate swap agreements	(2,854)	—	—	(2,854)
Change in postretirement benefits	(113)	—	—	(113)
Other nonoperating activities, net	2,827	(1,742)	944	2,029
Net assets released from restrictions	18,517	(18,517)	—	—
Increase (decrease) in net assets from nonoperating activities	36,015	(1,020)	10,528	45,523
Increase in net assets	51,841	3,520	10,528	65,889
Net assets at beginning of year	1,221,713	881,571	365,979	2,469,263
Net assets at end of year	\$ 1,273,554	885,091	376,507	2,535,152

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

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

2015–16 Board of Trustees

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