University of Richmond

Consolidated Financial Statements

June 30, 2022

With Independent Auditors' Report Thereon

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

Independent Auditors' Report

The Board of Trustees
University of Richmond:

Opinion

We have audited the consolidated financial statements of University of Richmond (the University), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the University's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 11, 2022

Consolidated Statement of Financial Position

As of June 30, 2022

With comparative financial information as of June 30, 2021
(in thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 202,025	149,614
Pledges receivable, net	9,686	12,416
Investments	3,009,054	3,290,440
Beneficial interest in perpetual trusts	31,013	37,721
Other assets, net	92,402	63,032
Property, plant and equipment, net	366,624	373,240
Total assets	**$ 3,710,804**	**3,926,463**
Liabilities		
Accounts payable and other liabilities	$ 66,686	59,454
Postretirement benefits obligation	16,778	20,797
Notes payable	257,781	257,864
Interest rate swap agreements	13,768	26,132
Total liabilities	**355,013**	**364,247**
Net assets		
Without donor restrictions	1,705,764	1,792,231
With donor restrictions	1,650,027	1,769,985
Total net assets	**3,355,791**	**3,562,216**
Total liabilities and net assets	**$ 3,710,804**	**3,926,463**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2022

With summarized comparative financial information for the year ended June 30, 2021
(in thousands)

	2022			
	Without donor restrictions	With donor restrictions	Total	2021 Total
Operating revenues				
Tuition and fees (Net of scholarship allowance of $92,539 and $89,118)	$ 123,600	—	123,600	116,181
Grants and contracts	13,586	—	13,586	10,057
Contributions	4,027	5,806	9,833	10,797
Investment return, net	117,573	1,834	119,407	124,099
Auxiliary enterprises	43,422	—	43,422	32,844
Other sources	21,283	—	21,283	25,473
Net assets released from restrictions	18,465	(18,465)	—	—
Total operating revenues	**341,956**	**(10,825)**	**331,131**	**319,451**
Operating expenses				
Instruction	95,205	—	95,205	90,670
Research	4,534	—	4,534	4,163
Public service	3,338	—	3,338	3,380
Academic support and libraries	51,417	—	51,417	46,965
Student services	59,255	—	59,255	49,970
Institutional support	51,639	—	51,639	57,583
Auxiliary enterprises	52,922	—	52,922	47,697
Total operating expenses	**318,310**	**—**	**318,310**	**300,428**
Change in net assets from operating activities	**23,646**	**(10,825)**	**12,821**	**19,023**
Nonoperating activities				
Contributions	256	9,868	10,124	11,990
Investment return, net	(115,063)	(119,120)	(234,183)	933,213
Change in fair value of interest rate swap agreements	12,364	—	12,364	7,530
Change in postretirement benefits	4,593	—	4,593	223
Other nonoperating activities, net	(17,723)	5,579	(12,144)	(6,226)
Net assets released from restrictions	5,460	(5,460)	—	—
Change in net assets from nonoperating activities	**(110,113)**	**(109,133)**	**(219,246)**	**946,730**
Change in net assets	**(86,467)**	**(119,958)**	**(206,425)**	**965,753**
Net assets at beginning of year	**1,792,231**	**1,769,985**	**3,562,216**	**2,596,463**
Net assets at end of year	**$ 1,705,764**	**1,650,027**	**3,355,791**	**3,562,216**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2022

With comparative financial information for the year ended June 30, 2021
(in thousands)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (206,425)	965,753
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	34,360	31,537
Net unrealized and realized losses (gains) on investments	183,094	(1,044,180)
Settlement activity for rate of return agreement	(27,745)	(59,643)
Amortization of note premiums	(83)	(360)
Contributions restricted for purchase of property and equipment	(2,662)	(3,303)
Contributions restricted for endowment	(6,211)	(8,035)
Change in fair value of interest rate swap agreements	(12,364)	(7,530)
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	2,730	(38)
Beneficial interest in perpetual trusts	6,708	(8,172)
Other assets, net	(1,625)	(3,332)
Accounts payable and other liabilities	7,232	14,663
Postretirement benefits obligation	(4,019)	362
Net cash used in operating activities	**(27,010)**	**(122,278)**
Cash flows from investing activities		
Proceeds from sales of investments	703,040	842,818
Purchases of investments	(604,748)	(694,771)
Purchases of property, plant and equipment	(27,744)	(39,471)
Net cash provided by investing activities	**70,548**	**108,576**
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	2,662	3,303
Contributions restricted for endowment	6,211	8,035
Repayment of notes payable	—	(28,985)
Proceeds from issuance of notes payable	—	55,000
Net cash provided by financing activities	**8,873**	**37,353**
Net increase in cash and cash equivalents	52,411	23,651
Cash and cash equivalents at beginning of year	149,614	125,963
Cash and cash equivalents at end of year	**$ 202,025**	**149,614**
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	$ 5,685	8,961
Cash paid for income taxes	5,117	3,775
Change in property, plant and equipment related to accounts payable	581	(1,227)

See accompanying notes to the consolidated financial statements.

1 Organization & Summary of Significant Accounting Policies

Organization

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

These statements also include the activities of the University's related entities, the most significant of which is Spider Management Company, LLC (SMC), a wholly controlled affiliate of the University, that provides investment research, advice, counsel and management with respect to the University's endowment assets. The Richmond Fund Management Company, LLC (RFMC), a wholly controlled affiliate of SMC, is the general partner of the Richmond Fund, LP (Richmond Fund) and is managed by SMC's Board of Managers. The Richmond Fund is an investment limited partnership that provides a vehicle for unaffiliated 501(c) organizations to achieve investment returns that mirror the investment returns of the University's endowment. Richmond Fund is not included in the consolidated financial statements.

Basis of Presentation

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

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

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

Net Asset Classes

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

Without Donor Restrictions

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

With Donor Restrictions

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

Cash and Cash Equivalents

Cash equivalents with an original maturity of three months or less at date of purchase are reported as cash and cash equivalents in the accompanying consolidated statement of financial position. Cash equivalents held by investment custodians or managers are reported within investments in the accompanying consolidated financial statements. These investments are not considered cash equivalents for purposes of the consolidated statement of cash flows.

Investments

Investments are recorded at fair value in the consolidated statement of financial position. In determining fair value, the University uses various methods.

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

For investments made directly by the University whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. The University's interests in alternative investment funds are reported at the net asset value (NAV) as a practical expedient for fair value reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, the University has concluded, as a practical expedient, that the NAV approximates fair value. Investments in real assets consist primarily of investment funds which invest in real estate and real asset partnerships, as well as mortgages held by the University.

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

Investment transactions are accounted for on a trade date basis. Dividend income or expense is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Realized gains and losses are determined by the specific identification method for investments in investment funds and average cost for investments in securities.

Investment return, including realized and unrealized gains and losses, is recognized when earned and reported in the consolidated statement of activities net of related investment expenses. Investment return is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions, until amounts have been appropriated and the donor-imposed or legal time restrictions have been satisfied.

Fair Value Measurements

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

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2

Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other market-corroborated inputs.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Derivative Instruments

Certain derivative instruments, such as interest rate swap agreements, are used by the University. The University recognizes all derivative instruments as either assets or liabilities in the consolidated statement of financial position at their respective fair value. Changes in fair value of derivatives are recognized as a change in net assets without donor restrictions in the consolidated statement of activities.

The fair value of interest rate swap agreements is determined using pricing models developed based on the London Interbank Offered Rate (LIBOR) and other unobservable market data. The value was determined after considering the potential impact of collateralization and netting agreements, and adjusted to reflect nonperformance risk of both the counterparty and the University.

Property, Plant and Equipment

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

Collections

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

Revenue Recognition

Tuition and Fees

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

The University offers several summer terms where revenue is recognized ratably over each summer term. Summer tuition revenue recognized was $2.7 million for the year ended June 30, 2022. Summer tuition revenue deferred was $0.2 million as of June 30, 2022.

Need-based institutional scholarships are awarded to students to defray the costs of academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students for the years ended June 30, 2022 and 2021 were $92.5 million and $89.1 million, respectively.

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue based upon any donor-imposed restrictions, on the date of the donor's commitment or gift. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as contribution revenue without donor restrictions. Contributions of other assets are recorded at estimated fair value at the date of gift. Unconditional pledges are recorded at estimated present value at the date of the commitment, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met. As of June 30, 2022, the fair value of the conditional pledges received by the University is indeterminable.

Auxiliary Enterprises

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

Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, the University is exempt from Federal income taxes to the extent provided under Section 501 of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements.

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

The University accounts for uncertain tax positions, when applicable. Apart from TCJA, the University has not taken any uncertain tax positions. No interest expense or penalties have been recognized as of and for the year ended June 30, 2022. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2018 and forward.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comparative Financial Information

The consolidated financial statements include certain prior year information presented for comparative purposes, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended June 30, 2021, from which this information was derived.

Subsequent Events

The University has evaluated subsequent events for potential recognition or disclosure in the June 30, 2022 consolidated financial statements through October 11, 2022, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2022, the University's endowment consisted of approximately 1,500 individual funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending Policy

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

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

Market-value based component

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

Spending component

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

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing University operations. The primary investment objective is to earn an average annual real total return of at least 5% per year over the long term. Actual returns in any given year may vary from this amount. A secondary objective is to outperform, over the long term, a blended policy benchmark based on the current asset allocation policy. A third objective is to rank in the top quartile of the National Association of College and University Business Officers' reported endowment returns.

Strategies Employed for Achieving Objectives

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

Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. The University has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of June 30, 2022, there were no significant deficiencies of this nature.

Endowment Net Assets as of June 30 (in thousands)			
	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$ 1,565,023	—	1,565,023
Donor-restricted endowment funds			
Historical gift value	—	409,036	409,036
Accumulated gains	—	1,148,321	1,148,321
Beneficial interest in perpetual trusts	—	31,013	31,013
Total endowment net assets	**$ 1,565,023**	**1,588,370**	**3,153,393**

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

Changes in Endowment Net Assets (in thousands)				
	2022			
	Without donor restrictions	**With donor restrictions**	**Total**	**2021 Total**
Beginning endowment net assets	$ 1,664,669	1,686,824	3,351,493	2,405,602
Investment return, net	(41,147)	(55,450)	(96,597)	1,055,635
Contributions	—	6,211	6,211	8,035
Board designated funds transfer	7,000	—	7,000	—
Charitable gift annuity transfer	—	93	93	1,467
Appropriated for expenditure	(70,408)	(62,436)	(132,844)	(127,837)
Reinvested endowment income	5,417	13,010	18,427	6,788
Other adjustments	(508)	118	(390)	1,803
Ending endowment net assets	**$ 1,565,023**	**1,588,370**	**3,153,393**	**3,351,493**

3 Investments and Other Fair Value Measurements

Fair Value Measurements

The following tables show the estimated fair value of University investments as of June 30.

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

	2022				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash and cash equivalents	$ 50,677	—	—	—	50,677
Corporate bonds & other fixed income	166,267	—	—	—	166,267
Common stock and preferred stock	48,057	—	—	—	48,057
Commingled funds	2,172	—	—	—	2,172
Alternative investments					
Absolute return	—	—	—	707,063	707,063
Public equity	—	—	—	698,374	698,374
Private equity	—	—	—	804,951	804,951
Real assets	—	—	—	531,493	531,493
Total investments	**$267,173**	**—**	**—**	**2,741,881**	**3,009,054**

	2021				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Cash and cash equivalents	$215,969	—	—	—	215,969
Corporate bonds & other fixed income	94,181	400	—	—	94,581
Common stock and preferred stock	143,625	—	—	—	143,625
Commingled funds	3,225	—	—	—	3,225
Alternative investments[1]					
Absolute return	—	—	—	621,733	621,733
Public equity	—	—	—	962,727	962,727
Private equity	—	—	—	820,116	820,116
Real assets	—	—	—	428,464	428,464
Total investments	**$457,000**	**400**	**—**	**2,833,040**	**3,290,440**

[1]*Alternative investment classes have been condensed to align with 2022 table presentation*

Alternative Investments Information as of June 30, 2022 (in thousands)

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments				
Absolute return	$ 707,063	146,905	Quarterly to annually	45 – 150 days
Public equity	698,374	5,000	Quarterly to rolling 3-year	30 - 90 days
Private equity	804,951	385,817	N/A	N/A
Real assets	531,493	195,366	N/A	N/A
	$2,741,881	**733,088**		

Redemptions

Of the investments reported at NAV, approximately $678.7 million were redeemable at June 30, 2022. It is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value in secondary markets, such estimates of fair value may differ from values that would have been applied had a readily available market existed, and those differences could be material. It is possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and that discount could be significant.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. As such, these assets fall within level 3 of the hierarchy of fair value inputs, with changes resulting from net investment return of ($6.7) million. Distributions from these trusts are recorded as investment return designated for current operations.

Derivatives

The University has four fixed interest rate swap agreements to convert variable interest rates on notes payable to fixed rates without exchanging the underlying principal amounts. These liabilities fall within level 3 of the hierarchy of fair value inputs. The University anticipates holding the interest rate swap agreements until maturity. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 1.79% at June 30, 2022. As part of the LIBOR transition, the one-month LIBOR will no longer be published after June 30, 2023. The University is determining the impact of this change.

Certain University derivative instruments contain provisions requiring that long-term, unsecured debt be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request collateral on derivatives in net liability positions. During the year ended June 30, 2022, 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, 2022.

Derivatives as of June 30 (in thousands)					
	Rate Paid	**Notional Amount**	**Fair Value Liability 2022**	**2021**	**Change in Fair Value**
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (2,746)	(5,522)	2,776
June 1, 2031	3.744	30,000	(4,150)	(7,995)	3,845
August 1, 2034	4.000	25,000	(4,910)	(8,924)	4,014
November 1, 2036	3.744	10,000	(1,962)	(3,691)	1,729
			$ (13,768)	**(26,132)**	**12,364**

4 Pledges Receivable

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

Pledges Receivable, net as of June 30 (in thousands)		
	2022	**2021**
Unconditional pledges expected to be collected in:		
Less than one year	$ 4,254	5,155
One year to five years	6,232	8,061
	10,486	13,216
Less unamortized discount[1]	(230)	(326)
Less allowance for uncollectible amounts	(570)	(474)
	$ 9,686	**12,416**

[1]*Discount rates range from 0.5% to 3.2%*

5 Property, Plant and Equipment

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

Property, Plant and Equipment as of June 30 (in thousands)		
	2022	**2021**
Land	$ 5,932	5,932
Buildings	613,094	587,702
Improvements	61,030	55,104
Equipment	112,245	106,457
Library books	94,146	91,540
Construction in progress	13,681	27,279
	900,128	874,014
Accumulated depreciation	(533,504)	(500,774)
	$ 366,624	**373,240**

6 Notes Payable

The University issued tax-exempt revenue bonds through the Virginia College Building Authority and taxable notes through a private placement with New York Life Insurance and Annuity Corporation. Proceeds were used to refinance existing debt as well as to construct, equip, or improve several capital projects on campus.

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

Notes Payable as of June 30 (in thousands)		
	2022	**2021**
Tax-exempt fixed-rate		
Series 2012, 3.00% - 4.00%, final maturity in 2042	$ 60,881	60,964
Tax-exempt variable-rate[1]		
Series 2004, 0.16%, final maturity in 2035	46,000	46,000
Series 2006, 0.12%, final maturity in 2037	55,900	55,900
Taxable fixed-rate		
Series 2015, 3.60%, final maturity in 2046	40,000	40,000
Series 2020, 2.95%, final maturity in 2051	55,000	55,000
	$ 257,781	**257,864**

[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, 2022.*

Repayments of Notes Payable for Years Ended June 30 (in thousands)	
Years ending June 30:	
2023	$ —
2024	4,650
2025	2,255
2026	6,140
2027	3,715
Thereafter	240,140
	256,900
Unamortized premium	881
	$ 257,781

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, 2022.

The University has a one-year revolving credit facility in the amount of $75.0 million to support timing differences within the operating cash portfolio. Interest on drawn amounts is calculated at the greater of (a) the BSBY Daily Floating Rate or (b) 0.00%, plus 0.65%. Any unused outstanding credit balance incurs a fee of 0.15%. There was no outstanding balance against this facility as of June 30, 2022.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.4 million, was $8.7 million for the year ended June 30, 2022.

7 Retirement Plans and Postretirement Benefits

The University has contributory defined contribution retirement annuity plans for academic and nonacademic employees. Contributions are based on a percentage of the employee's salary. The University contributed $12.0 million into these plans for the year ended June 30, 2022.

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 $4.5 million at June 30, 2022. At June 30, 2022 and 2021, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 5.9% and 6.0%, respectively, and is assumed to decrease gradually to 4.0% by the year 2047 and remain at that level thereafter. At June 30, 2022 and 2021, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.8% and 2.6%, respectively.

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

Changes in Postretirement Benefits Obligation (in thousands)		
	2022	**2021**
Accrued postretirement benefits obligation at beginning of year	$ 20,797	20,435
Service cost	759	751
Interest cost	536	527
Benefits paid	(1,116)	(1,106)
Actuarial (gain) loss	(4,198)	190
Accrued postretirement benefits obligation at end of year	**$ 16,778**	**20,797**

Net Periodic Postretirement Benefit Cost (in thousands)		
	2022	**2021**
Service cost	$ 759	751
Interest cost	536	527
Amortization of unrecognized net loss	396	414
	$ 1,691	**1,692**

Estimated Future Benefit Payments for Years Ended June 30 (in thousands)	
2023	$ 1,132
2024	1,201
2025	1,211
2026	1,215
2027	1,296
2028 – 2032	6,345

8 Composition of Net Assets

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

Composition of Net Assets as of June 30 (in thousands)		
	2022	**2021**
Without donor restrictions		
Board-designated endowments	$ 1,565,023	1,664,669
Other net assets without donor restrictions	140,741	127,562
Total without donor restrictions	**1,705,764**	**1,792,231**
With donor restrictions		
Donor-restricted endowments		
Scholarships and fellowships	710,892	758,880
Professorships	297,493	308,996
Other programming	579,985	618,948
Purpose restricted and other	61,657	83,161
Total with donor restrictions	**1,650,027**	**1,769,985**
	$3,355,791	**3,562,216**

9 Expenses

The composition of expenses for the year ended June 30, 2022 is as follows:

Operating Expenses for the Year Ended June 30, 2022 (in thousands)					
	Compensation and benefits	**Materials and supplies**	**Services and other**	**Interest and depreciation**	**Total**
Instruction	$ 80,707	2,850	5,833	5,815	**95,205**
Research	2,472	283	1,058	721	**4,534**
Public service	1,936	131	405	866	**3,338**
Academic support and libraries	25,056	6,702	8,728	10,931	**51,417**
Student services	31,071	3,646	15,926	8,612	**59,255**
Institutional support	34,349	3,449	11,810	2,031	**51,639**
Auxiliary enterprises	17,958	10,463	10,452	14,049	**52,922**
Total operating expenses	**$ 193,549**	**27,524**	**54,212**	**43,025**	**318,310**
2021 operating expenses	**$ 188,985**	**25,516**	**44,612**	**41,315**	**300,428**

Program services are comprised of instruction, research, public service, academic support and libraries, student services, and auxiliary enterprises. Athletics expenses are included in student services. Supporting services includes institutional support. Fundraising expenses of $7.1 million are included in institutional support for the year ended June 30, 2022. The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities on a square footage basis.

10 Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by the Board. As further described in Note 6, the University may draw upon a revolving credit facility to manage cash flows. At June 30, 2022, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2022 (in thousands)	
Financial assets available for general expenditures within one year	
Cash and cash equivalents	$ 77,290
Operating investments	88,809
Liquidity resources	
Revolving credit facility	75,000

Additionally, the University has $1.6 billion in board-designated endowments, of which $980.7 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2023 spending from the endowment, which is estimated to be $138.9 million.

11 Related Party Transactions

All members of the Board of Trustees, its officers, and senior administrators are required to disclose annually any information about possible conflicts of interest affecting the University, including personal interests, or interests of family members and organizations in which the individual has either a significant management position or ownership interest.

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2022 were $14.3 million, shown in other sources on the consolidated statement of activities, of which $3.4 million was due to RFMC.

On January 28, 2008, the University entered into a blended rate of return agreement with the Richmond Fund. The purpose of the agreement is to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return prior to fees and expenses. The agreement requires settlement of the agreement at least once a calendar year. The University anticipates holding the agreement until termination of the Richmond Fund. As of June 30, 2022 and 2021, the University has a receivable from the Richmond Fund in the amount of $63.1 million and $35.3 million, respectively, which is included in other assets on the accompanying consolidated statement of financial position. The settlement value for the year ended June 30, 2022 totaled $77.7 million, which has been recorded in investment return.

12 Contingencies and Commitments

Contingencies

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

The University receives revenues under U.S. government funded grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. government. Recovery of indirect costs is based on predetermined rates negotiated with the U.S. government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the consolidated financial statements.

Commitments

The University is in the process of constructing, renovating and equipping certain facilities. The expected cost to complete construction in progress at June 30, 2022 was approximately $23.3 million.