




University of Richmond
2013–14 TREASURER'S REPORT

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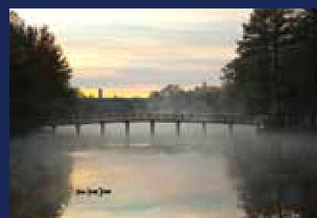


Message From the Vice President for Business and Finance/Treasurer

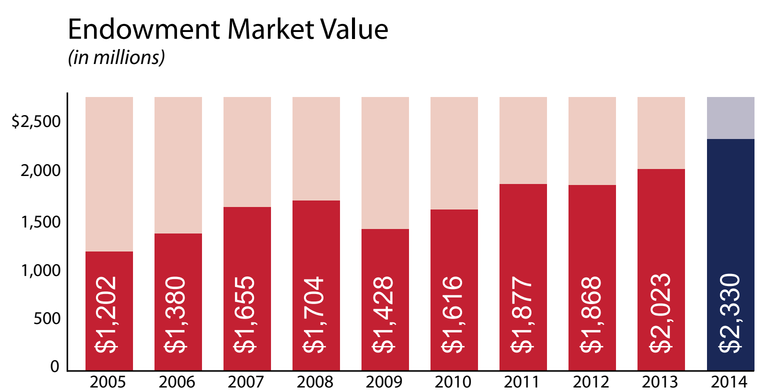
To The Board of Trustees, President, Faculty, Staff and Students University of Richmond

Dear Colleagues:

I am pleased to present the University of Richmond's audited consolidated financial statements for the fiscal year ended June 30, 2014. As indicated in the statements, fiscal 2014 was a successful year financially for the University. Amidst the shifting economic landscape for higher education nationally, the financial resources of the University continue to flourish and the University's operating results were outstanding, primarily due to robust demand from highly qualified students. This sustained financial strength provides the University with the capacity to successfully pursue its educational mission while affording qualified students access to a University of Richmond education through our need-blind admissions policy and our commitment to fully meeting a student's demonstrated financial need.

The University's consolidated statement of financial position consists of assets totaling $4.3 billion and liabilities totaling $1.8 billion, resulting in total net assets of $2.5 billion. Compared to last year, the University's overall consolidated net assets increased by $287.4 million, or 13.2%. This increase was driven largely by endowment-related investment performance, and positive unrestricted and restricted operating performance.

The University's endowment, managed by Spider Management Company, continues to deliver sustained, positive investment performance. Total endowment assets increased from $2.0 billion as of June 30, 2013, to $2.3 billion as of June 30, 2014. The one-year return for the University's total endowment was a strong 17.1% for fiscal year 2014 — the more remarkable story, however, is the endowment's 10 year performance. Over the past 10 years, the total endowment has achieved an average annual investment return of 10.4%, exceeding its stated long-term annual return objective of CPI plus five percent, which equated to 7.4% annually over the past decade. Spider Management's emphasis on a balanced approach of capital preservation in conjunction with managing risk and evaluating opportunities for growth has continued to provide significant, long-term benefits for the University.



During fiscal 2014, the endowment provided $98.1 million in support for operations, representing 37.1% percent of consolidated operating revenues. Approximately $37.3 million of new funds were added to the endowment during fiscal 2014 — $12.3 million from the extraordinary generosity of our donors, and $25.0 million from University working capital. The combination of a well-diversified portfolio, prudent long-term investment strategies and an appropriate annual spending policy has provided the University with the financial flexibility to support key initiatives and programs while preserving the long-term purchasing power of the University's endowment.

Fiscal 2014 operating revenues totaled $264.6 million, a 4.3% increase over the previous year. Net tuition revenue for the year was $103.8 million, representing a year-over-year increase of 6.0%. As previously discussed, net investment return designated to support operations was $98.1 million, an increase of 6.8% over last year. Total fiscal 2014 contributions designated as operating revenue were $9.6 million. Operating expenses totaled $240.9 million, a 4.1% increase over fiscal 2013. The University continues to actively manage expenses so that resources are deployed in a manner that aligns funding with institutional priorities and our core academic mission. Overall, the University ended fiscal 2014 with an increase in net assets from operating activities of $23.7 million, an increase of $1.3 million over the prior year.

The University remains focused on the stewardship of the campus and its facilities, making capital investments to renovate existing buildings and create new, exciting spaces as envisioned in the 2011 Campus Master Plan. A major renovation to the Robins Center was completed in January 2014. This project included a transformation of the basketball arena and concourse area, seating improvements, and improved LED sports lighting, designed to enhance the overall fan experience for our students and community members. The University also continued its progress toward the achievement of our long-term student housing redevelopment plan with the opening of two new student residences in August of 2014. The Westhampton Residence Hall, with approximately 48,000 square feet, houses 157 students in three-person and four-person suites, along with several single rooms and a college fellows apartment. The South Campus Apartments, with approximately 79,000 square feet, is home to 176 students in 44 four-person apartment units. Additionally, the Board of Trustees recently authorized the complete renovation of Jeter and Thomas Halls, both of which will be closed throughout the 2014–15 academic year. Both buildings, originally designed by the renowned Collegiate Gothic architect Ralph Adams Cram, are historic Richmond College student residences that will be celebrating their centennial this year. We fully expect that the current renovations to Jeter and Thomas will provide excellent accommodations for many future generations of University of Richmond students.

The University and its students also benefitted greatly from the incredible generosity of our donors during the year. Total cash gifts and payments on pledge commitments received during fiscal 2014 totaled $25.8 million. An extraordinary lead gift commitment by Paul and Anne-Marie Queally, both 1986 Phi Beta Kappa graduates of the University, has enabled the University to move forward with the planning process for a new admission and career services center. The new center, which will serve as the primary gathering point for prospective students and their families, will also provide important space for employers and graduate school representatives to meet with University of Richmond students. Annual fund receipts for fiscal year 2014 totaled $6.1 million, exceeding the goal of $5.5 million, and as noted previously, gifts to the University's endowment totaled $12.3 million for the year. Gifts and commitments received during the year drove the total received for *The Campaign for Richmond: Fulfilling the Promise* to $159 million, exceeding the Campaign's original goal of $150 million. The campaign, which commenced its public phase in February of 2013, is slated to conclude in December 2014.

The University's fiscal 2014 financial results exemplify the University's ascendancy as a leading national liberal arts university. The financial strength of the University is also a testament to Richmond's long-standing practice of responsible fiscal management, disciplined financial planning and careful stewardship of our campus and its facilities. While pressures on net tuition revenue and expenditure control will surely continue, the University's emphasis on integrated financial planning and prioritization will help to ensure that the use of resources continues to align with Richmond's core academic mission.

David B. Hale
Vice-President for Business and Finance/Treasurer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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, 2014, 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 organization'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 organization'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, 2014, 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' 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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
September 29, 2014

Consolidated Financial Statements

University of Richmond and its Affiliates

Consolidated Statement of Financial Position

As of June 30, 2014

With comparative financial information as of June 30, 2013

(in thousands)

	2014	2013
Assets:		
Cash and cash equivalents	$ 97,520	203,247
Pledges receivable, net	22,258	12,880
Investments	2,344,795	1,977,248
Other assets, net	27,211	24,166
Property, plant and equipment, net	323,997	292,334
Assets of consolidated variable interest entity	1,477,093	1,297,035
Total assets	**$ 4,292,874**	**3,806,910**
Liabilities:		
Accounts payable and other liabilities	$ 49,797	47,272
Postretirement benefits	15,412	13,751
Notes payable	229,400	232,539
Interest rate swap agreements	22,778	21,835
Liabilities of consolidated variable interest entity	9,754	35,225
Funds held on behalf of others	1,496,470	1,274,400
Total liabilities	**1,823,611**	**1,625,022**
Net assets:		
Unrestricted	1,221,713	1,083,689
Temporarily restricted	881,571	752,171
Permanently restricted	365,979	346,028
Total net assets	**2,469,263**	**2,181,888**
Total liabilities and net assets	**$ 4,292,874**	**3,806,910**

See accompanying notes to the consolidated financial statements.

University of Richmond and its Affiliates

Consolidated Statement of Activities

For the year ended June 30, 2014

With summarized comparative financial information for the year ended June 30, 2013

(in thousands)

	2014				2013
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenues:					
Tuition and fees	$ 169,922	—	—	169,922	168,869
Less scholarship allowance	(66,154)	—	—	(66,154)	(70,956)
Net tuition and fees	103,768	—	—	103,768	97,913
Grants and contracts	5,676	—	—	5,676	5,243
Contributions	8,157	1,438	—	9,595	12,990
Investment return, net	57,639	40,504	—	98,143	91,891
Auxiliary enterprises	42,605	—	—	42,605	40,773
Other sources	4,769	—	—	4,769	4,893
Net assets released from restrictions	37,882	(37,882)	—	—	—
Total operating revenues	**260,496**	**4,060**	**—**	**264,556**	**253,703**
Operating expenses:					
Instruction	70,879	—	—	70,879	67,591
Research	6,234	—	—	6,234	5,962
Public service	3,164	—	—	3,164	2,948
Academic support and libraries	41,259	—	—	41,259	40,759
Student services	22,312	—	—	22,312	20,841
Institutional support	36,583	—	—	36,583	35,366
Auxiliary enterprises	60,443	—	—	60,443	57,873
Total operating expenses	**240,874**	**—**	**—**	**240,874**	**231,340**
Increase in net assets from operating activities	**19,622**	**4,060**	**—**	**23,682**	**22,363**
Nonoperating activities:					
Contributions	—	10,160	12,420	22,580	8,614
Investment return, net	348,425	117,023	2,224	467,672	289,658
Change in fair value of interest rate swap agreements	(943)	—	—	(943)	11,658
Change in postretirement benefits	(1,276)	—	—	(1,276)	1,874
Affiliated organizations' expenses	(13,950)	—	—	(13,950)	(12,320)
Other nonoperating activities, net	(11,083)	(1,843)	5,307	(7,619)	(3,275)
	321,173	125,340	19,951	466,464	296,209
Less change in net assets related to variable interest entity	(202,771)	—	—	(202,771)	(133,364)
Increase in net assets from nonoperating activities	**118,402**	**125,340**	**19,951**	**263,693**	**162,845**
Increase in net assets	**138,024**	**129,400**	**19,951**	**287,375**	**185,208**
Net assets at beginning of year	**1,083,689**	**752,171**	**346,028**	**2,181,888**	**1,996,680**
Net assets at end of year	**$ 1,221,713**	**881,571**	**365,979**	**2,469,263**	**2,181,888**

See accompanying notes to the consolidated financial statements.

University of Richmond and its Affiliates

Consolidated Statement of Cash Flows

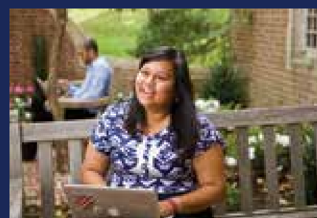
For the year ended June 30, 2014

With comparative financial information for the year ended June 30, 2013

(in thousands)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 287,375	185,208
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	20,160	19,205
Net unrealized and realized gains on investments	(314,990)	(222,400)
Amortization of note premiums	(1,239)	(1,252)
Contributions restricted for purchase of property and equipment	(5,185)	(3,484)
Contributions restricted for endowment	(11,128)	(5,830)
Change in fair value of interest rate swap agreements	943	(11,658)
Change in assets of variable interest entity	(180,058)	(125,674)
Change in liabilities of variable interest entity	(25,471)	14,501
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	(9,378)	(455)
Other assets, net	(3,045)	1,783
Accounts payable and other liabilities	2,525	2,049
Postretirement benefits	1,661	(1,383)
Funds held on behalf of others	222,070	118,381
Net cash used in operating activities	**(15,760)**	**(31,009)**
Cash flows from investing activities:		
Proceeds from sales of investments	364,162	429,517
Purchases of investments	(416,719)	(361,079)
Purchases of property, plant and equipment	(51,823)	(23,334)
Net cash (used in) provided by investing activities	**(104,380)**	**45,104**
Cash flows from financing activities:		
Contributions restricted for purchase of property and equipment	5,185	3,484
Contributions restricted for endowment	11,128	5,830
Repayment of notes payable	(1,900)	(1,845)
Proceeds from issuance of notes payable	—	61,685
Net cash provided by financing activities	**14,413**	**69,154**
Net (decrease) increase in cash and cash equivalents	(105,727)	83,249
Cash and cash equivalents at beginning of year	203,247	119,998
Cash and cash equivalents at end of year	**$ 97,520**	**203,247**
Supplemental disclosure:		
Cash paid for interest on notes payable and interest rate swap agreements	9,123	6,664
Cash paid for income taxes	51	107

See accompanying notes to the consolidated financial statements.



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.

Richmond Quadrangle, LLC, a wholly controlled affiliate of the University of Richmond, owns and operates a building and land located in Richmond, Virginia. 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.

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 elapsed.

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, 2014 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, 2014. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2010 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 and Reclassifications

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, 2013, from which this information was derived. In addition, certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2014 consolidated financial statements through September 29, 2014, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2014, 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, 2014, there were no significant deficiencies of this nature.

Endowment Net Assets at June 30 (in thousands)

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment fund	$ —	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**

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment fund	$ (66)	688,173	323,622	1,011,729
Board-designated endowment funds	1,026,856	—	—	1,026,856
Total endowment net assets	**$ 1,026,790**	**688,173**	**323,622**	**2,038,585**

Changes in Endowment Net Assets (in thousands)

	2014				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2013 Total
Beginning endowment net assets	$ 1,026,790	688,173	323,622	2,038,585	1,874,291
Investment return:					
Investment income, net	23,145	—	45	23,190	16,774
Net appreciation	157,718	156,010	2,590	316,318	214,171
Total investment return	180,863	156,010	2,635	339,508	230,945
Contributions	17	—	12,287	12,304	13,132
Appropriated for expenditure	(58,048)	(38,950)	—	(96,998)	(90,541)
Board-designated funds transfer	25,000	—	—	25,000	—
Transfers from annuity funds	—	—	7,695	7,695	—
Reinvested endowment income	3,299	—	1,716	5,015	4,728
Other adjustments	(1,788)	—	314	(1,474)	(1,178)
Endowment net assets before eliminations	1,176,133	805,233	348,269	2,329,635	2,031,377
Intercompany eliminations	19,833	—	—	19,833	7,208
Ending endowment net assets	**$ 1,195,966**	**805,233**	**348,269**	**2,349,468**	**2,038,585**

3 Investments and Derivatives

Fair Value Measurements

The following tables show the estimated fair value of University investments, investments of VIE, and derivatives grouped by the valuation hierarchy, as defined in Note 1, for the fiscal year ended June 30:

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

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 834	—	—	834
Investments				
Corporate bonds and other fixed income	—	61,848	—	61,848
Common stock and preferred stock	23,493	—	238	23,731
Commingled funds	1,556	—	—	1,556
Hedge funds[1]				
Equity oriented	—	716,439	375,872	1,092,311
Multi-strategy	—	122,353	177,466	299,819
Credit	—	98,361	74,514	172,875
Private equity funds	—	—	471,128	471,128
Real estate	—	—	62,901	62,901
Real asset funds	—	—	153,247	153,247
Other investments	—	4,545	—	4,545
Total investments	25,883	1,003,546	1,315,366	2,344,795
Investments of VIE				
Common stock and preferred stock	329,413	562	—	329,975
Commingled funds	48,880	335	—	49,215
Hedge funds[1]				
Equity oriented	—	274,328	126,122	400,450
Multi-strategy	—	95,343	38,209	133,552
Credit	—	35,803	24,166	59,969
Private equity funds	—	—	231,675	231,675
Real estate	—	—	38,774	38,774
Real asset funds	—	—	116,780	116,780
Total investments of VIE	378,293	406,371	575,726	1,360,390
Total assets	**$ 404,176**	**1,409,917**	**1,891,092**	**3,705,185**
Liabilities				
Interest rate swap agreements	$ —	—	22,778	22,778

[1]Hedge funds redeemable within 90 days of June 30, 2014 are classified as Level 2.

Fair Value of Assets and Liabilities at June 30, 2013 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 386	—	—	386
Investments				
Corporate bonds and other fixed income	—	34,317	—	34,317
Common stock and preferred stock	16,357	—	238	16,595
Commingled funds	1,224	—	—	1,224
Hedge funds[1]				
Equity oriented	—	505,463	373,423	878,886
Multi-strategy	—	112,795	168,119	280,914
Credit	—	83,907	65,846	149,753
Private equity funds	—	—	403,807	403,807
Real estate	—	—	71,914	71,914
Real asset funds	—	—	133,386	133,386
Other investments	—	—	6,066	6,066
Total investments	17,967	736,482	1,222,799	1,977,248
Investments of VIE				
Corporate bonds and other fixed income	—	32,771	—	32,771
Common stock and preferred stock	258,418	359	—	258,777
Commingled funds	38,385	—	—	38,385
Hedge funds[1]				
Equity oriented	—	268,013	136,972	404,985
Multi-strategy	—	86,213	34,325	120,538
Credit	—	18,896	79,021	97,917
Private equity funds	—	—	168,441	168,441
Real estate	—	—	51,897	51,897
Real asset funds	—	—	73,221	73,221
Total investments of VIE	296,803	406,252	543,877	1,246,932
Total assets	**$ 314,770**	**1,142,734**	**1,766,676**	**3,224,180**
Liabilities				
Interest rate swap agreements	$ —	—	21,835	21,835

[1]Hedge funds redeemable within 90 days of June 30, 2013 are classified as Level 2.

Level 3 Measurements

Investments included in Level 3 consist primarily of the University's ownership in hedge, private equity, real estate, real assets, and other similar funds.

Further, the University's derivatives have significant unobservable inputs and are therefore considered a Level 3 liability.

The following table shows the changes in Level 3 assets and liabilities for the year ended June 30, 2014:

Changes in Level 3 Assets and Liabilities Measured at Fair Value (in thousands)

	Balance 6/30/13	Transfers In	Transfers Out	Purchases	Sales	Gains (Losses) Realized	Gains (Losses) Unrealized	Balance 6/30/14
Assets								
Investments								
Common and preferred stocks	$ 238	—	—	8,936	(9,459)	312	211	238
Hedge funds	607,388	14,101	(146,202)	138,019	(84,489)	18,924	80,111	627,852
Private equity funds	403,807	—	—	92,281	(100,715)	14,640	61,115	471,128
Other funds	205,300	3,347	—	55,745	(56,961)	11,263	(2,546)	216,148
Other investments	6,066	—	(6,066)	—	—	—	—	—
Total investments	1,222,799	17,448	(152,268)	294,981	(251,624)	45,139	138,891	1,315,366
Investments of VIE								
Hedge funds	250,318	182	(18,235)	16,400	(32,289)	7,898	(35,777)	188,497
Private equity funds	168,441	—	—	46,267	(23,584)	10,283	30,268	231,675
Other funds	125,118	—	—	23,991	(25,888)	8,348	23,985	155,554
Total investments of VIE	543,877	182	(18,235)	86,658	(81,761)	26,529	18,476	575,726
Total assets	**$1,766,676**	**17,630**	**(170,503)**	**381,639**	**(333,385)**	**71,668**	**157,367**	**1,891,092**
Liabilities								
Interest rate swap agreements	$ (21,835)	—	—	—	—	—	(943)	(22,778)

Amounts transferred into Level 3 from Level 2 are due to decreased market activity and a decrease in liquidity terms for the associated funds. Amounts transferred out of Level 3 into Level 2 are due to an increase in liquidity terms for the associated funds.

The University had no transfers between Level 2 and Level 1 during the year ended June 30, 2014. The University recognizes transfers into or out of the levels at the end of each reporting period. The University did not have any assets or liabilities measured at fair value on a nonrecurring basis during the year ended June 30, 2014.

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)

	2014	2013
Interest and dividends, net of fees	$ 42,804	38,899
Net realized and unrealized gains – consolidated variable interest entity	208,021	120,250
Net realized and unrealized gains – University	314,990	222,400
Total investment return	565,815	381,549
Less: Spending on current operations		
Endowment spending	95,744	90,384
Other investment income	2,399	1,507
Investment return – operating	**98,143**	**91,891**
Investment return – nonoperating	**$ 467,672**	**289,658**

Alternative Investment Commitments and Redemption Information at June 30, 2014 (in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments				
Hedge funds				
Equity oriented	$ 1,092,311	32,500	Daily to 3 years	10 - 90 days
Multi-strategy	299,819	—	65 days to 1 year	45 - 180 days
Credit	172,875	18,400	30 days to 2 years	60 - 365 days
Private equity funds	471,128	293,912	N/A	N/A
Real estate	62,901	23,253	N/A	N/A
Real assets funds	153,247	89,043	N/A	N/A
	$ 2,252,281	**457,108**		
Investments of VIE				
Hedge funds				
Equity oriented	$ 400,450	—	Daily to 5 years	10 - 90 days
Multi-strategy	133,552	—	90 days to 1 year	60 - 75 days
Credit	59,969	—	Rolling 2 year lock-up	90 days
Private equity funds	231,675	93,220	N/A	N/A
Real estate	38,774	2,612	N/A	N/A
Real assets funds	116,780	24,307	N/A	N/A
	$ 981,200	**120,139**		

Redemptions

Of the investments reported at NAV, approximately $0.94 billion were redeemable at June 30, 2014. 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 0.152% at June 30, 2014.

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, 2014, 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, 2014.

Derivatives (in thousands)

	Rate Paid	Notional Amount	Fair Value Asset (Liability) 2014	2013	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (5,669)	(5,465)	(204)
June 1, 2031	3.744	30,000	(7,118)	(6,811)	(307)
August 1, 2034	4.000	25,000	(7,288)	(6,993)	(295)
November 1, 2036	3.744	10,000	(2,703)	(2,566)	(137)
			(22,778)	**(21,835)**	**(943)**

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)

	2014	2013
Unconditional pledges expected to be collected in:		
Less than one year	$ 1,327	809
One year to five years	23,654	13,932
	24,981	14,741
Less unamortized discount[1]	(1,351)	(1,063)
Less allowance for uncollectible amounts	(1,372)	(798)
	$ 22,258	**12,880**

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

5 Property, Plant and Equipment

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

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

	2014	2013
Land	$ 20,740	21,175
Buildings	381,236	367,875
Improvements	31,129	28,315
Equipment	93,372	89,869
Library books	70,882	67,767
Construction in progress	57,986	31,691
	655,345	606,692
Accumulated depreciation	(331,348)	(314,358)
	$ 323,997	**292,334**

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 2015 and 2042. Proceeds were used to refinance existing debt as well as to construct, equip, or improve several capital projects on campus. At June 30, 2014, approximately $9 million of proceeds from the 2012 issuance remained unspent. Principal balances, including unamortized premium amounts, were as follows at June 30:

Notes Payable (in thousands)

	2014	2013
Tax-exempt fixed-rate		
Series 2011A, 3.00% - 5.00%, final maturity in 2023	$ 22,948	25,229
Series 2011B, 5.00%, final maturity in 2021	43,007	43,781
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,545	61,629
Tax-exempt variable-rate[1]		
Series 2004, 0.06%, final maturity in 2034	46,000	46,000
Series 2006, 0.05%, final maturity in 2037	55,900	55,900
	$ 229,400	**232,539**

[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, 2014.

Estimated Aggregate Annual Maturities of Notes Payable (in thousands)

Years ending June 30:	
2015	$ 1,975
2016	21,825
2017	2,170
2018	2,275
2019	2,390
Thereafter	193,380
	224,015
Unamortized premium	5,385
	$ 229,400

Fair value of notes payable at June 30, 2014 was $233.0 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, 2014.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.4 million, was $6.9 million for the year ended June 30, 2014. Interest capitalized into the cost of construction was $1.0 million for the year ended June 30, 2014.

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 $9.1 million into these plans for the year ended June 30, 2014.

The University sponsors defined benefit health care plans that provide postretirement medical benefits to fulltime 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 was $6.5 million at June 30, 2014. At June 30, 2014 and 2013, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 7.23% and 7.34%, respectively, and is assumed to decrease gradually to 4.50% by the year 2030 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2014 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, 2014 and 2013, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.15% and 4.75%, 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)

	2014	2013
Change in postretirement benefit obligation:		
Accrued postretirement benefit obligation at beginning of year	$ 13,751	15,134
Service cost	395	451
Interest cost	632	552
Benefits paid	(872)	(844)
Actuarial loss (gain)	1,506	(1,542)
Accrued postretirement benefit obligation at end of year	**$ 15,412**	**13,751**

Net Periodic Postretirement Benefit Cost (in thousands)

	2014	2013
Net periodic postretirement benefit cost:		
Service cost	$ 395	451
Interest cost	632	552
Amortization of unrecognized net loss	292	394
Amortization of prior service cost	(62)	(62)
	$ 1,257	**1,335**

Estimated Future Benefit Payments For Years Ended (in thousands)

Years ending June 30:	
2015	$ 962
2016	974
2017	983
2018	973
2019	996
2020 – 2024	5,195

8 Composition of Net Assets

Permanently restricted net assets at June 30, 2014 and 2013 consist primarily of donor restricted endowment amounts whose income supports scholarships, professorships, lectureships and library funds.

Composition of Temporarily Restricted Net Assets (in thousands)

	2014	2013
Support of particular operating activities	$ 41,551	38,106
Acquisition of long-lived assets	34,787	25,891
Accumulated appreciation on donor-restricted endowment funds	805,233	688,174
	$ 881,571	**752,171**

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, 2014 was $3.4 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:	
2015	$ 3,480
2016	3,549
2017	3,620
2018	3,693
2019	1,239
	$ 15,581

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, 2014 is as follows:

Allocation of Expenses (in thousands)

Functional category	Direct expenses	Maintenance[2]	Interest	Depreciation	Total expenses
Program services					
Instruction	$ 65,101	2,253	831	2,694	70,879
Research	5,492	264	162	316	6,234
Public service	2,246	371	103	444	3,164
Academic support and libraries	30,892	3,788	2,049	4,530	41,259
Student services	18,794	1,467	296	1,755	22,312
Auxiliary enterprises	41,914	7,126	2,882	8,521	60,443
	164,439	**15,269**	**6,323**	**18,260**	**204,291**
Supporting services					
Institutional support[1]	34,271	856	431	1,025	36,583
	$ 198,710	**16,125**	**6,754**	**19,285**	**240,874**

[1] Fundraising expenses of $5.2 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, 2014 were $4.4 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, 2014 were $12.5 million, of which $3.3 million was payable to RFMC at June 30, 2014. 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%. RFMC earned and received a performance allocation of $4.4 million during the year ended June 30, 2014.

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 quarterly settlement of the swap within 45 days of the 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, 2014 was a liability to the University and a receivable to the Richmond Fund in the amount of $32.4 million. The change in fair value for the year ended June 30, 2014 totaled $19.8 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.

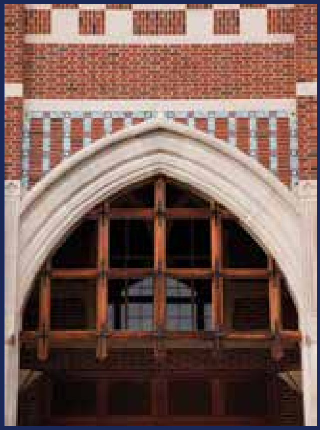
The University receives revenues under U.S. government funded grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. government. Recovery of indirect costs is based on 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, 2014 was approximately $16.4 million.


Robins School of Business




Supplementary Information

University of Richmond

Statement of Financial Position

As of June 30, 2014

With comparative financial information as of June 30, 2013

(in thousands)

	2014	2013
Assets:		
Cash and cash equivalents	$ 98,929	202,845
Pledges receivable, net	22,258	12,880
Investments	2,371,820	2,006,041
Other assets, net	26,364	23,209
Property, plant and equipment, net	297,648	264,372
Total assets	**$ 2,817,019**	**2,509,347**
Liabilities:		
Accounts payable and other liabilities	$ 80,166	59,133
Postretirement benefits	15,412	13,751
Notes payable	229,400	232,539
Interest rate swap agreements	22,778	21,835
Total liabilities	**347,756**	**327,258**
Net assets:		
Unrestricted	1,221,713	1,083,890
Temporarily restricted	881,571	752,171
Permanently restricted	365,979	346,028
Total net assets	**2,469,263**	**2,182,089**
Total liabilities and net assets	**$ 2,817,019**	**2,509,347**

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, 2014
With summarized financial information for the year ended June 30, 2013
(in thousands)

	2014				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2013 Total**
Operating revenues:					
Tuition and fees	$ 169,922	—	—	169,922	168,869
Less scholarship allowance	(66,154)	—	—	(66,154)	(70,956)
Net tuition and fees	103,768	—	—	103,768	97,913
Grants and contracts	5,676	—	—	5,676	5,243
Contributions	8,157	1,438	—	9,595	12,990
Investment return, net	57,639	40,504	—	98,143	91,891
Auxiliary enterprises	42,605	—	—	42,605	40,773
Other sources	15,057	—	—	15,057	11,585
Net assets released from restrictions	37,882	(37,882)	—	—	—
Total operating revenues	**270,784**	**4,060**	**—**	**274,844**	**260,395**
Operating expenses:					
Instruction	70,879	—	—	70,879	67,591
Research	6,234	—	—	6,234	5,962
Public service	3,164	—	—	3,164	2,948
Academic support and libraries	41,259	—	—	41,259	40,759
Student services	22,312	—	—	22,312	20,841
Institutional support	40,412	—	—	40,412	39,046
Auxiliary enterprises	60,443	—	—	60,443	57,873
Total operating expenses	**244,703**	**—**	**—**	**244,703**	**235,375**
Increase in net assets from operating activities	**26,081**	**4,060**	**—**	**30,141**	**25,375**
Nonoperating activities:					
Contributions	—	10,160	12,420	22,580	8,614
Investment return, net	125,041	117,023	2,224	244,288	140,961
Change in fair value of interest rate swap agreements	(943)	—	—	(943)	11,658
Change in postretirement benefits	(1,276)	—	—	(1,276)	1,874
Other nonoperating activities, net	(11,080)	(1,843)	5,307	(7,617)	(3,275)
Increase in net assets from nonoperating activities	**111,742**	**125,340**	**19,951**	**257,033**	**159,832**
Increase in net assets	**137,823**	**129,400**	**19,951**	**287,174**	**185,207**
Net assets at beginning of year	**1,083,890**	**752,171**	**346,028**	**2,182,089**	**1,996,882**
Net assets at end of year	**$ 1,221,713**	**881,571**	**365,979**	**2,469,263**	**2,182,089**

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.

2014–15 Board of Trustees

The University of Richmond provides a collaborative learning and research environment unlike any other in higher education, offering students an extraordinary combination of the liberal arts with law, business, leadership studies, and continuing education. It is characterized by a distinctly integrated student experience — an innovative life for students inside and outside the classroom — and a welcoming spirit that prizes diversity of experience and thought.

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