University of Richmond

2015–16 TREASURER'S REPORT

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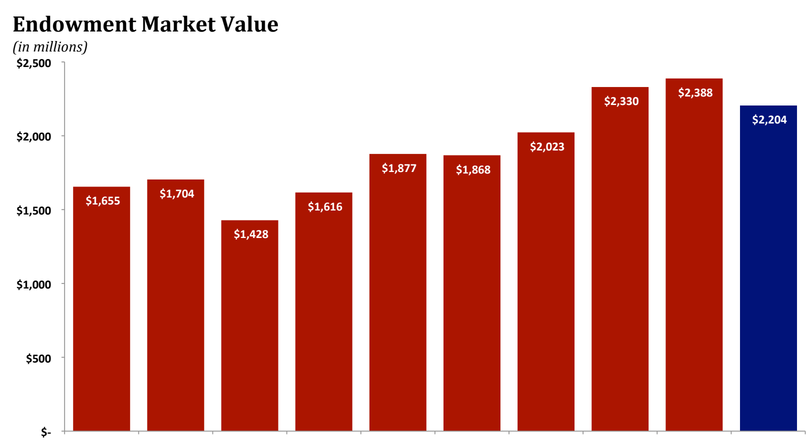
To the Board of Trustees,
President, Faculty, Staff,
and Students
University of Richmond

Dear Colleagues:

I am pleased to present the University of Richmond's audited consolidated financial statements for the fiscal year ended June 30, 2016. As evidenced in the following pages, despite volatility in the investment markets and challenges across the higher education landscape, the University's considerable financial resources continue to provide a strong foundation for the ambitious pursuit of our educational mission under the leadership of Dr. Ronald A. Crutcher, the University's tenth President, who assumed office on July 1, 2015.

Fiscal 2016 concluded with another year of solid positive operating performance. Operating revenues totaled $283.7 million, a $6.0 million or 2.2% increase over the prior year. Contributing to this revenue growth was an increase in both net tuition revenue and revenue derived from auxiliary operations, which had a combined increase in revenues totaling $2.5 million, exemplifying steady growth in demand for a Richmond education. Net investment return designated to support operations was $111.1 million, an increase of 7.0% over last year. Operating expenses totaled $269.2 million, resulting in an increase in net assets from operating activities of $14.5 million for fiscal 2016.

Richmond remains committed to providing an exceptional undergraduate student experience in order to attract a diverse and academically talented student body, regardless of economic status or family income. To achieve this, Richmond does not consider financial need in making undergraduate admission decisions for domestic students, meaning that students are evaluated solely on the basis of their qualifications for admission. Once admitted, Richmond will meet 100% of demonstrated financial need for these students. Richmond is one of the very few colleges and universities in the United States that are both need blind in admissions and meet 100% of demonstrated financial need for domestic undergraduate students. Richmond's ability to make this commitment is due in no small measure to the extraordinary generosity of our alumni and friends over many generations who have contributed to the growth of our endowment.



Richmond's endowment plays a critical role in allowing the University to offer an outstanding liberal arts education to current and future students through its support of not only student scholarships, but also professorships and faculty chairs, academic programs, and libraries. As a result, the careful stewardship of this vital resource remains a key institutional focus. At June 30, 2016, the University's endowment investment net assets stood at $2.2 billion, down from $2.4 billion the prior year. This decrease of $218 million reflects current year spending to support donor-specified programming and unrestricted operating activities, along with a 3.77% investment loss for the twelve-month period ended June 30, 2016. The investment environment for the fiscal year was challenging due to heightened volatility in key sectors and the global macroeconomic environment. The University's endowment investment manager, Spider Management Company, along with the endowments of many other colleges and universities, was not immune to the impact of these conditions. From a long-term perspective, however, the endowment has benefited from Spider Management's investment expertise, which has delivered outstanding long-term returns. In fact, for the ten-year period ended June 30, 2016, the University's SMC managed portfolio achieved an average annual return of 7.64%, which compares quite favorably to a standard portfolio benchmark return (70% MSCI AC World/30% Barclays Aggregate Bond Index) of 4.85% for the same period.

The University is widely acknowledged as having one of the nation's most beautiful college campuses, and Richmond continued its commitment to sustain and enhance its facilities during fiscal 2016. In July 2015, the University issued $40 million of taxable notes, the proceeds from which were used to refund existing debt as well as fund key student housing projects, including the renovation of the North Court student residence. North Court, which was built in 1914, is original to the University's Westhampton College campus and is listed on the National Register of Historic Places. This project will convert the existing rooms to suites, provide new lounge and study spaces, as well as update building infrastructure. The North Court project, which will be completed in December 2016, exemplifies the University's commitment to long-term stewardship of existing campus facilities. Construction of the Queally Center for Admission and Career Services was completed during the summer of 2016. This beautiful new facility houses the offices of admission, financial aid and career services, and provides a spectacular welcome to campus for prospective students and their families, as well as employers and graduate school representatives.

President Crutcher and his wife, Dr. Betty Neal Crutcher, have made an immediate and positive impact continuing the University's commitment to academic excellence and the full participation of all University of Richmond community members to ensure its success. The University's excellent financial position and longstanding commitment to careful stewardship of its resources provides a strong foundation from which the University can continue its ascent under the leadership of President Crutcher.

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

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 the University of Richmond and its affiliates, which comprise the consolidated statement of financial position as of June 30, 2016, and 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 Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Richmond and its affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the University of Richmond and its affiliates' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG

Other Matter

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

KPMG LLP

September 29, 2016

Consolidated Statement of Financial Position

As of June 30, 2016

With comparative financial information as of June 30, 2015

(in thousands)

		2016	2015
Assets:			
Cash and cash equivalents	$	81,679	31,865
Pledges receivable, net		13,456	21,832
Investments		2,184,113	2,436,404
Other assets, net		25,195	27,652
Property, plant and equipment, net		351,390	333,404
Consolidated variable interest entity			
Cash and cash equivalents		279,226	78,944
Investments		1,537,964	1,549,579
Other assets		769	1,879
Total assets	**$**	**4,473,792**	**4,481,559**
Liabilities:			
Accounts payable and other liabilities	$	47,115	46,248
Postretirement benefits		19,405	15,991
Notes payable		243,463	226,237
Interest rate swap agreements		34,421	25,632
Consolidated variable interest entity			
Partner contributions received in advance		167,477	17,861
Other liabilities		9,062	13,350
Funds held on behalf of others		1,608,301	1,601,088
Total liabilities		**2,129,244**	**1,946,407**
Net assets:			
Unrestricted		1,176,172	1,273,554
Temporarily restricted		783,755	885,091
Permanently restricted		384,621	376,507
Total net assets		**2,344,548**	**2,535,152**
Total liabilities and net assets	**$**	**4,473,792**	**4,481,559**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2016

With summarized comparative financial information for the year ended June 30, 2015

(in thousands)

	2016				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2015 Total**
Operating revenues:					
Tuition and fees	$ 181,673	—	—	181,673	175,280
Less scholarship allowance	(74,632)	—	—	(74,632)	(69,325)
Net tuition and fees	107,041	—	—	107,041	105,955
Grants and contracts	4,557	—	—	4,557	4,278
Contributions	7,310	1,414	—	8,724	12,300
Investment return, net	64,341	46,792	—	111,133	103,818
Auxiliary enterprises	45,274	—	—	45,274	43,850
Other sources	6,923	—	—	6,923	7,416
Net assets released from restrictions	45,125	(45,125)	—	—	—
Total operating revenues	**280,571**	**3,081**	**—**	**283,652**	**277,617**
Operating expenses:					
Instruction	80,743	—	—	80,743	77,315
Research	5,707	—	—	5,707	6,210
Public service	3,626	—	—	3,626	3,427
Academic support and libraries	44,796	—	—	44,796	44,506
Student services	23,477	—	—	23,477	21,888
Institutional support	40,496	—	—	40,496	40,556
Auxiliary enterprises	70,347	—	—	70,347	67,081
Total operating expenses	**269,192**	**—**	**—**	**269,192**	**260,983**
Increase in net assets from operating activities	**11,379**	**3,081**	**—**	**14,460**	**16,634**
Nonoperating activities:					
Contributions	—	2,532	4,486	7,018	9,360
Investment return, net	(159,053)	(96,110)	(570)	(255,733)	136,364
Change in fair value of interest rate swap agreements	(8,789)	—	—	(8,789)	(2,854)
Change in postretirement benefits	(2,997)	—	—	(2,997)	(113)
Affiliated organizations' expenses	(14,698)	—	—	(14,698)	(13,380)
Other nonoperating activities, net	(3,678)	(3,969)	4,198	(3,449)	2,028
Net assets released from restrictions	6,870	(6,870)	—	—	—
	(182,345)	(104,417)	8,114	(278,648)	131,405
Less change in net assets related to variable interest entity	73,584	—	—	73,584	(82,150)
(Decrease) increase in net assets from nonoperating activities	**(108,761)**	**(104,417)**	**8,114**	**(205,064)**	**49,255**
(Decrease) increase in net assets	**(97,382)**	**(101,336)**	**8,114**	**(190,604)**	**65,889**
Net assets at beginning of year	**1,273,554**	**885,091**	**376,507**	**2,535,152**	**2,469,263**
Net assets at end of year	**$ 1,176,172**	**783,755**	**384,621**	**2,344,548**	**2,535,152**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2016

With comparative financial information for the year ended June 30, 2015

(in thousands)

	2016	2015
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (190,604)	65,889
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	24,133	22,682
Net unrealized and realized losses (gains) on investments	111,912	(162,968)
Amortization of note premiums	(949)	(1,188)
Contributions restricted for purchase of property and equipment	(3,629)	(4,653)
Contributions restricted for endowment	(8,234)	(8,408)
Change in fair value of interest rate swap agreements	8,789	2,854
Change in assets and liabilities of consolidated variable interest entity		
Cash and cash equivalents	(200,282)	37,350
Investments	11,615	(189,189)
Other assets	1,110	(1,470)
Partner contributions received in advance	149,616	15,576
Other liabilities	(4,288)	5,881
Change in assets and liabilities that provide (use) cash:		
Pledges receivable, net	8,376	426
Other assets, net	2,457	(441)
Accounts payable and other liabilities	867	(3,549)
Postretirement benefits	3,414	579
Funds held on behalf of others	7,213	104,618
Net cash used in operating activities	**(78,484)**	**(116,011)**
Cash flows from investing activities:		
Proceeds from sales of investments	485,645	442,205
Purchases of investments	(345,266)	(370,846)
Purchases of property, plant and equipment	(42,119)	(32,089)
Net cash provided by investing activities	**98,260**	**39,270**
Cash flows from financing activities:		
Contributions restricted for purchase of property and equipment	3,629	4,653
Contributions restricted for endowment	8,234	8,408
Repayment of notes payable	(21,825)	(1,975)
Proceeds from issuance of notes payable	40,000	—
Net cash provided by financing activities	**30,038**	**11,086**
Net increase (decrease) in cash and cash equivalents	49,814	(65,655)
Cash and cash equivalents at beginning of year	31,865	97,520
Cash and cash equivalents at end of year	**$ 81,679**	**31,865**
Supplemental disclosure:		
Cash paid for interest on notes payable and interest rate swap agreements	9,048	8,332
Cash paid for income taxes	—	1,219

See accompanying notes to the consolidated financial statements.

1 Organization and Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

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

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

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

Variable Interest Entity

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

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

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

Net Asset Classes

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

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

Cash and Cash Equivalents

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

Investments

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

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

The University has estimated the fair value of its hedge funds, real asset funds and private equity funds on the basis of the net asset value (NAV) per share of the investment or its equivalent, as a practical expedient, if a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the University's fiscal year end date. If the NAV is not fair value based or not available at the University's fiscal year end date, the University estimates the NAV. The University uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Hedge and private equity funds are subject to the terms of the respective funds' agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge fund and private equity arrangements. The University's investments are also subject to management and performance fees as specified in such funds' agreements.

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

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

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

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

Fair Value Measurements

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

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

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

Derivative Instruments

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

Property, Plant and Equipment

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

Collections

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

Revenue Recognition

Tuition and Fees

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

Contributions

Contributions of cash and other assets, including unconditional pledges, are recorded as revenue in the consolidated statement of activities, based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted contribution revenue. Contributions of other assets are recorded at the estimated fair value at the date of gift. Unconditional pledges are recorded at the estimated present value on the date of the commitment, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met. At June 30, 2016, the fair value of the conditional pledges received by the University is indeterminable.

Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, the University is exempt from Federal income taxes to the extent provided under Section 501 of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements. When applicable, the University recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and other liabilities. No interest expense or penalties have been recognized as of and for the year ended June 30, 2016. The tax years that remain subject to examination by the major tax jurisdictions under the statute are from the year 2012 forward.

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

Estimates

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

Comparative Financial Information and Reclassifications

The consolidated financial statements include certain prior year information for comparative purposes, which do not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2015, 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.

New Accounting Pronouncements

The University has elected the early adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, for the year ended June 30, 2016. The standard permits entities that are not public business entities to omit certain previously required disclosures in their financial statements, including the fair value of financial instruments measured at amortized cost. As a result, the fair value of notes payable is no longer disclosed in the University's consolidated financial statements.

Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2016 consolidated financial statements through September 29, 2016, the date the consolidated financial statements were issued.

2 Endowment

At June 30, 2016, the University's endowment consisted of approximately 1,350 individual funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the University's Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

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

Spending Policy

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

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

On December 3, 2015, the Board approved a revision to the University's spending policy. Beginning in fiscal year 2017, the rate at which endowment spending increases will be reduced by 0.5% each year until it reaches 4.5% in fiscal year 2019. The University will continue the policy of adjusting this rate if the proposed amount exceeds 6% or is less than 4% of the three-year moving average of market value of the endowment assets calculated on a one-year lagged basis.

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 (realized and unrealized) and current yield (interest and dividends). The University's asset allocation policy provides a diversified strategic mix of asset classes which emphasizes investments in equity and fixed income securities, hedge funds, private equity, real assets, real estate funds, and cash and produces the highest expected investment return within a prudent risk framework.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $1.1 million as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Endowment Net Assets at June 30 (in thousands)

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment fund	$ (1,100)	728,044	367,880	1,094,824
Board-designated endowment funds	1,069,618	—	—	1,069,618
Total endowment net assets	**$ 1,068,518**	**728,044**	**367,880**	**2,164,442**

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

Changes in Endowment Net Assets (in thousands)

	2016				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2015 Total
Beginning endowment net assets	$ 1,199,695	824,157	359,063	2,382,915	2,349,468
Investment return:					
Investment income, net	9,487	—	628	10,115	8,009
Net (depreciation) appreciation	(46,790)	(50,837)	(2,408)	(100,035)	130,680
Total investment (loss) return	(37,303)	(50,837)	(1,780)	(89,920)	138,689
Contributions	1,811	—	4,466	6,277	9,246
Appropriated for expenditure	(64,572)	(45,276)	—	(109,848)	(101,369)
Board-designated funds transfer	—	—	—	—	6,000
Reinvested endowment income	3,929	—	3,257	7,186	6,276
Other adjustments	(77)	—	2,874	2,797	1,627
Endowment net assets before eliminations	1,103,483	728,044	367,880	2,199,407	2,409,938
Intercompany eliminations	(34,965)	—	—	(34,965)	(27,023)
Ending endowment net assets	**$ 1,068,518**	**728,044**	**367,880**	**2,164,442**	**2,382,915**

3 Investments and Derivatives

Fair Value Measurements

The following tables show the estimated fair value of University investments, investments of VIE, and derivatives for the fiscal year ended June 30. Fair value measurements not valued using the practical expedient are categorized into a three-level hierarchy.

Fair Value of Assets and Liabilities (in thousands)

	2016	2015
Assets		
Investments		
Cash equivalents	$ 508	646
Corporate bonds and other fixed income	82,669	62,549
Common stock and preferred stock	16,852	23,007
Commingled funds	1,783	1,787
Hedge funds		
Equity oriented	837,814	1,068,068
Multi-strategy	277,821	303,753
Credit	190,311	239,084
Private equity funds	505,430	486,223
Real estate	90,160	77,037
Real asset funds	180,429	173,886
Other investments	336	364
Total investments	2,184,113	2,436,404
Investments of consolidated VIE		
Common stock and preferred stock	288,445	320,885
Commingled funds	38,634	42,562
Hedge funds		
Equity oriented	505,915	487,831
Multi-strategy	233,629	145,544
Credit	64,244	135,760
Real estate	20,295	19,921
Private equity funds	238,772	251,983
Real estate	44,292	37,815
Real asset funds	103,738	107,278
Total investments of consolidated VIE	1,537,964	1,549,579
Total assets reported at fair value	**$ 3,722,077**	**3,985,983**
Liabilities		
Interest rate swap agreements	$ 34,421	25,632

Fair Value of Assets and Liabilities by Level at June 30, 2016 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash equivalents	$ 508	—	—	508
Corporate bonds and other fixed income	3,906	78,763	—	82,669
Common stock and preferred stock	16,852	—	—	16,852
Commingled funds	1,783	—	—	1,783
Investments measured at net asset value[1]				2,082,301
Total investments	23,049	78,763	—	2,184,113
Investments of consolidated VIE				
Common stock and preferred stock	288,423	22	—	288,445
Commingled funds	38,634	—	—	38,634
Investments measured at net asset value[1]				1,210,885
Total investments of consolidated VIE	327,057	22	—	1,537,964
Total assets	**$ 350,106**	**78,785**	**—**	**3,722,077**
Liabilities				
Interest rate swap agreements	$ —	—	34,421	34,421

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

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

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

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

Investment Return

The components of investment return as reflected in the consolidated statement of activities are shown below. Investment return designated for operations is defined as the endowment spending distribution, as determined by the University's spending policy, and other investment income from unrestricted sources.

Investment Return (in thousands)

	2016	2015
Interest and dividends, net of fees	$ 24,734	25,399
Net realized and unrealized (losses) gains – University	(111,912)	162,968
Net realized and unrealized (losses) gains – consolidated VIE	(57,422)	51,815
Total investment return	(144,600)	240,182
Less: spending on current operations		
Endowment spending	107,998	101,835
Other investment income	3,135	1,983
Investment return, net – operating	**111,133**	**103,818**
Investment return, net – nonoperating	**$ (255,733)**	**136,364**

Alternative Investment Commitments and Redemption Information at June 30, 2016 (in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments				
Hedge funds				
Equity oriented	$ 837,814	39,000	Daily to rolling 3 year lock-up	45 - 90 days
Multi-strategy	277,821	—	Monthly to annually	45 - 60 days
Credit	190,311	13,900	Daily to 7 year lock-up	90 - 365 days
Private equity funds	505,430	225,728	N/A	N/A
Real estate	90,160	62,869	N/A	N/A
Real assets funds	180,429	128,475	N/A	N/A
	$ 2,081,965	**469,972**		
Investments of consolidated VIE				
Hedge funds				
Equity oriented	505,915	—	Daily to rolling 5 year lock-up	10 - 90 days
Multi-strategy	233,629	—	Monthly to annually	45 - 75 days
Credit	64,244	—	Quarterly to rolling 2 year lock-up	90 – 365 days
Real estate	20,295	—	Quarterly	60 days
Private equity funds	238,772	144,369	N/A	N/A
Real estate	44,292	34,117	N/A	N/A
Real assets funds	103,738	19,623	N/A	N/A
	$ 1,210,885	**198,109**		

Redemptions

Of the investments reported at NAV, approximately $0.74 billion were redeemable at June 30, 2016. It is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to inherent uncertainty of fair value in secondary markets, such estimates of fair value may differ from values that would have been applied had a readily available market existed, and those differences could be material. It is reasonably possible that if the University were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and that discount could be significant.

Derivatives

The University entered into four fixed interest rate swap agreements to convert the variable interest rates on notes payable to fixed rates without exchanging the underlying principal amounts. The University anticipates holding the interest rate swap agreements until the associated debt has been retired. The interest rate received under each agreement is calculated at 68% of the one-month LIBOR, which was 0.47% at June 30, 2016.

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, 2016, 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, 2016.

Derivatives (in thousands)

	Rate Paid	Notional Amount	Fair Value Liability 2016	Fair Value Liability 2015	Change in Fair Value
Interest rate swap agreements					
March 1, 2029	3.778%	$ 25,000	$ (8,065)	(6,174)	(1,891)
June 1, 2031	3.744	30,000	(10,735)	(7,987)	(2,748)
August 1, 2034	4.000	25,000	(11,174)	(8,296)	(2,878)
November 1, 2036	3.744	10,000	(4,447)	(3,175)	(1,272)
			$ (34,421)	**(25,632)**	**(8,789)**

4 Pledges Receivable

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

Pledges Receivable, net (in thousands)

	2016	2015
Unconditional pledges expected to be collected in:		
Less than one year	$ 6,503	12,409
One year to five years	8,214	11,552
	14,717	23,961
Less unamortized discount[1]	(496)	(968)
Less allowance for uncollectible amounts	(765)	(1,161)
	$ 13,456	**21,832**

[1]Discount rates range from 1.2% to 4.8%

5 Property, Plant and Equipment

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

Property, Plant and Equipment, net (in thousands)

		2016	2015
Land	$	20,740	20,740
Buildings		449,526	426,973
Improvements		39,203	37,716
Equipment		95,993	95,286
Library books		76,996	73,902
Construction in progress		41,559	31,612
		724,017	686,229
Accumulated depreciation		(372,627)	(352,825)
	$	**351,390**	**333,404**

6 Notes Payable

The University has issued tax-exempt revenue bonds through the Virginia College Building Authority. Proceeds were used to refinance existing debt as well as to construct, equip, or improve several capital projects on campus.

On July 14, 2015, the University authorized the issuance and sale of $40.0 million of taxable notes through a private placement with New York Life Insurance and Annuity Corporation. Proceeds were used to refinance existing debt as well as to construct several capital projects on campus.

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

Notes Payable (in thousands)

		2016	2015
Tax-exempt fixed-rate			
Series 2011A, 3.00% - 5.00%, final maturity in 2023	$	18,301	20,643
Series 2011B, 5.00%, final maturity in 2021		21,875	42,232
Series 2012, 3.00% - 4.00%, final maturity in 2042		61,387	61,462
Tax-exempt variable-rate[1]			
Series 2004, 0.09%, final maturity in 2035		46,000	46,000
Series 2006, 0.07%, final maturity in 2037		55,900	55,900
Taxable fixed-rate			
Series 2015, 3.60%, final maturity in 2046		40,000	—
	$	**243,463**	**226,237**

[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, 2016.

Estimated Aggregate Annual Maturities of Notes Payable (in thousands)

Years ending June 30:		
2017	$	2,170
2018		2,275
2019		2,390
2020		2,495
2021		23,360
Thereafter		207,525
		240,215
Unamortized premium		3,248
	$	**243,463**

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, 2016.

Interest expense on notes payable, including amortization of premiums on notes payable and the cost of standby credit facilities of $0.3 million, was $8.9 million for the year ended June 30, 2016.

7 Retirement Plans and Postretirement Benefits

The University has certain contributory defined contribution retirement annuity plans for academic and nonacademic employees. Contributions are based on a percentage of the employee's salary. The University contributed $10.0 million into these plans for the year ended June 30, 2016.

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 $7.8 million at June 30, 2016. At June 30, 2016 and 2015, the weighted average annual assumed rate of increase in the per capita cost of covered benefits was 6.90% and 7.10%, 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, 2016 year would increase the postretirement liability by $1.4 million and increase the net periodic postretirement benefit cost by $0.1 million. At June 30, 2016 and 2015, the weighted average discount rate used in determining the accumulated postretirement benefit obligation was 3.60% and 4.35%, 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)

		2016	2015
Change in postretirement benefit obligation:			
Accrued postretirement benefit obligation at beginning of year	$	15,991	15,412
Service cost		405	460
Interest cost		673	620
Benefits paid		(1,016)	(962)
Actuarial loss		3,352	461
Accrued postretirement benefit obligation at end of year	**$**	**19,405**	**15,991**

Net Periodic Postretirement Benefit Cost (in thousands)

		2016	2015
Net periodic postretirement benefit cost:			
Service cost	$	405	460
Interest cost		673	620
Amortization of unrecognized net loss		355	352
Amortization of prior service cost		—	(4)
	$	**1,433**	**1,428**

Estimated Future Benefit Payments For Years Ended (in thousands)

Years ending June 30:		
2017	$	1,051
2018		1,045
2019		1,105
2020		1,159
2021		1,147
2022 – 2026		6,314

8 Composition of Net Assets

Permanently restricted net assets at June 30, 2016 and 2015 consist primarily of donor restricted endowment amounts whose income supports scholarships, professorships, lectureships and library funds.

Composition of Temporarily Restricted Net Assets (in thousands)

		2016	2015
Support of particular operating activities	$	44,438	43,729
Acquisition of long-lived assets		11,273	17,205
Accumulated appreciation on donor-restricted endowment funds		728,044	824,157
	$	**783,755**	**885,091**

9 Leases

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

The rental income pursuant to this lease agreement for the year ended June 30, 2016 was $3.5 million and is included in other sources in the consolidated statement of activities. Future minimum rental income due under the terms of this agreement is as follows:

Future Minimum Rental Income (in thousands)

Years ending June 30:	
2017	$ 3,620
2018	3,693
2019	1,239
	$ 8,552

10 Allocation of Expenses

The University allocates maintenance of plant, interest, and depreciation to the program and support expenses reported in the accompanying consolidated statement of activities. Expenses are allocated on the basis of certain financial and nonfinancial data. The composition of expenses for the year ended June 30, 2016 is as follows:

Allocation of Expenses (in thousands)

Functional category	Direct expenses	Maintenance of plant[2]	Interest	Depreciation	Total expenses
Program services					
Instruction	$ 73,141	3,270	1,095	3,237	80,743
Research	4,741	384	203	379	5,707
Public service	2,476	538	78	534	3,626
Academic support and libraries	31,102	5,498	2,754	5,442	44,796
Student services	18,990	2,130	249	2,108	23,477
Auxiliary enterprises	46,055	10,342	3,714	10,236	70,347
	176,505	**22,162**	**8,093**	**21,936**	**228,696**
Supporting services					
Institutional support[1]	37,409	1,243	613	1,231	40,496
	$ 213,914	**23,405**	**8,706**	**23,167**	**269,192**

[1] *Fundraising expenses of $6.5 million and depreciation expense for Richmond Quadrangle, LLC of $0.4 million are included in direct expenses in institutional support.*

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

11 Related Party Transactions

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

Investment management fees paid to SMC by the University for the year ended June 30, 2016 were $5.2 million.

Per the terms of the Richmond Fund's operating agreement dated January 28, 2008, the responsibility for managing the Richmond Fund is vested exclusively with the general partner, RFMC. The Richmond Fund pays RFMC a quarterly management fee, payable in arrears, equal to 1% per annum of the first $100 million of each limited partner's assets under management, 0.75% of the next $150 million, 0.5% of the next $250 million and 0.4% of the excess of $500 million. Management fees earned by RFMC from the Richmond Fund during the year ended June 30, 2016 were $13.5 million, of which $3.6 million was payable to RFMC. These amounts have been eliminated in consolidation. At the end of each fiscal year, the general partner may be entitled to a performance allocation with respect to each allocation layer of each limited partner equal to 10% of the net profits in excess of net profits such limited partner would have achieved if the allocation layer had grown at 10%. RFMC did not earn a performance allocation during the year ended June 30, 2016.

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 swap at least once a calendar year. The University anticipates holding the swap agreement until termination of the Richmond Fund. The settlement value of the swap at June 30, 2016 was a receivable to the University and a liability to the Richmond Fund in the amount of $29.6 million. The change in settlement value for the year ended June 30, 2016 totaled $10.3 million and was a gain for the University and a loss for the Richmond Fund.

12 Contingencies and Commitments

Contingencies

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

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

Commitments

The University is in the process of constructing, renovating and equipping certain facilities. The expected cost to complete construction in progress at June 30, 2016 was approximately $21.0 million.

Statement of Financial Position

As of June 30, 2016

With comparative financial information as of June 30, 2015

(in thousands)

	2016	2015
Assets:		
Cash and cash equivalents	$ 82,699	33,225
Pledges receivable, net	13,456	21,832
Investments	2,209,983	2,462,852
Other assets, net	54,207	26,935
Property, plant and equipment, net	325,884	307,477
Total assets	**$ 2,686,229**	**2,852,321**
Liabilities:		
Accounts payable and other liabilities	$ 44,392	49,309
Postretirement benefits	19,405	15,991
Notes payable	243,463	226,237
Interest rate swap agreements	34,421	25,632
Total liabilities	**341,681**	**317,169**
Net assets:		
Unrestricted	1,176,172	1,273,554
Temporarily restricted	783,755	885,091
Permanently restricted	384,621	376,507
Total net assets	**2,344,548**	**2,535,152**
Total liabilities and net assets	**$ 2,686,229**	**2,852,321**

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

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

Statement of Activities

For the year ended June 30, 2016

With summarized comparative financial information for the year ended June 30, 2015
(in thousands)

	2016				2015
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenues:					
Tuition and fees	$ 181,673	—	—	181,673	175,280
Less scholarship allowance	(74,632)	—	—	(74,632)	(69,325)
Net tuition and fees	107,041	—	—	107,041	105,955
Grants and contracts	4,557	—	—	4,557	4,278
Contributions	7,310	1,414	—	8,724	12,300
Investment return, net	64,341	46,792	—	111,133	103,818
Auxiliary enterprises	45,274	—	—	45,274	43,850
Other sources	13,972	—	—	13,972	14,884
Net assets released from restrictions	45,125	(45,125)	—	—	—
Total operating revenues	**287,620**	**3,081**	**—**	**290,701**	**285,085**
Operating expenses:					
Instruction	80,743	—	—	80,743	77,315
Research	5,707	—	—	5,707	6,210
Public service	3,626	—	—	3,626	3,427
Academic support and libraries	44,796	—	—	44,796	44,506
Student services	23,477	—	—	23,477	21,888
Institutional support	45,071	—	—	45,071	44,292
Auxiliary enterprises	70,347	—	—	70,347	67,081
Total operating expenses	**273,767**	**—**	**—**	**273,767**	**264,719**
Increase in net assets from operating activities	**13,853**	**3,081**	**—**	**16,934**	**20,366**
Nonoperating activities:					
Contributions	—	2,532	4,486	7,018	9,360
Investment return, net	(102,641)	(96,110)	(570)	(199,321)	37,101
Change in fair value of interest rate swap agreements	(8,789)	—	—	(8,789)	(2,854)
Change in postretirement benefits	(2,997)	—	—	(2,997)	(113)
Other nonoperating activities, net	(3,678)	(3,969)	4,198	(3,449)	2,029
Net assets released from restrictions	6,870	(6,870)	—	—	—
(Decrease) increase in net assets from nonoperating activities	**(111,235)**	**(104,417)**	**8,114**	**(207,538)**	**45,523**
(Decrease) increase in net assets	**(97,382)**	**(101,336)**	**8,114**	**(190,604)**	**65,889**
Net assets at beginning of year	**1,273,554**	**885,091**	**376,507**	**2,535,152**	**2,469,263**
Net assets at end of year	**$ 1,176,172**	**783,755**	**384,621**	**2,344,548**	**2,535,152**

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

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

2016–17 Board of Trustees

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

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