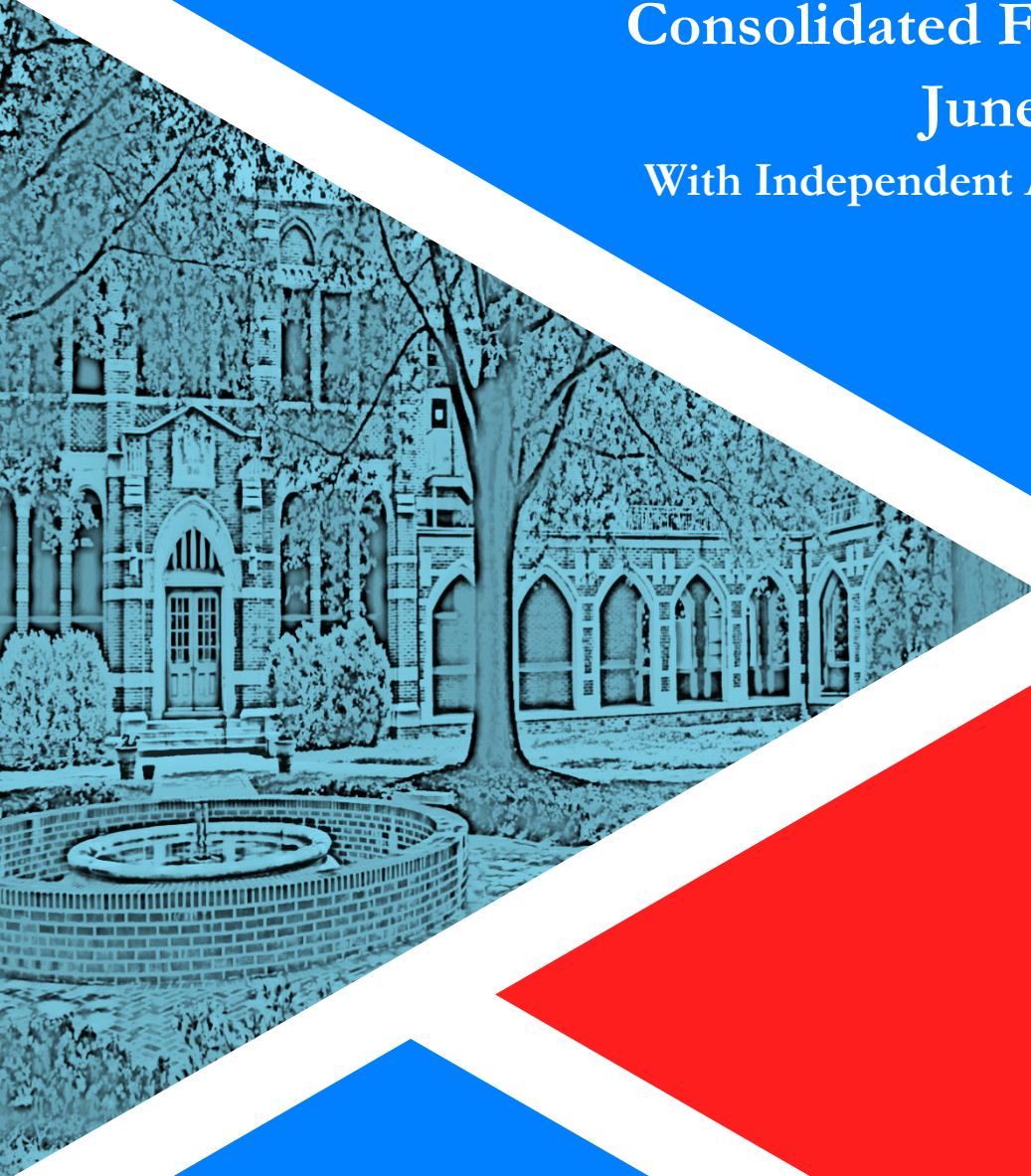


University of Richmond

Consolidated Financial Statements

June 30, 2019

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:

We have audited the accompanying consolidated financial statements of University of Richmond, which comprise the consolidated statement of financial position as of June 30, 2019, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Richmond as of June 30, 2019, 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.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, University of Richmond adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during the year ended June 30, 2019. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited University of Richmond's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 11, 2019

Consolidated Statement of Financial Position

As of June 30, 2019

With comparative financial information as of June 30, 2018

(in thousands)

	2019	2018
Assets		
Cash and cash equivalents	\$ 68,181	56,396
Pledges receivable, net	13,027	9,638
Investments	2,561,158	2,597,295
Beneficial interest in perpetual trusts	29,711	29,783
Other assets, net	28,121	29,223
Property, plant and equipment, net	350,382	341,474
Total assets	\$ 3,050,580	3,063,809
Liabilities		
Accounts payable and other liabilities	\$ 56,535	85,471
Postretirement benefits	18,740	17,196
Notes payable	235,127	237,971
Interest rate swap agreements	24,929	18,775
Total liabilities	335,331	359,413
Net assets		
Without donor restrictions	1,371,024	1,370,736
With donor restrictions	1,344,225	1,333,660
Total net assets	2,715,249	2,704,396
Total liabilities and net assets	\$ 3,050,580	3,063,809

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2019

With summarized comparative financial information for the year ended June 30, 2018
(in thousands)

	2019		Total	2018 Total
	Without donor restrictions	With donor restrictions		
Operating revenues				
Tuition and fees (Net of scholarship allowance of \$83,725 and \$83,329)	\$ 113,378	—	113,378	108,401
Grants and contracts	3,696	—	3,696	3,318
Contributions	5,371	4,947	10,318	11,434
Investment return, net	120,499	—	120,499	115,372
Auxiliary enterprises	43,387	—	43,387	41,799
Other sources	22,027	—	22,027	28,585
Net assets released from restrictions	3,419	(3,419)	—	—
Total operating revenues	311,777	1,528	313,305	308,909
Operating expenses				
Instruction	91,168	—	91,168	85,983
Research	4,829	—	4,829	5,001
Public service	3,845	—	3,845	3,725
Academic support and libraries	51,374	—	51,374	49,826
Student services	53,654	—	53,654	50,083
Institutional support	49,823	—	49,823	50,620
Auxiliary enterprises	50,459	—	50,459	49,981
Total operating expenses	305,152	—	305,152	295,219
Change in net assets from operating activities	6,625	1,528	8,153	13,690
Nonoperating activities				
Contributions	—	17,332	17,332	8,615
Investment return, net	(4,249)	(1,624)	(5,873)	126,179
Change in fair value of interest rate swap agreements	(6,154)	—	(6,154)	5,805
Change in postretirement benefits	1,098	—	1,098	2,559
Other nonoperating activities, net	(2,149)	(1,554)	(3,703)	320
Net assets released from restrictions	5,117	(5,117)	—	—
Change in net assets from nonoperating activities	(6,337)	9,037	2,700	143,478
Change in net assets	288	10,565	10,853	157,168
Net assets at beginning of year	1,370,736	1,333,660	2,704,396	2,547,228
Net assets at end of year	\$ 1,371,024	1,344,225	2,715,249	2,704,396

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2019

With comparative financial information for the year ended June 30, 2018

(in thousands)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 10,853	157,168
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	28,870	27,730
Net unrealized and realized gains on investments	(127,839)	(246,398)
Settlement value for rate of return agreement	10,093	27,326
Amortization of note premiums	(454)	(495)
Contributions restricted for purchase of property and equipment	(2,348)	(3,866)
Contributions restricted for endowment	(8,170)	(6,749)
Change in fair value of interest rate swap agreements	6,154	(5,805)
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	(3,389)	277
Beneficial interest in perpetual trusts	72	(1,043)
Other assets, net	1,102	1,619
Accounts payable and other liabilities	(40,484)	(7,916)
Postretirement benefits	1,544	(1,788)
Net cash used in operating activities	(123,996)	(59,940)
Cash flows from investing activities		
Proceeds from sales of investments	525,557	531,233
Purchases of investments	(361,581)	(476,138)
Purchases of property, plant and equipment	(36,323)	(35,644)
Net cash provided by investing activities	127,653	19,451
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	2,348	3,866
Contributions restricted for endowment	8,170	6,749
Repayment of notes payable	(2,390)	(2,275)
Net cash provided by financing activities	8,128	8,340
Net increase (decrease) in cash and cash equivalents	11,785	(32,149)
Cash and cash equivalents at beginning of year	56,396	88,545
Cash and cash equivalents at end of year	\$ 68,181	56,396
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	\$ 7,668	8,415
Cash paid for income taxes	—	75
Change in property, plant and equipment related to accounts payable	1,455	(635)

See accompanying notes to the consolidated financial statements.

1 Organization & Summary of Significant Accounting Policies

Organization

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

Spider Management Company, LLC (SMC), a wholly controlled affiliate of the University of Richmond, provides investment research, advice, counsel and management with respect to the University of Richmond'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 of Richmond's endowment.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and 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

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

Cash and Cash Equivalents

Cash equivalents with a maturity of three months or less at date of purchase are reported as cash and cash equivalents. Cash equivalents held by investment custodians are reported within 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.

Investments are recorded at estimated fair value. For investments made directly by the University whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. The University's interests in alternative investment funds such as fixed income, equities, hedged strategies, private capital, and real assets are reported at the net asset value (NAV) reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, the University has concluded, as a practical expedient, that the NAV approximates fair value.

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

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

Investment transactions are accounted for on a trade date basis. Dividend income or expense is recognized on the ex-dividend date and interest income is recognized on the accrual basis. Realized gains and losses are determined by the specific

identification method for investments in investment funds and average cost for investments in securities.

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

Fair Value Measurements

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

Level 1

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

Level 2

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

Level 3

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

Derivative Instruments

Certain derivative instruments, such as interest rate swap agreements, are used by the University. The University recognizes all derivative instruments as either assets or liabilities in the consolidated statement of financial position at their respective fair values. 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 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 categorized as deferred revenue and reported within accounts payable and other liabilities in the consolidated statement of financial position. Payments for tuition are typically due the first Monday in August for the Fall semester, first Monday in December for the Spring term, and the first date of each respective summer term. Undergraduate tuition and fees is approximately 88% of total gross tuition and fees.

The University offers several summer terms where revenue is recognized ratably over each summer term. Summer tuition revenue recognized was \$2.0 million for the year ended June 30, 2019. Summer tuition revenue deferred was \$0.5 million for the year ended June 30, 2019.

Need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students were \$83.7 million in 2019 and \$83.3 million in 2018.

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 donors' 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 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, 2019,

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, dining halls, and bookstore operations. Auxiliary revenues are recognized over the academic term or at the point of sales, 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 (the Act) was enacted on December 22, 2017. Among other things, the Act imposes an excise tax on net investment income for certain organizations and establishes new rules for calculating unrelated business taxable income. The University believes it will be subject to the excise tax; however, the available proposed regulatory guidance is not sufficient to calculate a reasonable estimate. The University has reflected an estimate in its statements for unrelated trade or business income tax using the current proposed regulatory guidance. The University continues to evaluate the impact of the Act on current and future tax positions.

The University accounts for uncertain tax positions, when applicable. Apart from those impacted by the Act, 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, 2019. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2015 and forward.

Estimates

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

New Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts

with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the consolidated statement of activities at the transaction price, i.e., net of any scholarship allowances. Previously, such revenues were presented on a gross basis, i.e., at published rates, followed by a reduction for scholarship allowances. Accordingly, the University's 2018 consolidated statement of activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to guidance in Topic 606, and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both (a) a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and (b) a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its consolidated financial statements..

Comparative Financial Information and Reclassifications

The consolidated financial statements include certain prior year information presented for comparative purposes, which does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2019, from which this information was derived.

Subsequent Events

The University has evaluated subsequent events for potential recognition or disclosure in the June 30, 2019 consolidated financial statements through October 11, 2019, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2019, the University's endowment consisted of approximately 1,400 individual funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

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

Spending Policy

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

Under normal circumstances, endowment spending will increase at a level of 3% per year above the previous year's spending rate. If, however, this amount exceeds 6% or is less than 4% of a three-year moving average of the market value of the endowment assets calculated on a one-year lagged basis, spending will be reduced to 6% or increased to 4% of the three-year moving average, respectively.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. At June 30, 2019, there were no significant deficiencies of this nature.

Endowment Net Assets at June 30 (in thousands)			
	2019		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 1,253,632	—	1,253,632
<i>Donor-restricted endowment funds</i>			
Historical gift value	—	366,124	366,124
Accumulated gains	—	863,742	863,742
Beneficial interest in trusts	—	29,711	29,711
Total endowment net assets	\$ 1,253,632	1,259,577	2,513,209

	2018		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 1,253,498	—	1,253,498
<i>Donor-restricted endowment funds</i>			
Historical gift value	—	354,988	354,988
Accumulated gains	—	867,829	867,829
Beneficial interest in trusts	—	29,783	29,783
Total endowment net assets	\$ 1,253,498	1,252,600	2,506,098

Changes in Endowment Net Assets (in thousands)				
	2019			2018 Total
	Without donor restrictions	With donor restrictions	Total	
Beginning endowment net assets	\$ 1,253,498	1,252,600	2,506,098	2,373,506
Investment return, net	61,243	54,124	115,367	237,714
Contributions	49	8,170	8,219	7,494
Appropriated for expenditure	(64,416)	(58,283)	(122,699)	(119,320)
<i>Other changes</i>				
Reinvested endowment income	4,146	2,183	6,329	6,140
Other adjustments	(888)	783	(105)	564
Ending endowment net assets	\$ 1,253,632	1,259,577	2,513,209	2,506,098

3 Investments and Other Fair Value Measurements

Fair Value Measurements

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

measurements not valued using NAV as the practical expedient are categorized into a three-level hierarchy.

Fair Value of Investments by Level at June 30 (in thousands)					
	2019			NAV	Total
	Level 1	Level 2	Level 3		
Investments					
Cash equivalents	\$ 25,776	—	—	—	25,776
Corporate bonds & other fixed income	96,012	6,878	—	—	102,890
Common stock and preferred stock	733	—	—	—	733
Commingled funds	2,098	—	—	—	2,098
<i>Alternative investments</i>					
Credit	—	—	—	263,907	263,907
Global equity long-only	—	—	—	564,175	564,175
Global equity long/short	—	—	—	526,878	526,878
Multi-strategy	—	—	—	125,202	125,202
Private equity funds	—	—	—	592,314	592,314
Real assets	—	—	—	240,045	240,045
Real estate	—	—	—	117,140	117,140
Total investments	\$124,619	6,878	—	2,429,661	2,561,158

	2018			NAV	Total
	Level 1	Level 2	Level 3		
Investments					
Cash equivalents	\$ 31,233	—	—	—	31,233
Corporate bonds & other fixed income	91,534	12,285	—	—	103,819
Common stock and preferred stock	1,038	—	—	—	1,038
Commingled funds	2,113	—	—	—	2,113
<i>Alternative investments</i>					
Credit	—	—	—	241,918	241,918
Global equity long-only	—	—	—	467,568	467,568
Global equity long/short	—	—	—	615,390	615,390
Multi-strategy	—	—	—	207,372	207,372
Private equity funds	—	—	—	555,461	555,461
Real assets	—	—	—	281,426	281,426
Real estate	—	—	—	89,957	89,957
Total investments	\$125,918	12,285	—	2,459,092	2,597,295

Alternative Investment Commitments and Redemption Information (in thousands)				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative investments				
Credit	\$ 263,907	65,968	Daily to annually	45 - 150 days
Global equity long-only	564,175	—	Daily to rolling 2 year lock-up	30 - 90 days
Global equity long/short	526,878	31,500	Daily to rolling 3 year lock-up	45 - 90 days
Multi-strategy	125,202	31,727	Monthly to 1 year lock-up	30 - 90 days
Private equity funds	592,314	143,789	N/A	N/A
Real assets	240,045	97,594	N/A	N/A
Real estate	117,140	190,906	N/A	N/A
	\$2,429,661	561,484		

Redemptions

Of the investments reported at NAV, approximately \$818.1 million were redeemable at June 30, 2019. It is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value in secondary markets, such estimates of fair value may differ from values that would have been applied had a readily available market existed, and those differences could be material. It is possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and that discount could be significant.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. As such, these assets fall within level 3 of the hierarchy of fair value inputs, with changes resulting from net investment return of \$(0.1) 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 assets fall within level 3 of the hierarchy of fair value inputs. The University anticipates holding the interest rate swap agreements until the associated debt has been retired. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 2.40% at June 30, 2019.

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, 2019, 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, 2019.

Derivatives (in thousands)					
	Rate Paid	Notional Amount	Fair Value 2019	Liability 2018	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	\$ 25,000	\$ (5,543)	(4,208)	(1,335)
June 1, 2031	3.744	30,000	(7,689)	(5,737)	(1,952)
August 1, 2034	4.000	25,000	(8,350)	(6,347)	(2,003)
November 1, 2036	3.744	10,000	(3,347)	(2,483)	(864)
			\$ (24,929)	(18,775)	(6,154)

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 (in thousands)		
	2019	2018
Unconditional pledges expected to be collected in:		
Less than one year	\$ 4,012	5,026
One year to five years	10,157	5,182
	14,169	10,208
Less unamortized discount ¹	(611)	(419)
Less allowance for uncollectible amounts	(531)	(151)
	\$ 13,027	9,638

¹Discount rates range from 1.2% to 3.8%

5 Property, Plant and Equipment

Property, plant, and equipment, as shown in the consolidated statement of financial position,

consisted of the following as of June 30:

Property, Plant and Equipment at June 30 (in thousands)		
	2019	2018
Land	\$ 5,906	6,645
Buildings	520,307	511,896
Improvements	47,521	45,428
Equipment	96,896	95,637
Library books	85,805	82,866
Construction in progress	36,127	13,572
	792,562	756,044
Accumulated depreciation	(442,180)	(414,570)
	\$ 350,382	341,474

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 at June 30:

Notes Payable (in thousands)		
	2019	2018
Tax-exempt fixed-rate		
Series 2011A, 4.00% - 5.00%, final maturity in 2023	\$ 10,948	13,467
Series 2011B, 5.00%, final maturity in 2021	21,149	21,391
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,130	61,213
Tax-exempt variable-rate¹		
Series 2004, 1.08%, final maturity in 2035	46,000	46,000
Series 2006, 1.00%, final maturity in 2037	55,900	55,900
Taxable fixed-rate		
Series 2015, 3.60%, final maturity in 2046	40,000	40,000
	\$ 235,127	237,971

¹Variable rates for Series 2004 and Series 2006 notes reset weekly and daily, respectively. Interest rates shown reflect averages for the year ended June 30, 2019.

Repayments of Notes Payable for Years Ending June 30 (in thousands)		
Years ending June 30:		
2020	\$	2,495
2021		23,360
2022		2,745
2023		2,880
2024		4,650
Thereafter		197,250
		233,380
Unamortized premium		1,747
	\$	235,127

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, 2019.

The University has a one-year revolving credit facility in the amount of \$20.0 million to support timing

differences within the operating cash portfolio. Interest on drawn amounts is calculated at the LIBOR daily floating rate plus 0.35%. Any unused outstanding credit balance incurs a fee of 0.10%. There was no outstanding balance against this facility as of June 30, 2019.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of \$0.3 million, was \$8.6 million for the year ended June 30, 2019.

7 Retirement Plans and Postretirement Benefits

The University has contributory defined contribution retirement annuity plans for academic and nonacademic employees. Contributions are based on a percentage of the employee's salary. The University contributed \$11.2 million into these plans for the year ended June 30, 2019.

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

The University utilizes a measurement date of June 30. Net actuarial loss and prior service cost not yet recognized as a component of net periodic postretirement costs were \$7.0 million at June 30, 2019. At June 30, 2019 and 2018, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 6.00% and 6.30%,

respectively, and is assumed to decrease gradually to 4.50% by the year 2037 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2019 year would increase the postretirement liability by \$1.3 million and increase the net periodic postretirement benefit cost by \$0.2 million. At June 30, 2019 and 2018, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 3.50% and 4.25%, 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)		
	2019	2018
Accrued postretirement benefit obligation at beginning of year	\$ 17,196	18,984
Service cost	555	664
Interest cost	707	701
Benefits paid	(1,120)	(1,041)
Actuarial loss (gain)	1,402	(2,112)
Accrued postretirement benefit obligation at end of year	\$ 18,740	17,196

Net Periodic Postretirement Benefit Cost (in thousands)		
	2019	2018
Service cost	\$ 555	664
Interest cost	707	701
Amortization of unrecognized net loss	303	447
	\$ 1,555	1,812

Estimated Future Benefit Payments For Years Ended June 30 (in thousands)		
2020	\$	1,129
2021		1,109
2022		1,143
2023		1,143
2024		1,184
2025 – 2029		6,144

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 at June 30 (in thousands)		
	2019	2018
Without donor restrictions		
Board designated endowments	\$ 1,253,632	1,253,498
Other net assets without donor restrictions	117,392	117,238
Total without donor restrictions	1,371,024	1,370,736
With donor restrictions		
<i>Donor restricted endowments</i>		
Scholarships and fellowships	557,022	550,600
Professorships	234,489	235,141
Other programming	468,066	466,859
Purpose restricted and other	84,648	81,060
Total with donor restrictions	1,344,225	1,333,660
	\$ 2,715,249	2,704,396

9 Expenses

The composition of expenses for the year ended June 30, 2019 is as follows:

Operating Expenses for the Year Ended June 30, 2019 (in thousands)					
	Compensation and benefits	Materials and supplies	Services and other	Interest and depreciation	Total
Instruction	\$ 75,397	4,108	6,525	5,138	91,168
Research	2,404	367	1,379	679	4,829
Public service	2,042	307	749	747	3,845
Academic support and libraries	24,688	7,749	9,446	9,491	51,374
Student services	29,552	5,201	11,987	6,914	53,654
Institutional support	34,634	3,190	9,990	2,009	49,823
Auxiliary enterprises	16,525	13,582	7,801	12,551	50,459
Total operating expenses	\$ 185,242	34,504	47,877	37,529	305,152
2018 operating expenses	\$ 172,410	33,708	52,497	36,604	295,219

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 \$6.3 million are included in

institutional support. The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities on a square footage basis.

10 Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of

short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board of Trustees. As further described in Note 6, the University may draw upon a revolving credit facility to manage cash flows. At June 30, 2019, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2019 (in thousands)

Financial assets available for general expenditures within one year

Cash and cash equivalents	\$ 45,092
Operating investments	102,889

Liquidity resources

Revolving credit facility	20,000
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Additionally, the University has \$1.3 billion in board-designated endowment, of which \$818.1 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2020 spending from the endowment, which is estimated to be \$126.8 million.

11 Related Party Transactions

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2019 were \$13.6 million, of which \$3.5 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. At June 30, 2019 and 2018 the University has a liability to the Richmond Fund in the amount of \$8.0 million and \$41.8 million, respectively, which is included in accounts payable and other liabilities. The settlement value for the year ended June 30, 2019 totaled \$10.1 million which has been recorded against investment return.

12 Contingencies and Commitments

Contingencies

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

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

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

Commitments

The University is in the process of constructing, renovating and equipping certain facilities. The expected cost to complete construction in progress at June 30, 2019 was approximately \$45.9 million.