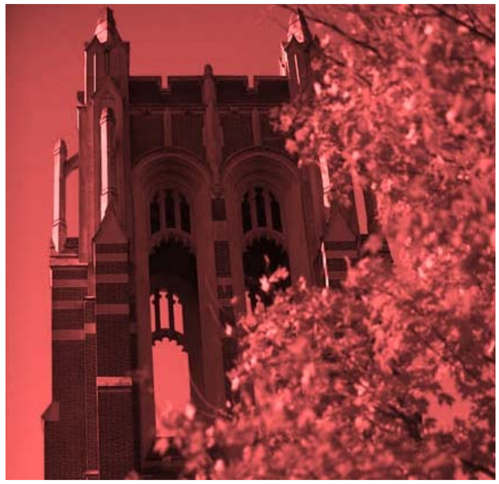

University of Richmond

Consolidated Financial Statements, the Schedule of Expenditures of Federal Awards, and Audit of Federal Awards Performed in Accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

June 30, 2018

(With Independent Auditors' Reports Thereon in Accordance with Government Auditing Standards and Uniform Guidance)

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 (the University), which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Richmond as of June 30, 2018, 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 Matter

As discussed in Note 1 to the consolidated financial statements, University of Richmond adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2015-02, Consolidation (Topic 810)*: Amendments to the Consolidation Analysis,* during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited University of Richmond's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Richmond, Virginia
October 11, 2018

Consolidated Statement of Financial Position

As of June 30, 2018

With comparative financial information as of June 30, 2017
(in thousands)

	2018	2017
Assets		
Cash and cash equivalents	$ 56,396	88,545
Pledges receivable, net	9,638	9,915
Investments	2,597,295	2,405,992
Beneficial interest in perpetual trusts	29,783	28,740
Other assets, net	29,223	30,842
Property, plant and equipment, net	341,474	334,195
Total assets	**$ 3,063,809**	**2,898,229**
Liabilities		
Accounts payable and other liabilities	$ 85,471	66,696
Postretirement benefits	17,196	18,984
Notes payable	237,971	240,741
Interest rate swap agreements	18,775	24,580
Total liabilities	**359,413**	**351,001**
Net assets		
Without donor restrictions	1,370,736	1,288,345
With donor restrictions	1,333,660	1,258,883
Total net assets	**2,704,396**	**2,547,228**
Total liabilities and net assets	**$ 3,063,809**	**2,898,229**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2018

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

	2018			
	Without donor restrictions	With donor restrictions	Total	2017 Total
Operating revenues				
Tuition and fees	$ 191,730	—	191,730	188,197
Less scholarship allowance	(83,329)	—	(83,329)	(78,437)
Net tuition and fees	108,401	—	108,401	109,760
Grants and contracts	3,318	—	3,318	3,914
Contributions	7,164	4,270	11,434	9,892
Investment return, net	112,306	3,066	115,372	110,810
Auxiliary enterprises	41,799	—	41,799	41,432
Other sources	28,585	—	28,585	29,142
Net assets released from restrictions	2,133	(2,133)	—	—
Total operating revenues	**303,706**	**5,203**	**308,909**	**304,950**
Operating expenses				
Instruction	85,983	—	85,983	83,534
Research	5,001	—	5,001	5,157
Public service	3,725	—	3,725	3,881
Academic support and libraries	49,826	—	49,826	47,496
Student services	50,083	—	50,083	48,670
Institutional support	50,620	—	50,620	46,767
Auxiliary enterprises	49,981	—	49,981	48,265
Total operating expenses	**295,219**	**—**	**295,219**	**283,770**
Change in net assets from operating activities	**8,487**	**5,203**	**13,690**	**21,180**
Nonoperating activities				
Contributions	—	8,615	8,615	5,757
Investment return, net	61,069	65,110	126,179	172,574
Change in fair value of interest rate swap agreements	5,805	—	5,805	9,841
Change in postretirement benefits	2,559	—	2,559	1,234
Other nonoperating activities, net	260	60	320	(7,906)
Net assets released from restrictions	4,211	(4,211)	—	—
Change in net assets from nonoperating activities	**73,904**	**69,574**	**143,478**	**181,500**
Change in net assets	**82,391**	**74,777**	**157,168**	**202,680**
Net assets at beginning of year	**1,288,345**	**1,258,883**	**2,547,228**	**2,344,548**
Net assets at end of year	**$ 1,370,736**	**1,333,660**	**2,704,396**	**2,547,228**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2018

With comparative financial information for the year ended June 30, 2017
(in thousands)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 157,168	202,680
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	27,730	25,871
Net unrealized and realized gains on investments	(246,398)	(276,732)
Settlement value for rate of return agreement	27,326	10,432
Loss on sale of land and building	—	5,367
Amortization of note premiums	(495)	(552)
Contributions restricted for purchase of property and equipment	(3,866)	(122)
Contributions restricted for endowment	(6,749)	(3,916)
Change in fair value of interest rate swap agreements	(5,805)	(9,841)
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	277	3,541
Beneficial interest in perpetual trusts	(1,043)	(1,879)
Other assets, net	1,619	17,030
Accounts payable and other liabilities	(7,916)	18,540
Postretirement benefits	(1,788)	(421)
Net cash used in operating activities	**(59,940)**	**(10,002)**
Cash flows from investing activities		
Proceeds from sales of investments	531,233	635,547
Purchases of investments	(476,138)	(607,555)
Proceeds from sale of property, plant and equipment	—	20,800
Purchases of property, plant and equipment	(35,644)	(33,792)
Net cash provided by investing activities	**19,451**	**15,000**
Cash flows from financing activities		
Contributions restricted for purchase of property and equipment	3,866	122
Contributions restricted for endowment	6,749	3,916
Repayment of notes payable	(2,275)	(2,170)
Net cash provided by financing activities	**8,340**	**1,868**
Net (decrease) increase in cash and cash equivalents	(32,149)	6,866
Cash and cash equivalents at beginning of year	88,545	81,679
Cash and cash equivalents at end of year	**$ 56,396**	**88,545**
Supplemental disclosure		
Cash paid for interest on notes payable and interest rate swap agreements	$ 8,415	9,510
Cash paid for income taxes	75	3,949
Change in property, plant and equipment related to accounts payable	(635)	1,051

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. As discussed later in this note, the Richmond Fund is no longer consolidated in these financial statements.

Basis of Presentation

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

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 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, 2018, 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. The University accounts for uncertain tax positions, when applicable. No interest expense or penalties have been recognized as of and for the year ended June 30, 2018. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2014 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

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This ASU modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. In January 2017, FASB issued ASU 2017-02, *Not-for-Profit Entities - Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity,* was issued. This ASU further clarifies the consolidation guidance in ASU 2015-02, explaining the model to be used by not-for-profit entities to evaluate the consolidation of investments in limited partnerships and limited liability companies that are similar to limited partnerships. The University has retrospectively adopted these two updates. As a result, the University determined that the Richmond Fund is no longer required to be consolidated and the corresponding assets, liabilities, operating activities, and cash flow activities have been removed from these consolidated financial statements. The impact of the adoption was the reduction of total assets and total liabilities of $2.0 billion and $2.0 billion, respectively, as of June 30, 2017. There was no change in total net assets, changes in net assets, or net change in cash and cash equivalents from cash flows.

During 2018, the University adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profits Entities*. ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets as $866,452 and permanently restricted net assets of $392,431 for 2017. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location. The University elected early adoption of ASU 2016-14 in 2018 and applied the changes retrospectively.

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, 2017, 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 or disclosure in the June 30, 2018 consolidated financial statements through October 11, 2018, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2018, 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, 2018, there were no significant deficiencies of this nature.

Endowment Net Assets at June 30 (in thousands)

	2018		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$ 1,253,498	—	1,253,498
Donor-restricted endowment funds			
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**

	2017		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$ 1,188,897	—	1,188,897
Donor-restricted endowment funds			
Historical gift value	—	345,905	345,905
Accumulated gains	—	809,964	809,964
Beneficial interest in trusts	—	28,740	28,740
Total endowment net assets	**$ 1,188,897**	**1,184,609**	**2,373,506**

Changes in Endowment Net Assets (in thousands)

	2018			
	Without donor restrictions	With donor restrictions	Total	2017 Total
Beginning endowment net assets	$ 1,188,897	1,184,609	2,373,506	2,189,556
Investment return, net	122,673	115,041	237,714	285,867
Contributions	745	6,749	7,494	5,885
Appropriated for expenditure	(63,187)	(56,133)	(119,320)	(114,310)
Other changes				
Reinvested endowment income	4,025	2,115	6,140	7,497
Other adjustments	345	219	564	(989)
Ending endowment net assets	**$ 1,253,498**	**1,252,600**	**2,506,098**	**2,373,506**

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)

	2018				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
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
Alternative investments					
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**

	2017				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Investments					
Corporate bonds & other fixed income	$ 55,577	13,669	45,071	—	114,317
Common stock and preferred stock	1,215	—	—	—	1,215
Commingled funds	1,897	—	—	—	1,897
Alternative investments					
Credit	—	—	—	189,024	189,024
Global equity long-only	—	—	—	429,309	429,309
Global equity long/short	—	—	—	565,895	565,895
Multi-strategy	—	—	—	216,024	216,024
Private equity funds	—	—	—	563,478	563,478
Real assets	—	—	—	244,453	244,453
Real estate	—	—	—	80,380	80,380
Total investments	**$ 58,689**	**13,669**	**45,071**	**2,288,563**	**2,405,992**

Alternative Investment Commitments and Redemption Information (in thousands)

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Alternative investments				
Credit	$ 241,918	87,858	Daily to annually	60 – 150 days
Global equity long-only	467,568	10,000	Daily to rolling 3 year lock-up	30 - 90 days
Global equity long/short	615,390	31,500	Daily to rolling 3 year lock-up	45 - 90 days
Multi-strategy	207,372	36,122	Monthly to 3 years	30 - 90 days
Private equity funds	555,461	151,986	N/A	N/A
Real assets	281,426	111,622	N/A	N/A
Real estate	89,957	154,033	N/A	N/A
	$2,459,092	**583,121**		

Redemptions

Of the investments reported at NAV, approximately $866.9 million were redeemable at June 30, 2018. 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 $1.0 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 2.09% at June 30, 2018.

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, 2018, 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, 2018.

Derivatives (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2018	Fair Value Liability 2017	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (4,208)	(5,694)	1,486
June 1, 2031	3.744	30,000	(5,737)	(7,614)	1,877
August 1, 2034	4.000	25,000	(6,347)	(8,096)	1,749
November 1, 2036	3.744	10,000	(2,483)	(3,176)	693
			$ (18,775)	**(24,580)**	**5,805**

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)

	2018	2017
Unconditional pledges expected to be collected in:		
Less than one year	$ 5,026	5,936
One year to five years	5,182	4,870
	10,208	10,806
Less unamortized discount[1]	(419)	(314)
Less allowance for uncollectible amounts	(151)	(577)
	$ 9,638	**9,915**

[1]Discount rates range from 1.4% 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)	2018	2017
Land	$ 6,645	6,645
Buildings	511,896	479,421
Improvements	45,428	44,333
Equipment	95,637	94,154
Library books	82,866	80,028
Construction in progress	13,572	19,212
	756,044	723,793
Accumulated depreciation	(414,570)	(389,598)
	$ 341,474	**334,195**

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)	2018	2017
Tax-exempt fixed-rate		
Series 2011A, 3.50% - 5.00%, final maturity in 2023	$ 13,467	15,911
Series 2011B, 5.00%, final maturity in 2021	21,391	21,633
Series 2012, 3.00% - 4.00%, final maturity in 2042	61,213	61,297
Tax-exempt variable-rate[1]		
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
	$ 237,971	**240,741**

[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, 2018.*

Repayments of Notes Payable for Years Ending June 30 (in thousands)	
Years ending June 30:	
2019	$ 2,390
2020	2,495
2021	23,360
2022	2,745
2023	2,880
Thereafter	201,900
	235,770
Unamortized premium	2,201
	$ 237,971

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, 2018.

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 were no draws against this facility for the year ended June 30, 2018.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.4 million, was $9.3 million for the year ended June 30, 2018.

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 $10.8 million into these plans for the year ended June 30, 2018.

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

The University utilizes a measurement date of June 30. Net actuarial loss and prior service cost not yet recognized as a component of net periodic postretirement costs were $9.6 million at June 30, 2018. At June 30, 2018 and 2017, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 6.30% and 6.60%, respectively, and is assumed to decrease gradually to 4.50% by the year 2038 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in the year ended June 30, 2018 year would increase the postretirement liability by $1.0 million and increase the net periodic postretirement benefit cost by $0.2 million. At June 30, 2018 and 2017, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.25% and 3.80%, 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)		
	2018	**2017**
Accrued postretirement benefit obligation at beginning of year	$ 18,984	19,405
Service cost	664	668
Interest cost	701	680
Benefits paid	(1,041)	(1,051)
Actuarial gain	(2,112)	(718)
Accrued postretirement benefit obligation at end of year	**$ 17,196**	**18,984**

Net Periodic Postretirement Benefit Cost (in thousands)		
	2018	**2017**
Service cost	$ 664	668
Interest cost	701	680
Amortization of unrecognized net loss	447	516
	$ 1,812	**1,864**

Estimated Future Benefit Payments For Years Ended June 30 (in thousands)	
2019	$ 1,120
2020	1,129
2021	1,109
2022	1,143
2023	1,144
2024 – 2028	6,090

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)		
	2018	**2017**
Without donor restrictions		
Board designated endowments	$ 1,253,498	1,188,897
Other net assets without donor restrictions	117,238	99,448
Total without donor restrictions	**1,370,736**	**1,288,345**
With donor restrictions		
Donor restricted endowments		
Scholarships and fellowships	550,600	501,427
Professorships	235,141	219,751
Other programming	466,859	463,431
Purpose restricted and other	81,060	74,274
Total with donor restrictions	**1,333,660**	**1,258,883**
	$ 2,704,396	**2,547,228**

9 Expenses

The composition of expenses for the year ended June 30, 2018 is as follows:

Operating Expenses for the Year Ended June 30, 2018 (in thousands)					
	Compensation and benefits	**Materials and supplies**	**Services and other**	**Interest and depreciation**	**Total**
Instruction	$ 70,907	3,845	6,225	5,006	**85,983**
Research	2,494	403	1,441	663	**5,001**
Public service	1,985	315	703	722	**3,725**
Academic support and libraries	23,738	8,065	8,735	9,288	**49,826**
Student services	27,473	5,071	10,838	6,701	**50,083**
Institutional support	30,063	2,279	16,301	1,977	**50,620**
Auxiliary enterprises	15,750	13,730	8,254	12,247	**49,981**
Total 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 $5.8 million are included in institutional support. The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities on a square footage basis.

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, 2018, existing financial assets and liquidity resources available within one year were as follows:

Availability and Liquidity Resources for General Expenditures at June 30, 2018 (in thousands)	
Financial assets available for general expenditures within one year	
Cash and cash equivalents	$ 40,527
Operating investments	103,819
Liquidity resources	
Revolving credit facility	20,000

Additionally, the University has $1.3 billion in board-designed endowment, of which $866.9 million can be liquidated within one year; however, no liquidation is anticipated.

The Board has approved fiscal year 2019 spending from the endowment, which is estimated to be $124.1 million.

11 Related Party Transactions

Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2018 were $17.6 million, of which $4.5 million was due to RFMC. RFMC earned a performance allocation of $2.8 million during the year ended June 30, 2018.

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, 2018 the University has a liability to the Richmond Fund in the amount of $41.8 million is included in accounts payable and other liabilities. The settlement value for the year ended June 30, 2018 totaled $27.3 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, 2018 was approximately $8.7 million.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal grantor/program title	CFDA number	Direct grant expenditures	Grant expenditures to subrecipients	Loan disbursements	Total
Student financial assistance program cluster					
Direct payments					
Department of Education					
Federal Pell Grant Program	84.063	$ 2,813,122	—	—	2,813,122
Federal Supplemental Educational Opportunity Grant Program	84.007	321,960	—	—	321,960
Federal Work Study Program	84.033	330,828	—	—	330,828
Teacher Education Assistance for College and Higher Education Grant Program	84.379	2,802	—	—	2,802
Federal Perkins Loan Program (note 3)	84.038	4,508,051	—	100,610	4,608,661
Federal Direct Loan Program (note 4)	84.268	—	—	22,638,156	22,638,156
Total student financial assistance programs cluster		**7,976,763**	**—**	**22,738,766**	**30,715,529**
Research and development programs cluster					
Direct payments					
Department of Defense – National Security Agency					
Construction of Difference sets	12.901	4,391	—	—	4,391
Department of Interior - National Park Service					
Natural Resource Condition Assessment: Fort Monroe National Monument, Harriet Tubman Underground Railroad National Monument	15.945	8,987	14,042	—	23,029
Evaluating Potential National Natural Landmarks	15.945	—	5,425	—	5,425
		8,987	19,467	—	28,454
Department of Justice					
University Coordinated Community Response: The Campus Alliance to End Violence	16.525	19,294	19,932	—	39,226
National Science Foundation					
Mathematical and Physical Sciences:					
Research at Undergraduate Institutions: Chemical Investigations into the Bioactivity of the DNA Lesion 8-Oxo-2-Deoxyguanosine	47.049	44,083	—	—	44,083
CAREER: Theoretical Studies of the Relationships between Bonding Preferences in Inorganic Molecules, their Oligomers, and Extended Solids - Focusing on Metal Halides	47.049	80,108	—	—	80,108
Research at Undergraduate Institutions: Collaborative Research: Multireference Studies of Organic Polyradicals, Radical Reactions and Graphene Nanoribbons	47.049	42,067	—	—	42,067
Research at Undergraduate Institutions: Cosmic Microwave Background Polarization Analysis with Undergraduates	47.049	20,652	—	—	20,652

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal grantor/program title	CFDA number	Direct grant expenditures	Grant expenditures to subrecipients	Loan disbursements	Total
Research at Undergraduate Institutions: Xerogel Based-Amperometric Biosensors Incorporating Nanoparticle Networks – Adaptable Templates for Clinically Relevant Measurements	47.049	57,062	—	—	57,062
		243,972	—	—	243,972
Biological Sciences:					
Collective Research: Research at Undergraduate Institutions: Evaluating the Molecular Genetic Pathway Responsible for Stable Host: Symbiont Interactions in Sponge: Algal Associations	47.074	70,150	—	—	70,150
Collaborative Research: Research at Undergraduate Institutions: Linking Thermal Tolerance to Invasion Dynamics: Climate and Physiological Capacity as Regulators of Geographical Spread	47.074	79,481	—	—	79,481
RAPID: Effects of Hurricane Irma on Shallow-Water Marine Ecosystems: Assessing Resiliency of Sponge and Macroinvertebrate Communities in the Florida Keys	47.074	16,600	—	—	16,600
		166,231	—	—	166,231
Social, Behavioral, and Economic Sciences:					
Collaborative Research: Women's Empowerment, Food Security, and Farm Productivity	47.075	9,892	—	—	9,892
Education and Human Resources:					
Collaborative Proposal: Preparing Undergraduates for Research in STEM-related Fields Using Electrophysiology	47.076	74,016	—	—	74,016
Conference Proposal: The Radio Synchrotron Background	47.049	13,476	—	—	13,476
Department of Energy					
Medium Energy Nuclear Physics at the University of Richmond	81.049	55,304	—	—	55,304
Nuclear Structure Research	81.049	(140)	—	—	(140)
		55,164	—	—	55,164
Low Energy Nuclear Science	81.112	24,415	16,029	—	40,444
Department of Health and Human Services – Administration for Community Living					
Estimating Return on Investment in State Vocational Rehabilitation Programs	93.433	275,830	195,023	—	470,853

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal grantor/program title	CFDA number	Direct grant expenditures	Grant expenditures to subrecipients	Loan disbursements	Total
Department of Health and Human Services – National Institutes of Health					
Testing the Therapeutic Potential of Carbon Nanodots in Bone Mineralization Diseases	93.846	41,894	36,305	—	78,199
Identifying and Characterizing Heme Tolerance Genes in the Tsetse Symbiont Sodalis Glossinidius	93.855	59,625	20,814	—	80,439
Lipid Modulation of Potassium Channels	93.859	29,752	—	—	29,752
Myosin-XIX and the Molecular Mechanism of Actin-Based Mitochondrial	93.859	157,427	45,337	—	202,764
Investigating the Regulation of Ded1 in Translation and RNA Storage	93.859	20,646	—	—	20,646
		207,825	45,337	—	253,262
Pass through payments					
Department of Defense					
Virginia Commonwealth University:					
Chronic Effects of Neurotrauma Consortium (Award number PT108802-SC106742)	12.420	92,652	—	—	92,652
National Science Foundation					
Northern Kentucky University:					
The TIM Consortium: A Dispersed REU Site in Theoretically Interesting Molecules (Award number 4001167-02)	47.049	8,955	—	—	8,955
University of Nebraska-Lincoln:					
Leveling up: Building Community and Confidence	47.049	1,364	—	—	1,364
		10,319	—	—	10,319
Virginia Commonwealth University:					
Collaborative Research: Linking Predator Functional Diversity to Prey Dynamics through the Functional Response	47.074	6,038	—	—	6,038
Department of Health and Human Services – National Institutes of Health					
Old Dominion University Research Foundation:					
Spatial Eco-epidemiology of Tick-Borne Rickettisal Pathogens	93.855	9,558	—	—	9,558
USDA – Forest Service					
Gypsy Month Slow the Spread Foundation:					
Variation in Development Traits among Invasion Front Gypsy Moth Populations	10.680	5,904	—	—	5,904
Total research and development programs cluster		**1,329,483**	**352,907**	**—**	**1,682,390**

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal grantor/program title	CFDA number	Direct grant expenditures	Grant expenditures to subrecipients	Loan disbursements	Total
Other grants					
Pass through payments:					
Department of Education					
Richmond Public Schools:					
Richmond Public Schools Arts Integration Learning Certificate (AILC) Project Integration	84.351C	68,986	—	—	68,986
Department of Transportation					
Virginia Department of Motor Vehicles:					
Selective Enforcement – Alcohol	20.607	370	—	—	370
Selective Enforcement – Alcohol	20.616	3,353	—	—	3,353
National Endowment for the Arts					
Mid-Atlantic Arts Foundation:					
Partnership Agreement Grant (Award number 15-6100-2057)	45.025	12,380	—	—	12,380
Total other grants		**85,089**	**—**	**—**	**85,089**
Total federal awards		**$ 9,391,335**	**352,907**	**22,738,766**	**32,483,008**

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the University of Richmond and its affiliates (the University) for the year ended June 30, 2018. All federal awards received directly and indirectly from federal agencies are included in this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. Although the University is required to match certain amounts, as defined in the grant agreements, no such matching has been included in this Schedule. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the consolidated financial position, activities, and cash flows of the University.

2 Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting.

Expenditures for federal student financial assistance programs are recognized as incurred and include grants to students under the Federal Pell Grant and Federal Supplemental Educational Opportunity Grant Programs, student earnings under the Federal Work Study Program, and administrative cost allowances, where applicable.

Expenditures for loans related to the Federal Direct Loan are reported in the Schedule when disbursed.

New loans made during the fiscal year and loans from previous fiscal years for which the University has continuing compliance requirements to adhere to related to the Federal Perkins Loan Program are reported in the Schedule.

Expenditures for other federal awards are recognized as incurred using the cost accounting principles contained in *Uniform Guidance*. Under these cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

3 Federal Perkins Loan Program

The Federal Perkins Loan Program (CFDA Number 84.038) (Perkins) is administered directly by the University and the current year loaned amount under Perkins was $100,610. The total amount of Perkins loans outstanding at June 30, 2018 under Perkins was $3,808,692 and is included in other assets in the University's consolidated statement of financial position as of June 30, 2018. The amount of Perkins loans on the Schedule includes the beginning outstanding loan balance, the current year loaned amount, and administrative charges, if applicable.

4 Federal Direct Loan Program

The University participates in the Federal Direct Loan Program (CFDA Number 84.268) (the Program), which includes the Federal Direct Subsidized Loan Program, the Federal Direct Unsubsidized Loan Program, and the Federal Direct PLUS Program. The Program requires the University to request cash from the U.S. Department of Education and disburse such funds.

The University is responsible only for the performance of certain administrative functions with respect to the Program, and accordingly, these loans are not included in the University's consolidated financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under the Program at June 30, 2018.

5 Reconciliation of Schedule to Consolidated Statement of Activities

Reconciliation of Schedule of Expenditures of Federal Awards to Consolidated Statement of Activities	
Federal grant expenditures per the Schedule	$ 5,236,191
Less: Federal grants considered agency transactions	(2,813,112)
Add: Nonfederal grants and contracts	894,921
Grants and contracts per Consolidated Statement of Activities	**$ 3,318,000**

6 Indirect Cost Rate

The University has not elected to use the 10% de minimis indirect cost rate discussed in Uniform Guidance Section 200.414.

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
University of Richmond:

Report on Compliance for Each Major Federal Program

We have audited University of Richmond's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditors' results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance*). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated October 11, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Richmond, Virginia
February 18, 2019

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weakness: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the consolidated financial statements: **No**

(d) Internal control deficiencies over the major program disclosed by the audit:

- Material weakness: **No**
- Significant deficiencies: **Yes 2018-001**

(e) Type of report issued on compliance for each major program: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

Research and Development Cluster (Various CFDA)

Student Financial Assistance Programs Cluster (Various CFDA)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2018-001: Loan Disbursements

Project Period

July 1, 2017 through June 30, 2018

Federal Program

CFDA Number 84.268 – Federal Direct Student Loan Program and CFDA Number 84.038 – Perkins Loan Program

(Continued)

Cluster

Student Financial Assistance

Federal Agency

Department of Education

Criteria

Per 34 CFR section 668, if an institution credits a student's account with a Direct Loan or Federal Perkins Loan, the institution must notify the student or parent in writing of the anticipated date and amount of the disbursement, the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and the procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. Further, for institutions that implement affirmative confirmation, the loan disbursement notification must be made no earlier than 30 days before, and no later than 30 days after crediting the student's account with the loan.

Condition

Of the 40 students selected for test work for Spring 2018 semester loan disbursements, all students received loan disbursement notifications in writing; however, 36 students received their notifications, on average, 44 days after their account had been credited.

Questioned Costs

None

Cause

The University has internal procedures outlining the timing and manner in which the loan notification process should occur for students receiving Federal Direct Students Loans or Federal Perkins Loans. However, those procedures were not followed due to employee turnover and changes in key personnel during the Spring 2018 semester, resulting in late notifications to 36 of 40 students selected for testing.

Recommendation

We recommend that the University enhance the controls over loan disbursements to ensure that all loan disbursements through the Federal Direct Student Loan Program and Federal Perkins Loan Program have a written notification sent to the students and/or parents, and all loan disbursement notifications are made no later than 30 days after the loan disbursement.

(Continued)

Views of Responsible Officials

Responsible Official: William Bryan, Assistant Vice-President & Director of Financial Aid

Response: Management concurs with KPMG's recommendation. Two new employees, along with two back-up personnel, have been trained to manage the Federal Direct Loan programs. An enhanced, formal timeline has been developed for the processing, disbursement, and notification to borrowers to ensure compliance with the pertinent regulatory requirements. We have also expanded and enhanced the departmental policies and procedures for the management of the Federal Direct Loan program.

Date of Completion: Completed

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
University of Richmond:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of University of Richmond (the University), which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 11, 2018, which included an emphasis of matter paragraph indicating the University adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*, during the year ended June 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Richmond, Virginia
October 11, 2018