







THE WORLD CALLED,  
AND I ANSWERED





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# From the Executive Vice President AND CHIEF OPERATING OFFICER



**JENNIFER (J.J.) WAGNER DAVIS**  
*Executive Vice President and  
Chief Operating Officer*

**A**s Fiscal Year 2021 began, managing the University's response to the pandemic was a critical focus of our daily lives while we sustained 24/7 academic and healthcare operations to support the University's mission. Throughout the year, cross-functional teams collaborated to ensure that teaching, research, and healthcare activities could proceed, with adjustments necessary to prevent the spread of the virus at both UVA and in the surrounding community. We continue to be nimble and flexible to mitigate the spread of the virus, but our operations are noticeably different as I write this fall. As a result of everyone's efforts at UVA and in the larger community, fall 2021 has been rejuvenating as we welcomed back our students, faculty, and staff.

## Financial Impact of the the Pandemic

The University's executive leadership team implemented several fiscal mitigation measures in April 2020, including reducing the salaries of executive leaders, instituting a University-wide hiring freeze with exceptions granted for positions that were deemed critical to our continued operations, rolling back planned merit increases for faculty and staff, and furloughing some UVA Health team members. As the new fiscal year began, UVA Health was able to lift temporary restrictions for elective medical procedures and they discontinued the furloughs that had been implemented for some team members.

The UVA Finance team worked closely with colleagues across Grounds to track all COVID-related expenditures, seek both federal and state relief funds, and distribute funds appropriately. The financial impact of COVID during Fiscal Years 2020 and 2021 was \$127.2 million and the team identified sources for \$92.86 million by June 30, 2021. Nearly \$44 million of expenses went directly to virus mitigation efforts for Personal Protective Equipment (PPE), cleaning supplies, COVID-19 testing, isolation and quarantine, and the technology necessary to support this work. Lost revenue from auxiliary services, January-term, summer, and fees comprised \$44.26 million of the projected fiscal impact. Athletics' COVID response and lost revenues accounted for \$21.2 million (\$17.2 million of it in Fiscal Year 2021), and student, employee, contractor, and community needs accounted for \$18.54 million. By the end of the fiscal year, the team had identified \$80.49 million in federal relief funds, \$5.25 million in state relief funds, nearly \$2.6 million in philanthropic support, and \$4.5 million in institutional funds to address almost 73% of the projected financial impact.

“  
**Every day, I am reminded that all of this is about the people - both those we serve and those we work alongside in our service.**

”  
**JENNIFER (J.J.) WAGNER DAVIS**

## COVID-Related Activity Across Grounds

As students, faculty, and staff returned to Grounds in summer 2020, the University provided cloth masks, hand sanitizer, and a door opener tool. UVA Facilities Management designed, manufactured, and installed 56,000 signs and 2,200 plexiglass shields, tents across Grounds as outdoor gathering places, and 2,600 hand sanitizer stations. They also enhanced cleaning protocols and evaluated HVAC systems, enhancing filtration and increasing ventilation where needed.

Large numbers of staff members continued to work remotely in Fiscal Year 2021, except when they had to be on Grounds to meet the business needs of their school or unit. Many classes were fully online in the fall and spring, and all classes were online during J-term. As the University's technology demands increased exponentially, the ITS and Information Security teams provided the tools, infrastructure, and support necessary to meet rapidly growing needs. ITS boosted Wi-Fi in outdoor locations and added network bandwidth to residence halls. They procured tens of thousands of licenses for Zoom and other platforms, as well as set up at-home call centers with remote VOIP phones and supported thousands of faculty and staff who were working from home. They built systems to support daily health checks, COVID-19 testing and compliance, and isolation and quarantining services for those who got sick.

Over the course of Fiscal Year 2021, 5,650 students were in isolation or quarantine (2,100 of whom were residents of student housing). Teams of staff from Student Affairs, Student Health and Wellness, Dining, ITS, and schools and units across Grounds came together to care for and address the changing needs of these students. They procured and outfitted single rooms in both on- and off-Grounds facilities, provided health and wellness services, prepared and delivered meals and supplies to students, and arranged for testing.

The University's testing program began by requiring all students to be tested with mail-in self-tests before the start of fall 2020 classes. UVA Health medical experts and Facilities Management staff implemented wastewater testing in residential areas. Cross-University teams managed prevalence testing programs, and we eventually began testing all students on a weekly basis through our own saliva testing program on Grounds. When students returned to Grounds for the spring 2021 semester, we again required them to be tested before classes began. Nearly 439,000 COVID-19 tests were administered to students, faculty, staff, and community members, including saliva tests, Let's Get Checked tests, and UVA Health-administered nasal PCR tests.



## From the Executive Vice President and Chief Operating Officer

Our UVA HR staff continued to provide exceptional support by developing training for employees, administering the Emergency Assistance Fund for UVA Employees and Contracted Workers, and interpreting federal and state legislation to inform University policy decisions. A team of staff from the HR Solution Center supported a COVID Call Center throughout the year, answering more than 24,000 inquiries from students, parents, employees, and community members. The team coordinated with more than 20 groups across Grounds and built a rich knowledge base to serve as a key informational resource, freeing up colleagues to manage other aspects of UVA's COVID response.

As vaccines became more widely available, the University worked closely with the Blue Ridge Health District to stand up and staff vaccination centers while continuing to support community testing efforts. As the fiscal year concluded, the University had implemented systems to track both employee and student vaccination status, in preparation for the 2021-22 academic year.

### Advancing Strategic Priorities and Fiscal Strength

In a year marked by monitoring virus transmission and revising policies to reflect evolving public health guidance, the University had some significant wins unrelated to COVID. We made major strides in the renovation of the University's main library and the construction of the new UVA Health Orthopedics Center. We dedicated the Memorial for Enslaved Laborers and brought the new Student Health and Wellness Center to near-completion (it opened this fall). We also completed significant planning and preparation related to the development of the Ivy Corridor precinct, among other capital construction projects.

The Department of Safety and Security replaced the University-wide Emergency Notification System, launched a new mobile safety app, and expanded the UVA Alerts system. They also enhanced their focus on diversity, equity, and inclusion both within the University Police Department and in UPD's interactions with the public.

The credit rating agencies reaffirmed the University's coveted triple-A bond rating both as Fiscal Year 2021 began and then again immediately after it ended. The first reaffirmation allowed the Treasury team to enter capital markets at the lowest cost-of-capital possible. We issued \$600 million of 30-year bonds at a rate of 2.256%, to be used for strategic plan priorities and new capital projects. This sale surpassed UVA's previous record-setting 30-year issuance in September 2019, which had a coupon of 2.974%. Throughout the spring, the team prepared for another historic bond issuance that took place just after the fiscal year ended. Following work throughout Fiscal Year 2021, UVA Health acquired Novant Health on July 1, 2021, an acquisition supported by the July 2021 bond issuance. The UVA Finance team also pushed hard on the Finance Strategic Transformation throughout Fiscal Year 2021, positioning the University to implement new systems and technologies in summer 2022.

UVIMCO achieved a remarkable 49% one-year return on its investments in Fiscal Year 2021, gaining more than \$4.8 billion in value. It exceeded its passive benchmark by a wide margin of 29.4%. Though Fiscal Year 2021 was an extraordinary year, UVIMCO's long-term performance also remains noteworthy. Over the last ten- and twenty-year periods, the Long-Term Pool generated annualized returns of 12.1% and 10.6% respectively, exceeding the policy benchmark returns of 8.8% and 7.4% (respectively) and preserving the purchasing power of the endowment after spending and inflation. These returns have a tremendous positive impact on the University, providing support for student financial aid, faculty salaries, research, and other strategic initiatives. At the end of the fiscal year, the University's net position was \$12.8 billion and total assets were \$18.0 billion.

The University's strong philanthropic tradition persisted through Fiscal Year 2021. The University celebrated the public launch of the Honor the Future Campaign in October 2019, less than six months before the COVID-19 pandemic changed the world. As of June 30, 2021, donors had committed \$3.6 billion toward the \$5-billion goal, exceeding the total raised during the last campaign. Philanthropic Cash Flow continues to grow annually, with \$428.1 million in cash flow in Fiscal Year 2021. The generosity of our alumni, parents, and friends is remarkable.

### It's About the People

The University's financial strength allows us to benefit key groups of people in our local community, across the Commonwealth and the nation. Through the Access UVA program, we are able to admit students without considering their financial circumstances and we provide them with the funds they need to complete their education with limited debt. We are only one of two public institutions who can currently attest to this incredible commitment to our students. Our students learn from talented faculty who both teach and conduct groundbreaking research. We can sustain one of the most beautiful physical plants in higher education in the world, providing a remarkable place that is both stunning and offers cutting-edge technology to students, faculty, staff, patients, and visitors.

In spring 2021, we publicly launched the University's Affordable Housing Initiative. We began to work toward President Ryan's commitment that we will support the development of 1,000 to 1,500 affordable housing units over a decade on land in Charlottesville/Albemarle owned by UVA and the UVA Foundation. I am honored to chair the Affordable Housing Advisory Group and privileged to have the opportunity to work with community partners to address this pressing need.



## From the Executive Vice President and Chief Operating Officer

Every day, I am reminded that all of this is about the people – both those we serve and those we work alongside in our service. I lead an amazing team of talented professionals who have high aspirations and high expectations that we all work toward together. The challenges of navigating a global pandemic have illuminated the absolute necessity of collaboration and partnership among cross-functional teams. We have built and reinforced bridges throughout Fiscal Year 2021 and we are committed to sustaining and strengthening them for the continued benefit of the University community, both now and in the future. I am grateful to be part of this special community and to be surrounded by an exceptionally talented and committed UVA workforce, over 30,000 strong.

Very truly yours,

Jennifer (J.J.) Wagner Davis  
Executive Vice President and Chief Operating Officer





## Management Responsibility



December 3, 2021

To the President and Board of Visitors of the University of Virginia:

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2021. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and Statement No. 35, Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities. The financial statements, of necessity, included management’s estimates and judgments relating to matters not concluded by year-end. The financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

Management is responsible for maintaining the University’s system of internal control, which includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures augmented by a continuing internal audit program. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University’s system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Auditor of Public Accounts for the Commonwealth of Virginia, using the reports of independent certified public accountants for the component units, provides an independent opinion regarding the fair presentation of the financial statements of the University’s financial position. Their examination was made in accordance with generally accepted government auditing standards and included a review of the system of internal accounting controls to the extent they considered necessary to determine the audit procedures required to support their opinion. The Audit, Compliance and Risk Committee of the Board of Visitors meets periodically and privately with the independent auditors, the internal auditors and the financial officers of the University to review matters relating to the quality of the University’s financial reporting, the internal accounting controls, and the scope and results of audit examinations. The committee also reviews the scope and quality of the internal auditing program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Melody S. Bianchetto".

Melody S. Bianchetto  
Vice President for Finance

A handwritten signature in black ink, appearing to read "Augie L. Maurelli".

Augie L. Maurelli  
Associate Vice President  
for Financial Operations





# Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 3, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors  
The University of Virginia

## **Independent Auditor's Report**

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities, aggregate discretely presented component units, and remaining fund information of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units of the University, which are discussed in Notes 1 and 9. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors. Our opinion is not modified with respect to this matter.

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 financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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# Independent Auditor's Report

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the aggregate discretely presented component units, and the remaining fund information of the University of Virginia as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### **Change in Accounting Principle**

As discussed in Note 1 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 90 (GASB 90), Majority Equity Interests – An Amendment of GASB Statements No. 14 and No.16, related to accounting and financial reporting for a government entity's majority equity interest in an organization that remains legally separate after acquisition, and reporting component units in which the government acquires a 100 percent equity interest. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **Prior-Year Summarized Comparative Information**

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated December 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised due to the implementation of GASB 90 as discussed in Note 1.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 9 through 18; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information – Virginia Retirement System Pension Plans on pages 83 through 84; the Schedule of Employer's Share of Net OPEB Liability (Asset), the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information – Virginia Retirement System OPEBs on pages 85 through 87; and the Schedule of Total OPEB Liability and Related Ratios, Schedule of Total Liability, and the Notes to the Required Supplementary Information – UVA Administered OPEBs on page 88. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2021 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 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 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.

**Staci A. Henshaw**  
**AUDITOR OF PUBLIC ACCOUNTS**

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# Management's

## DISCUSSION & ANALYSIS

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia (the University) for the year ended June 30, 2021. Comparative information for the year ended June 30, 2020, has been provided where applicable. Management has prepared this discussion, which should be read in conjunction with the financial statements and the notes that follow this section.

### Academic Division

As a public institution of higher learning with 23,796 on-Grounds students and 2,813 full-time instructional and research faculty members in 12 schools in 2020-21, the University offers a diverse range of degree programs, from baccalaureate to postdoctoral levels, including doctorates in 88 programs. The University is recognized internationally for the quality of its faculty and its commitment to the primary academic missions of instruction, research, public service and medical care. The University consistently ranks among the nation's top public colleges and universities, both for its excellent academic programs as well as for its affordability and value. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

### Medical Center

The Medical Center is an integrated network of primary and specialty-care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a licensed hospital with 696 beds in a state-designated Level 1 trauma center located in Charlottesville. The Medical Center also has a transitional care hospital with 40 beds that is located west of the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout Central Virginia communities. The University's Medical Center has a tradition of excellence in teaching, advancement of medical science and patient care, consistently ranking among the best health care systems in the nation.

### College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 1,905 students and 103 full-time instructional and research faculty. It offers baccalaureate degrees in 33 majors and eight pre-professional programs, including dentistry, pharmacy, engineering, forestry, law, medicine, physical therapy and veterinary medicine.



## Management's Discussion and Analysis (Unaudited)

### Statement of Net Position

## Using the Financial Statements

**The University's financial report includes seven financial statements and related notes:**

- 1 The Statement of Net Position for the University of Virginia
- 2 The Combined Statement of Financial Position for the Component Units of the University of Virginia
- 3 The Statement of Fiduciary Net Position
- 4 The Statement of Revenues, Expenses and Changes in Net Position for the University of Virginia
- 5 The Combined Statement of Activities for the Component Units of the University of Virginia
- 6 The Statement of Changes in Fiduciary Net Position
- 7 The Statement of Cash Flows for the University of Virginia

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Although some of the University's foundations are reported in the component unit financial statements, the Management's Discussion and Analysis excludes them except where specifically noted.

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. The net position is an indicator of the prudent utilization of financial resources and the overall health of the University, while the change in net position reflects the current year's activities. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost, less accumulated depreciation. Depreciation is a method of allocating the cost of a tangible asset over its useful life to indicate how much of an asset's value has been consumed.

The University's Statement of Net Position at June 30, 2021, and June 30, 2020, is summarized as follows:

SUMMARY OF THE STATEMENT OF NET POSITION (in thousands)	2021	2020	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	\$ 1,175,873	\$ 1,019,853	\$ 156,020	15.3%
Noncurrent assets				
Endowment investments	7,521,785	5,151,300	2,370,485	46.0%
Other long-term investments	3,932,557	2,692,807	1,239,750	46.0%
Capital assets, net	4,490,849	4,329,961	160,888	3.7%
Other	845,429	406,799	438,630	107.8%
<b>Total assets</b>	<b>17,966,493</b>	<b>13,600,720</b>	<b>4,365,773</b>	<b>32.1%</b>
Deferred outflows of resources	214,926	200,480	14,446	7.2%
<b>Total assets and deferred outflows of resources</b>	<b>18,181,419</b>	<b>13,801,200</b>	<b>4,380,219</b>	<b>31.7%</b>
Current liabilities	958,552	861,282	97,270	11.3%
Noncurrent liabilities	4,101,833	3,512,525	589,308	16.8%
<b>Total liabilities</b>	<b>5,060,385</b>	<b>4,373,807</b>	<b>686,578</b>	<b>15.7%</b>
Deferred inflows of resources	279,532	301,640	(22,108)	(7.3%)
<b>Total liabilities and deferred inflows of resources</b>	<b>5,339,917</b>	<b>4,675,447</b>	<b>664,470</b>	<b>14.2%</b>
<b>TOTAL NET POSITION</b>	<b>\$ 12,841,502</b>	<b>\$ 9,125,753</b>	<b>\$ 3,715,749</b>	<b>40.7%</b>

### Current Assets and Liabilities

Current assets consist of cash and cash equivalents, short-term investments, and accounts receivable. Current liabilities consist of accounts payable, unearned revenue and the current portion of long-term liabilities.

Current assets cover current liabilities 1.2 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. Current assets cover 4.1 months of total operating expenses, excluding depreciation. For 2020-21, one month of operating expenses equaled approximately \$284.6 million.



## Management's Discussion and Analysis (Unaudited)

### Endowment and Other Investments

**Performance.** The major portion of the University's endowment and other investments continues to be maintained in a long-term investment pool managed by the University of Virginia Investment Management Company. The return for the long-term investment pool was 49 percent in fiscal year 2020-21. This performance figure includes realized and unrealized gains and losses, along with cash income. Total investment income for all funds was \$3.77 billion for the fiscal year ended June 30, 2021.

**Distribution.** The University uses its endowment funds to support operations by distributing endowment earnings with the objective of balancing the annual funding needed to support the endowed programs against the preservation of future purchasing power. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. For the year ended June 30, 2021, the total distribution for the University's endowment was \$237.7 million, excluding fiduciary funds, or 4.85 percent of the market value of the endowment as of June 30, 2019, the measurement date.

**Other Investments.** The total of other short-term and long-term investments as well as investment in affiliated companies is \$4.08 billion, a \$1.21-billion increase over the prior year, which is primarily due to the positive investment return of the long-term pool of 49 percent.

**Endowment investments.** The total of endowment investments is \$7.5 billion, a \$2.4-billion increase over the prior year. Additional new gifts and investment earnings were the primary drivers of this increase.

From a net position perspective, earnings from the endowment are expendable; however, about two-thirds of the earnings are restricted as to use by donors. A significant portion of the unrestricted earnings, the remaining one-third of the endowment, is internally designated by the University for scholarships, fellowships, professorships, and research activities.

Including endowment investments held by the nine related foundations reported as component units, the combined University system endowment was just under \$10 billion as of June 30, 2021.

### Capital and Debt Activities

A critical factor in sustaining the quality of the University's academic and research programs and residential life is the development and maintenance of its capital assets. The University continues to implement its long-range plan to modernize its older teaching and research facilities, construct new facilities, and fund major maintenance obligations.

Capital projects consist of replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment and information systems.

Some of the largest new or ongoing projects during the year based on current year expenses are listed as follows:

MAJOR CAPITAL PROJECTS DURING 2020-21 (in thousands)	PROJECTED COST	FY2021 ACTUAL EXPENSES
UVA Medical Center - MRI/ED/OR/Bed Tower	\$ 391,600	\$ 28,523
Gilmer Hall and Chemistry Building Renovations	197,000	37,432
UVA Medical Center Ivy Musculoskeletal Center and Utility Plant	180,000	62,785
Alderman Library	152,500	27,662
UVA Hotel & Conference Center	130,500	3,058
Student Health & Wellness Center	100,000	41,191
Hospital HVAC Phase III/Phase IV	28,000	952
<b>TOTAL</b>	<b>\$ 1,179,600</b>	<b>\$ 201,603</b>

As infrastructure and building projects were completed or otherwise acquired during the year, the University's capital asset balances grew significantly. More than \$404.4 million of completed projects were added to depreciable capital assets during the fiscal year. The largest infrastructure and building projects completed or acquired during the year are listed below:

MAJOR PROJECTS COMPLETED OR ACQUIRED DURING 2020-21 (in thousands)	CAPITALIZED COST
McCormick Road Residence Halls Renovation	\$ 62,080
Gilmer Hall and Chemistry Building Renovations	94,157
Pinn Hall Lab Renovation 4th Floor	19,032
Ivy Mountain Central Utility Plant	18,205
Hospital Comprehensive Breast Center	6,000
<b>TOTAL</b>	<b>\$ 199,474</b>

Financial stewardship requires the effective management of resources, including the prudent use of debt to finance capital projects. As evidence of the University's effective stewardship, the University has received the highest long-term and short-term debt ratings from all three major rating agencies, including Moody's Investors Service (Aaa/P-1), Standard & Poor's (AAA/A-1+) and Fitch Ratings, Inc. (AAA/F1+). The University of Virginia is one of only four public institutions with the highest long-term debt ratings from all three agencies. Besides being an official acknowledgment of the University's financial strength, these ratings enable the University to obtain future debt financing at optimum pricing. In addition to issuing its own bonds, the University utilizes its commercial paper program, backed by a general revenue pledge, to provide interim financing for its capital improvements and provide a source of short-term liquidity. Outstanding commercial paper is typically converted to long-term debt financing as appropriate, within the normal course of business.

The University's debt portfolio contains a strategic mix of maturity structures and both variable- and fixed-rate obligations.



## Management's Discussion and Analysis (Unaudited)

It also adjusts its debt mix through the use of interest rate swaps executed according to its Board-approved interest-rate risk-management policy. The University had just under \$3 billion of debt outstanding as of June 30, 2021.

### Net Position

The four net-position categories represent the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position on June 30, 2021 and June 30, 2020 is summarized below:

NET POSITION (in thousands)	2021	2020	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Net investment in capital assets	\$ 2,143,594	\$ 2,064,432	\$ 79,162	3.8%
Restricted				
Nonexpendable	1,129,588	998,964	130,624	13.1%
Expendable	4,880,507	3,356,964	1,523,543	45.4%
Unrestricted	4,687,813	2,705,393	1,982,420	73.3%
<b>TOTAL NET POSITION</b>	<b>\$ 12,841,502</b>	<b>\$ 9,125,753</b>	<b>\$ 3,715,749</b>	<b>40.7%</b>

**Net investment in capital assets** represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Capitalized assets, net of accumulated depreciation, increased by \$160.9 million and were offset by a \$81.7-million increase in debt used to finance those capital assets, for a net change of \$79.2 million.

**Restricted nonexpendable net position** represents the historical value (corpus) of the University's permanent endowments, which cannot be expended due to donor restrictions. The increase in nonexpendable net position included new gifts of \$54 million as well as \$72.8 million in related matches from the Strategic Investment Fund.

**Restricted expendable net position** includes spendable earnings on permanent and quasi-endowments, gifts, grants and contracts, and loan funds that are subject to externally imposed restrictions governing their use. The increase in the restricted expendable net position is related to new quasi and true endowments as well as investment returns. As mentioned above, the increase is mainly a result of UVIMCO long-term pool's investment return of 49 percent for the fiscal year.

**Unrestricted net position** includes all other activities that are both spendable and not subject to externally imposed restrictions. The majority of the University's unrestricted net position has been internally designated for the core mission activities of instruction, research, health services programs and initiatives, and capital projects that align with the University's highest priorities. The increase is largely a result of the long-term pool's investment returns of 49 percent.





## Management's Discussion and Analysis (Unaudited)



### Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of activities for the year. Presented below is a summarized statement for the years ended June 30, 2021, and June 30, 2020:

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)	2021	2020	INCREASE (DECREASE)	
			AMOUNT	PERCENT
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 629,820	\$ 619,517	\$ 10,303	1.7%
Patient services, net	1,806,678	1,654,517	152,161	9.2%
Sponsored programs	407,349	413,058	(5,709)	(1.4%)
Other	183,217	225,354	(42,137)	(18.7%)
<b>Total operating revenues</b>	<b>3,027,064</b>	<b>2,912,446</b>	<b>114,618</b>	<b>3.9%</b>
<b>Operating expenses</b>	<b>3,701,903</b>	<b>3,595,687</b>	<b>106,216</b>	<b>3.0%</b>
<b>Operating loss</b>	<b>(674,839)</b>	<b>(683,241)</b>	<b>8,402</b>	<b>(1.2%)</b>
<b>Nonoperating revenues (expenses)</b>				
State appropriations	195,571	192,642	2,929	1.5%
Gifts	196,687	206,454	(9,767)	(4.7%)
Investment income	3,770,894	359,303	3,411,591	949.5%
Pell grants	15,296	15,010	286	1.9%
Nonoperating grant revenue	88,064	65,009	23,055	35.5%
Interest on capital asset-related debt	(98,651)	(87,410)	(11,241)	12.9%
Build America Bonds (BAB) rebate	8,298	10,837	(2,539)	(23.4%)
Other net nonoperating expenses	(4,446)	(6,123)	1,677	(27.4%)
<b>Net nonoperating revenues</b>	<b>4,171,713</b>	<b>755,722</b>	<b>3,415,991</b>	<b>452.0%</b>
<b>Income before other revenues, expenses, gains, or losses</b>	<b>3,496,874</b>	<b>72,481</b>	<b>3,424,393</b>	<b>4724.5%</b>
Capital appropriations, gifts, and grants	164,881	89,047	75,834	85.2%
Additions to permanent endowments	53,994	46,692	7,302	15.6%
<b>Total other revenues</b>	<b>218,875</b>	<b>135,739</b>	<b>83,136</b>	<b>61.2%</b>
<b>INCREASE IN NET POSITION</b>	<b>3,715,749</b>	<b>208,220</b>	<b>3,507,529</b>	<b>1684.5%</b>
NET POSITION - BEGINNING OF YEAR	9,125,753	8,917,533	208,220	2.3%
<b>NET POSITION - END OF YEAR</b>	<b>\$ 12,841,502</b>	<b>\$ 9,125,753</b>	<b>\$ 3,715,749</b>	<b>40.7%</b>

GASB principles determine the categorization of revenues and expenses as either operating or nonoperating activities. Because GASB Statement No. 34 requires that revenues from state appropriations, Pell grants, and gifts be considered nonoperating while the expenses funded from these revenues are categorized as operating (with the exception of interest on capital debt, which remains nonoperating), the University will nearly always demonstrate an operating loss on its Statement of Revenues, Expenses and Changes in Net Position.

### Revenues

The University maintains a diverse stream of revenues, which decreases its dependence on any single source and allows it to adapt during difficult economic times. The University's revenues, for the years ended June 30, 2021, and June 30, 2020, are summarized below:



## Management's Discussion and Analysis (Unaudited)

SUMMARY OF REVENUES <i>(in thousands)</i>	2021			2020			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
<b>Operating revenues</b>								
Student tuition and fees, net	\$ 629,820	\$ -	\$ 629,820	\$ 619,517	\$ -	\$ 619,517	\$ 10,303	1.7%
Patient services, net	-	1,806,678	1,806,678	-	1,654,517	1,654,517	152,161	9.2%
Federal, state, and local grants and contracts	341,234	-	341,234	341,151	-	341,151	83	0.0%
Nongovernmental grants and contracts	66,115	-	66,115	71,907	-	71,907	(5,792)	(8.1%)
Sales and services of educational departments	20,186	-	20,186	26,259	-	26,259	(6,073)	(23.1%)
Auxiliary enterprises revenue, net	101,734	-	101,734	137,345	-	137,345	(35,611)	(25.9%)
Other operating revenues	-	61,297	61,297	-	61,750	61,750	(453)	(0.7%)
<b>Total operating revenues</b>	<b>1,159,089</b>	<b>1,867,975</b>	<b>3,027,064</b>	<b>1,196,179</b>	<b>1,716,267</b>	<b>2,912,446</b>	<b>114,618</b>	<b>3.9%</b>
<b>Nonoperating revenues</b>								
State appropriations	195,571	-	195,571	192,642	-	192,642	2,929	1.5%
Private gifts	194,935	1,752	196,687	204,168	2,286	206,454	(9,767)	(4.7%)
Investment income	3,232,775	538,119	3,770,894	302,999	56,304	359,303	3,411,591	949.5%
Nonoperating grant revenues	62,582	25,482	88,064	8,310	56,699	65,009	23,055	35.5%
Other nonoperating revenues	234,171	-	234,171	155,011	107	155,118	79,053	51.0%
<b>Total nonoperating revenues</b>	<b>3,920,034</b>	<b>565,353</b>	<b>4,485,387</b>	<b>863,130</b>	<b>115,396</b>	<b>978,526</b>	<b>3,506,861</b>	<b>358.4%</b>
<b>TOTAL REVENUES</b>	<b>\$ 5,079,123</b>	<b>\$ 2,433,328</b>	<b>\$ 7,512,451</b>	<b>\$ 2,059,309</b>	<b>\$1,831,663</b>	<b>\$ 3,890,972</b>	<b>\$ 3,621,479</b>	<b>93.1%</b>

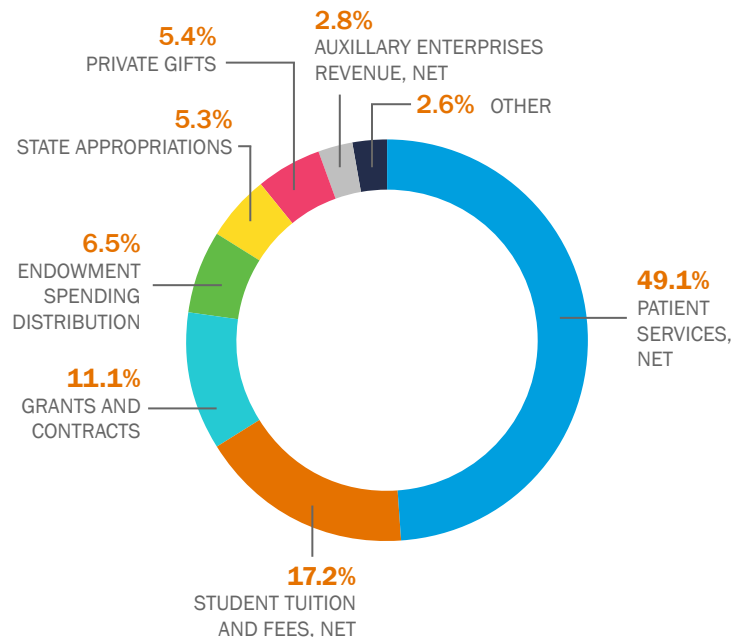
Net student tuition and fees revenue increased due to new programs, enrollment growth, and some changes in tuition and fee rates. Tuition and fees revenue is reported net of scholarships and allowances provided from University sources. Net patient services revenues increased as elective procedures, surgeries, and clinic visits resumed after the Governor's executive order cancelling all elective procedures, surgeries, and clinic visits was lifted. The increase in nonoperating revenues is driven by an increase in investment income resulting from a higher market return on the University's long-term investments of 49 percent compared to 5.3 percent in fiscal year 2020, as well as various COVID-19 relief funding received from federal and state governments which is reported as nonoperating grant revenues.

### Revenues and Other Sources of Operational Funding

To the right is a chart of revenues by source (both operating and nonoperating). These revenues were used to fund the University's operating activities for the fiscal year ended June 30, 2021. As noted earlier, GASB requires state appropriations, current gifts and Pell grants to be treated as nonoperating revenues. Endowment spending is not current-year revenue but a distribution of previously recognized investment income. However, it is an important funding source for current operations and is included in the chart to the right to present a more accurate picture of the University's funding of current operations.

Patient services revenues are principally generated within the University's Medical Center under contractual arrangements with governmental payers and private insurers and accounted for nearly one-half of the University's revenues and operational funding sources. The Medical Center continues to negotiate annual payment increases with managed-care companies and receives annual payment updates from the Medicare program.

### Total University Revenues and Other Sources of Operational Funding

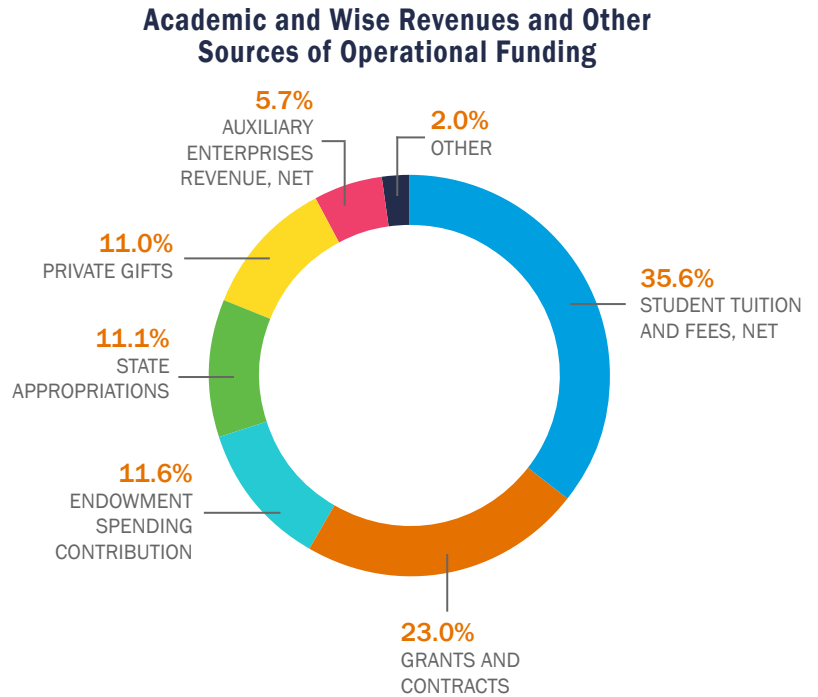




## Management's Discussion and Analysis (Unaudited)

Net student tuition and fees, and grants and contracts are the next largest revenue categories. Private support from endowment spending and gifts combined provides 11.9 percent of the University's funding. State appropriations account for just 5.3 percent of funding for operations across all divisions. With ongoing economic pressures on state revenues and increasing consideration of affordability, funding from private sources continues to be vitally important to the University's operations.

The University measures its performance both for the University as a whole and for the University without its Medical Center and other clinical activities. A clearer picture of the academic and research mission revenue stream emerges when the Medical Center's data are excluded, as presented to the right. Net tuition and fees make up more than one-third of the operating revenues for the Academic Division and Wise. Contributing a combined 22.6 percent, private support in the form of endowment spending distribution and gifts has been, and will continue to be, essential to maintaining the University's academic excellence. External research support from grants and contracts makes up another 23 percent of operational funding.



### Expenses

The University's expenses for the years ended June 30, 2021, and June 30, 2020, are summarized as follows:

SUMMARY OF EXPENSES <i>(in thousands)</i>	2021			2020			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
<b>Operating expenses</b>								
Compensation	\$ 1,291,356	\$ 769,864	\$ 2,061,220	\$ 1,287,181	\$ 746,208	\$ 2,033,389	\$ 27,831	1.4%
Supplies and other services	343,696	868,927	1,212,623	361,598	793,881	1,155,479	57,144	4.9%
Student aid	126,948	-	126,948	117,856	-	117,856	9,092	7.7%
Depreciation	155,066	132,198	287,264	150,108	114,449	264,557	22,707	8.6%
Other operating expenses	13,848	-	13,848	24,406	-	24,406	(10,558)	(43.3%)
<b>Total operating expenses</b>	<b>1,930,914</b>	<b>1,770,989</b>	<b>3,701,903</b>	<b>1,941,149</b>	<b>1,654,538</b>	<b>3,595,687</b>	<b>106,216</b>	<b>3.0%</b>
<b>Nonoperating expenses and other</b>								
Interest expense (net of BAB rebate)	73,201	17,152	90,353	58,463	18,110	76,573	13,780	18.0%
Loss on capital assets, net	4,316	(67)	4,249	-	-	-	4,249	100.0%
Other nonoperating expenses, net	(1,450)	1,647	197	6,310	4,182	10,492	(10,295)	(98.1%)
<b>Total nonoperating expenses</b>	<b>76,067</b>	<b>18,732</b>	<b>94,799</b>	<b>64,773</b>	<b>22,292</b>	<b>87,065</b>	<b>7,734</b>	<b>8.9%</b>
<b>TOTAL EXPENSES</b>	<b>\$ 2,006,981</b>	<b>\$ 1,789,721</b>	<b>\$ 3,796,702</b>	<b>\$2,005,922</b>	<b>\$ 1,676,830</b>	<b>\$ 3,682,752</b>	<b>\$ 113,950</b>	<b>3.1%</b>

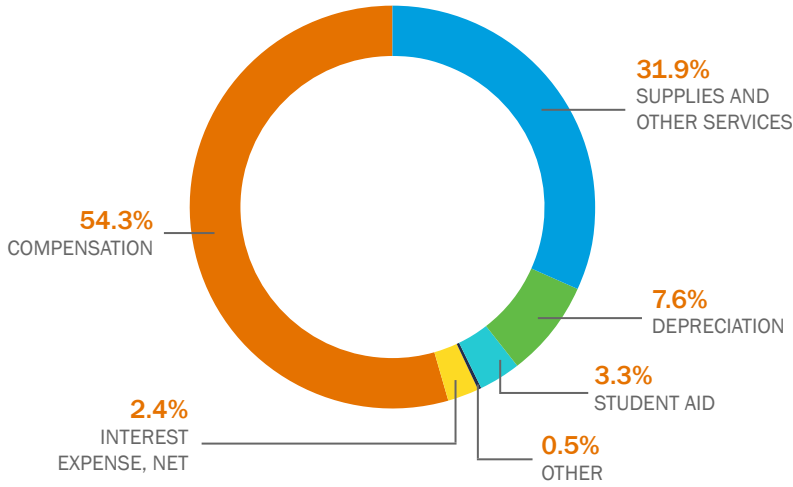
Increases in operating expenses are primarily driven by the increase in compensation and benefits (including the Virginia Retirement System pension and OPEB accruals) and supplies and other services. The University is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers. The increase in supplies and services is driven by the Medical Center side due strategic initiatives, ongoing relationships with other health systems, contractual increases with pharmaceutical suppliers, the opening of new clinics, continuing collaborative efforts to increase staffing levels to meet patient demand, and the purchase of COVID-19 related equipment, supplies, and telemedicine functionality for clinics and COVID-19 specific inpatient units.



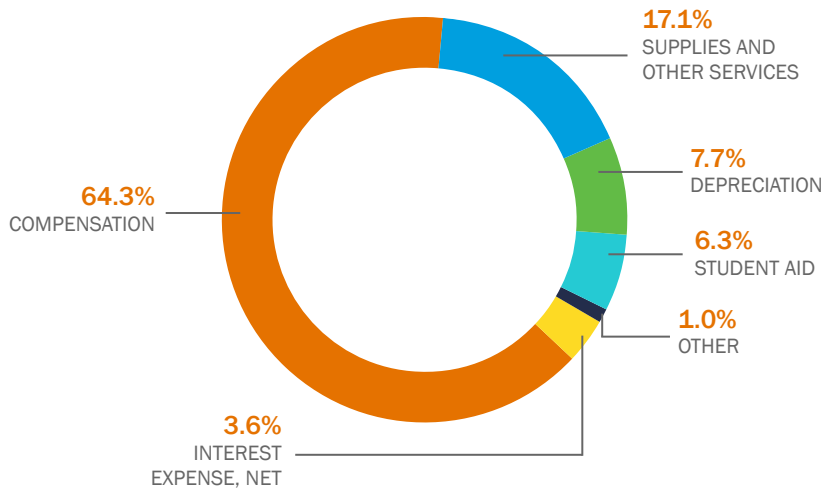
## Management's Discussion and Analysis (Unaudited)

The following are graphic illustrations of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2021.

### TOTAL UNIVERSITY EXPENSES



### ACADEMIC AND WISE EXPENSES



The first chart presents information for the total University, including the Medical Center, while the second chart presents information for just the Academic and Wise divisions. In addition to their natural (object) classification, it is also informative to review operating expenses by function.

A complete matrix of expenses, natural versus functional, is contained in Note 10 of the Notes to the Financial Statements. Expenses for core mission functions of patient services, instruction and research account for 71.4 percent of total operating expenses. The remainder is for support costs of these core mission functions and includes academic support, libraries, student services, institutional support services, and operation and maintenance of facilities.





# Management's Discussion and Analysis (Unaudited)

## Economic Outlook

Fiscal Year 2021 both started and ended in a pandemic, with a constant need to be nimble and adjust to ever changing circumstances. The "return to normal" economy has been far from stagnant, with record gains in several markets and a strong sentiment that the future looks better than our recent past. And as the world, the United States, the Commonwealth of Virginia, and the University of Virginia adapt to new norms for 2022, there is consistent optimism about the future of higher education, healthcare, and UVA as an enterprise. As we manage new challenges in battling COVID-19 and its respective variants, UVA is prepared to deliver its mission and demonstrate how UVA can be both Great and Good into the future.

Economists, financial institutions, and consulting firms alike are in consensus that the second half of 2021 should complete a rebound regarding both Gross Domestic Product (GDP) and labor markets as a whole. According to Bloomberg Market surveys, 2021 GDP is projecting to end the year just over 6 percent. And while variant strains of the novel Corona virus have slowed some of the rebound, calendar year 2022 is still projected to return to pre-pandemic levels from an economic perspective. This is a cautionary tale that continues to experience volatility in global supply chains, immunization efforts, and resulting inflationary pressures – all of which are being monitored closely through Fiscal Year 2022.

The United States' equity markets continue to outpace historical performance, which has significantly bolstered UVA's already strong balance sheet. The odd dynamic of robust gains amid Covid restricted markets has introduced productivity improvements in lieu of tight labor markets, pent up consumer demand and increased exportation activity. The Consumer Price Index has been revised upward for 2022, with ranges slightly above 2 percent. All of these forward-looking projections provide support to the fiscal tailwinds being felt in our community and our desire to continue to work, grow, and strive as a University and Medical Center.

Some of UVA's lessons learned continue to shape our new norms. The University has incorporated these experiences to better plan and facilitate how we engage, teach, treat, and heal in an ever-changing world. Improved testing protocols and heightened social awareness related to COVID-19 transmission, as well as an overall respect for the community and our constituents, are all examples of how strong leadership, financial stewardship, and a trust in our human capital enable UVA to navigate uncharted waters. As we embark on a new fall of classes and learning, we see stadiums with spectators, classrooms with students, and medical facilities with patients, all an improved and drastic contrast from our previous autumn. While our current environment is far from ideal or void of challenges, if the past year has taught us anything, it is that there is no shortage of resiliency at UVA.

The University of Virginia remains steadfast to its 2030 strategic plan and managing all initiatives that enable us to be both Great and Good. Throughout the pandemic and as we are actively engaged in fiscal 2022 activities, there are no shortage of initiatives underway, with almost a billion dollars of identified projects over the next several years supporting these efforts. We are conducting workforce planning, faculty and staff recruitment, and overall assessments around the future state of work, with new methods and approaches being undertaken to ensure a safe, productive, and effective workforce.

Improved facilities and capital infrastructure remain critical for advancing the mission of education, research, and patient care, with the renovation of Alderman Library and the construction of a new hotel and conference center at the Emmet-Ivy Corridor. Philanthropy drives much of the development around the Emmet Ivy Corridor, including homes for the School for Data Science and the Democracy Institute, while planning begins for a new performing arts center. Investments in both affordability and sustainability are on the horizon as UVA explores electric vehicle transportation and expands the Bicentennial Scholarship program. These endeavors combined with investments in education delivery and the overall student experience, both on premise and virtual, reinforce our long-term commitment to our students and faculty. Local economy working groups as well as an institutional approach to diversity, equity and inclusion continue to grow, as well as efforts on vendor and business relationships. And last, but certainly not least, is the expansion of UVA Health with a July 1, 2021 acquisition of a Northern Virginia integrated network of physician offices, outpatient facilities, and three community hospitals to create UVA Community Health, increasing UVA Health's total inpatient beds to over 1,000 and significantly expanding a full spectrum of health services throughout the region while increasing the ability to provide access to the best healthcare in Virginia.

The U.S. Higher Education Market as a sector received positive revisions upward regarding the economic outlook. All the major credit rating agencies, including S&P and Moody's, cited physical returns to campus this fall as a welcome return to tuition and auxiliary revenues. Federal and state assistance has aided in offsetting losses across the landscape. Most states, including the Commonwealth of Virginia, saw recoveries in state and local taxes, which has reduced concerns around funding cuts, while market returns have bolstered endowments and operating investments. Some of the long-term pressures around the sector are still being contemplated; however, it appears the longevity and stability of higher education continues to score well among creditors. The rating agencies are also more upbeat regarding the public healthcare sector, indicating that a return to more robust service offerings will aid in recovering from previous year's revenue shocks, but still warn against the tailing effects of COVID as they continue to create demand for services. The rationale for this shift cites that despite meaningful headwinds the risk level has declined after spiking during the first year of the pandemic, largely due to revenue recovery, proactive operational and financial management, and additional federal funding.

The Commonwealth of Virginia is also optimistic about current state and national indicators and the economic outlook. The recession was shorter than anticipated and the economic impact of the Coronavirus pandemic on Virginia was better than anticipated in fall 2020. The Commonwealth ended FY2021 with a 14.4 percent increase in general fund revenues over FY2020 and a \$2.6 billion budget surplus, the largest in Virginia's history. The Commonwealth will use the surplus to strengthen general fund reserves and bolster pandemic related support. Throughout the pandemic, the Commonwealth has continued its commitment to quality education throughout the state through providing additional operating and financial aid support.



## Management's Discussion and Analysis (Unaudited)

In addition, during the August special session, legislation was enacted including temporary provisions regarding collegiate athletics name, image, and likeness allowing universities in the state to remain competitive at a national level. Permanent legislation will be pursued during the 2022 Session of the General Assembly.

Financial market conditions in July of 2021 proved to be favorable once again for UVA, as all three rating agencies reaffirmed the University's triple-A bond rating, quoting our financial position as strong and stable. This reaffirmation by the rating agencies cited strong student demand and a highly selective admissions process combined with broad geographic reach. Strength in research and development along with a robust balance sheet provide the stability and liquidity needed to appropriately position the enterprise for future success. These factors, incorporated with strategic and comprehensive planning, active leadership and management, and appropriate risk mitigation, help ensure the success of such future-based investments.

On July 15, 2021, UVA issued another \$400 million in debt, with 25 percent of which was tax-exempt. The two issuances set records at that time, for the lowest yield-to-maturity for any 30-year tax exempt issuance at 2.18 percent, as well as the lowest credit spread ever for the taxable portion at 2.584 percent. This strategic financing will be used for approximately \$269 million of capital projects that are part of the multi-year strategic plan, including UVA's full acquisition of the UVA Health-Novant joint venture in Northern Virginia, allowing UVA full control of three hospitals in Culpeper, Haymarket, and Prince William County. A small portion, \$31 million, was used for refinancing the 2015B series bonds to more favorable terms due to market conditions at the time of issuance.

While the cost of capital for UVA appears to be at all-time lows, the endowment performance and that of funds invested long-term certainly benefited from a bullish run of 49 percent through June 30, 2021, equating to almost \$4 billion in increased net position and balance sheet assets. The distribution on that increase will bolster strategic planning efforts and new commitments such as UVA's Grand Challenge and its Bicentennial Scholars Fund.

The Coronavirus Aid, Relief, and Economic Security Act (CARES) has provided UVA with several funding sources that significantly aid in mitigating much of the economic strain brought on by the novel virus. The American Rescue Plan (ARP), combined with previous funding sources, has provided UVA approximately \$167 million in federal funds.

These funds include multiple rounds from the Higher Education Emergency Relief Fund (HEERF), Provider Relief Fund (PRF), The Governor's Emergency Education Relief Fund, and multiple rounds of the Coronavirus Relief Fund (CRF). While some funds flow directly from the federal government, others are passed through the Commonwealth; however, all have positively impacted UVA's ability to continue onward into FY2022. Uses of the funds include ongoing prevalence testing, technologies for continuity of educational delivery, physical environment, and direct aid to students in need. In addition to direct support the University and Medical Center took advantage of deferred FICA tax, with the first payment due this December along with accelerated Medicare and Medicaid Services payments. The institution foresees all federal and pass-through funds to be exhausted by the close of this fiscal year and is hoping for a nominal COVID-related impact in the coming years.

Cost containment through salary reduction and hiring freezes, as well as expense management have been a staple in our recent fiscal strategies, yet all the while, top-line expectations continue to remain consistent throughout. Student enrollment and selectivity continue to remain key strategic strengths to UVA. For fall of 2021, over 50,000 first-year and transfer students applied to UVA with approximately 11,000 admission offers released, illustrating record application volume and the lowest first year admission offer rate in University history. First-year student enrollment for fall of 2021 is up slightly from previous years, with approximately 3,900 first-year students enrolling and 700 transfers, despite the pandemic.

In all, the fiscal horizon appears to be clearing. While there will always be challenges, the University of Virginia is on the cusp of a new future that entails lessons learned and strengthened methods, and an unwavering commitment to excellence. As we aim to exceed the ever-increasing expectations of our colleagues, constituents, and stakeholders, we do so with optimism and a newfound appreciation and perspective on the importance of value-driven behavior and the positive outcomes it provides. Wahoowa!





**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF NET POSITION** *(in thousands)*

AS OF JUNE 30, 2021 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 344,356	\$ 303,263
Short-term investments (Note 2)	149,076	177,234
Appropriations available	15,123	12,989
Accounts receivable, net (Note 3a)	550,710	422,336
Prepaid expenses	24,637	24,717
Inventories	41,425	37,792
Notes receivable, net (Note 3b)	5,974	5,526
Pledges receivable, net (Note 3c)	44,572	35,996
<b>Total current assets</b>	<b>1,175,873</b>	<b>1,019,853</b>
<b>Noncurrent assets</b>		
Cash and cash equivalents (Note 2)	543,747	101,103
Long-term investments (Note 2)	3,809,351	2,584,830
Endowment (Note 2)	7,521,785	5,151,300
Notes receivable, net (Note 3b)	23,531	34,379
Pledges and other receivables, net (Note 3c)	170,919	165,098
Capital assets - depreciable, net (Note 3d)	3,952,199	3,756,610
Capital assets - nondepreciable, net (Note 3d)	538,650	573,351
Derivative instrument asset (Note 6)	-	1,422
Investment in affiliated companies (Note 7)	123,206	107,977
OPEB asset (Note 12)	17,113	15,321
Other (Note 3e)	90,119	89,476
<b>Total noncurrent assets</b>	<b>16,790,620</b>	<b>12,580,867</b>
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 3f)</b>	<b>214,926</b>	<b>200,480</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 18,181,419</b>	<b>\$ 13,801,200</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 3g)	\$ 685,754	\$ 643,389
Unearned revenue (Note 3h)	75,567	85,781
Deposits held in custody for others	1,352	17,873
Commercial paper (Note 4)	-	-
Long-term debt - current portion (Note 5a)	38,324	10,514
Long-term liabilities - current portion (Note 5b)	157,555	103,725
<b>Total current liabilities</b>	<b>958,552</b>	<b>861,282</b>
<b>Noncurrent liabilities</b>		
Long-term debt (Note 5a)	2,952,696	2,475,090
Derivative instrument liability (Note 6)	39,061	51,414
Net pension liability (Note 11)	643,035	569,102
OPEB liability (Note 12)	259,099	265,810
Other noncurrent liabilities (Note 5b)	207,942	151,109
<b>Total noncurrent liabilities</b>	<b>4,101,833</b>	<b>3,512,525</b>
<b>DEFERRED INFLOWS OF RESOURCES (Note 3i)</b>	<b>279,532</b>	<b>301,640</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 5,339,917</b>	<b>\$ 4,675,447</b>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,143,594	\$ 2,064,432
Restricted:		
Nonexpendable	1,129,588	998,964
Expendable	4,880,507	3,356,964
Unrestricted	4,687,813	2,705,393
<b>TOTAL NET POSITION</b>	<b>\$ 12,841,502</b>	<b>\$ 9,125,753</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 18,181,419</b>	<b>\$ 13,801,200</b>

Certain 2020 amounts have been restated to conform to 2021 classifications. See Note 1 for additional information.  
The accompanying Notes to Financial Statements are an integral part of this statement.



**UNIVERSITY OF VIRGINIA**  
**COMPONENT UNITS, COMBINED STATEMENT OF FINANCIAL POSITION** *(in thousands)*

AS OF JUNE 30, 2021 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 466,527	\$ 217,011
Receivables	198,487	183,975
Short-term investments	493,798	274,559
Other current assets	7,554	8,455
<b>Total current assets</b>	<b>1,166,366</b>	<b>684,000</b>
<b>Noncurrent assets</b>		
Pledges receivable, net	151,503	166,584
Long-term investments	14,355,158	10,120,197
Capital assets, net of depreciation	483,353	492,871
Other noncurrent assets	91,362	57,258
<b>Total noncurrent assets</b>	<b>15,081,376</b>	<b>10,836,910</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,247,742</b>	<b>\$ 11,520,910</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Assets held in trust for others	\$ 155,012	\$ 118,590
Other liabilities	372,435	359,184
<b>Total current liabilities</b>	<b>527,447</b>	<b>477,774</b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of debt issuance cost and current portion of \$5,590 and \$9,852	174,235	92,390
Other noncurrent liabilities	12,158,086	8,519,223
<b>Total noncurrent liabilities</b>	<b>12,332,321</b>	<b>8,611,613</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 12,859,768</b>	<b>\$ 9,089,387</b>
<b>NET ASSETS</b>		
Unrestricted	\$ 680,337	\$ 473,286
Temporarily restricted	1,611,265	969,153
Permanently restricted	1,096,372	989,084
<b>TOTAL NET ASSETS</b>	<b>\$ 3,387,974</b>	<b>\$ 2,431,523</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,247,742</b>	<b>\$ 11,520,910</b>

Certain 2020 amounts have been restated to conform to 2021 classifications. See Note 1 for additional information.  
The accompanying Notes to Financial Statements are an integral part of this statement.





**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION** *(in thousands)*

AS OF JUNE 30, 2021 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>CUSTODIAL FUND ASSETS</b>		
<b>Noncurrent assets</b>		
Long-term investments	\$ 27,950	\$ 19,164
<b>Total noncurrent assets</b>	<b>27,950</b>	<b>19,164</b>
<b>TOTAL ASSETS</b>	<b>\$ 27,950</b>	<b>\$ 19,164</b>
<b>CUSTODIAL FUND LIABILITIES</b>		
<b>Current liabilities</b>		
Distributions payable	\$ 992	\$ 937
<b>Total current liabilities</b>	<b>992</b>	<b>937</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 992</b>	<b>\$ 937</b>
<b>CUSTODIAL FUND NET POSITION</b>		
Restricted for outside organizations	\$ 26,958	\$ 18,227
<b>TOTAL CUSTODIAL FUND NET POSITION</b>	<b>\$ 26,958</b>	<b>\$ 18,227</b>
<b>TOTAL CUSTODIAL FUND LIABILITIES AND NET POSITION</b>	<b>\$ 27,950</b>	<b>\$ 19,164</b>

The accompanying Notes to Financial Statements are an integral part of this statement.





**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION** *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
<b>Operating revenues</b>		
Student tuition and fees, net of scholarship allowances of \$168,945 and \$157,278	\$ 629,820	\$ 619,517
Patient services, net of charity care and contractual adjustments of \$4,596,850 and \$4,104,047	1,806,678	1,654,517
Federal grants and contracts	332,928	333,612
State and local grants and contracts	8,306	7,539
Nongovernmental grants and contracts	66,115	71,907
Sales and services of educational departments	20,186	26,259
Auxiliary enterprises revenue, net of scholarship allowances of \$15,966 and \$17,371	101,734	137,345
Other operating revenues	61,297	61,750
<b>TOTAL OPERATING REVENUES</b>	<b>3,027,064</b>	<b>2,912,446</b>
<b>EXPENSES</b>		
<b>Operating expenses (Note 10)</b>		
Compensation and benefits	2,061,220	2,033,389
Supplies and other services	1,212,623	1,155,479
Student aid	126,948	117,856
Depreciation	287,264	264,557
Other	13,848	24,406
<b>TOTAL OPERATING EXPENSES</b>	<b>3,701,903</b>	<b>3,595,687</b>
<b>OPERATING LOSS</b>	<b>(674,839)</b>	<b>(683,241)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations (Note 11)	195,571	192,642
Gifts	196,687	206,454
Investment income	3,770,894	359,303
Pell grants	15,296	15,010
Nonoperating grants (Note 16)	88,064	65,009
Interest on capital asset-related debt	(98,651)	(87,410)
Build America Bonds rebate	8,298	10,837
(Losses) gains on capital assets	(4,249)	4,369
Other net nonoperating expenses	(197)	(10,492)
<b>NET NONOPERATING REVENUES</b>	<b>4,171,713</b>	<b>755,722</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>3,496,874</b>	<b>72,481</b>
Capital appropriations	88,956	45,339
Capital grants and gifts	75,925	43,708
Additions to permanent endowments	53,994	46,692
<b>TOTAL OTHER REVENUES</b>	<b>218,875</b>	<b>135,739</b>
<b>INCREASE IN NET POSITION</b>	<b>3,715,749</b>	<b>208,220</b>
<b>NET POSITION</b>		
Net position - beginning of year	9,125,753	8,917,533
<b>NET POSITION - END OF YEAR</b>	<b>\$ 12,841,502</b>	<b>\$ 9,125,753</b>

Certain 2020 amounts have been restated to conform to 2021 classifications. See Note 1 for additional information.

The accompanying Notes to Financial Statements are an integral part of this statement.



**UNIVERSITY OF VIRGINIA**  
**COMPONENT UNITS, COMBINED STATEMENT OF ACTIVITIES** *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Contributions	\$ 35,578	\$ 33,734
Fees for services, rentals and sales	497,587	448,039
Investment income	209,717	53,825
Reclassification per donor stipulation	(551)	-
Net assets released from restriction	196,028	135,527
Other revenues	149,205	158,648
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<b>1,087,564</b>	<b>829,773</b>
<b>EXPENSES</b>		
Program services, lectures and special events	610,810	574,289
Scholarships and financial aid	128,575	87,889
Management and general	41,412	41,243
Other expenses	97,998	146,213
<b>TOTAL EXPENSES</b>	<b>878,795</b>	<b>849,634</b>
<b>EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES</b>	<b>208,769</b>	<b>(19,861)</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	72,699	89,123
Investment and other income	761,870	72,475
Net assets released from restriction	(190,843)	(128,278)
<b>NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>643,726</b>	<b>33,320</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	85,131	63,180
Investment and other income (loss)	23,460	9,835
Reclassification per donor stipulation	551	-
Net assets released from restriction	(5,186)	(7,249)
<b>NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>	<b>103,956</b>	<b>65,766</b>
<b>CHANGES IN NET ASSETS</b>	<b>956,451</b>	<b>79,225</b>
Net assets - beginning of year	2,431,523	2,352,298
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,387,974</b>	<b>\$ 2,431,523</b>

Certain 2020 amounts have been restated to conform to 2021 classifications. See Note 1 for additional information.

The accompanying Notes to Financial Statements are an integral part of this statement.



**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION** *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>ADDITIONS</b>		
Investment income:		
Net increase in fair value of investments	\$ 9,354	\$ 1,103
Less: Investment fees	(42)	(36)
<b>Net investment income</b>	<b>9,312</b>	<b>1,067</b>
Participant contributions	661	1,389
<b>TOTAL ADDITIONS</b>	<b>9,973</b>	<b>2,456</b>
<b>DEDUCTIONS</b>		
Annual distribution to participants	992	937
Additional shares redeemed	250	50
<b>TOTAL DEDUCTIONS</b>	<b>1,242</b>	<b>987</b>
<b>INCREASE IN FIDUCIARY NET POSITION</b>	<b>8,731</b>	<b>1,469</b>
<b>NET POSITION</b>		
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>18,227</b>	<b>16,758</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 26,958</b>	<b>\$ 18,227</b>

The accompanying Notes to Financial Statements are an integral part of this statement.





**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF CASH FLOWS** *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 629,575	\$ 622,608
Grants and contracts	401,358	410,594
Patient services	1,785,763	1,835,764
Sales and services of educational activities	30,026	24,573
Sales and services of auxiliary enterprises	99,416	129,896
Payments to employees and fringe benefits	(1,922,211)	(1,956,279)
Payments to vendors and suppliers	(1,228,655)	(1,168,554)
Payments for scholarships and fellowships	(126,948)	(117,856)
Perkins and other loans issued to students	(9,293)	(10,979)
Collection of Perkins and other loans to students	8,558	7,982
Other receipts	(51,035)	(14,294)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(383,446)</b>	<b>(236,545)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	190,570	190,872
Additions to permanent endowments	53,994	46,692
Federal Direct Loan Program receipts	134,429	129,428
Federal Direct Loan Program payments	(134,429)	(129,428)
Pell grants	15,296	15,010
Nonoperating grants	69,642	69,481
Deposits held in custody for others	(16,678)	3,232
Noncapital gifts and grants and endowments received	189,390	239,625
Proceeds from noncapital debt	-	100
Repayments from noncapital debt	-	(49,000)
Other net nonoperating revenues (expenses)	65,585	(17,296)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>567,799</b>	<b>498,716</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	102,713	45,808
Capital gifts and grants received	59,924	66,923
Proceeds from capital debt	600,000	818,104
Proceeds from sale of capital assets	163	9,013
Acquisition and construction of capital assets	(417,980)	(554,544)
Principal paid on capital debt and leases	(85,300)	(473,930)
Interest paid on capital debt and leases	(107,253)	(112,240)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>152,267</b>	<b>(200,866)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	1,152,041	498,242
Interest on investments	(63,687)	(10,484)
Purchase of investments and related fees	(940,220)	(271,907)
Other investment activities	(1,017)	(3,865)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>147,117</b>	<b>211,986</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>483,737</b>	<b>273,291</b>
Cash and cash equivalents - beginning of year	404,366	131,075
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 888,103</b>	<b>\$ 404,366</b>

Certain 2020 amounts have been restated to conform to 2021 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.



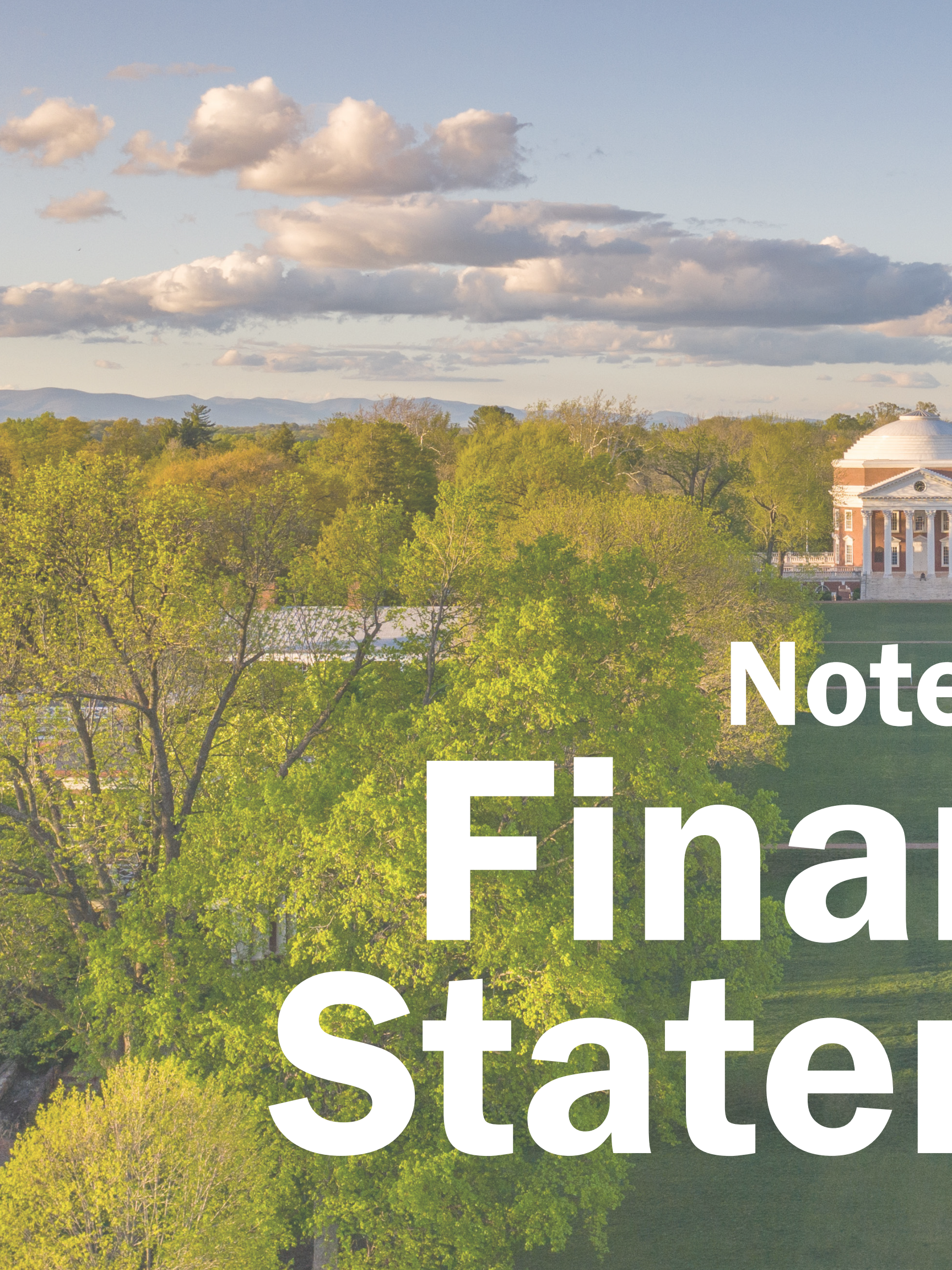
**UNIVERSITY OF VIRGINIA**  
**STATEMENT OF CASH FLOWS, CONTINUED** *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<b>2021</b>	<b>2020</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (674,839)	\$ (683,241)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	287,264	264,557
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables, net	(125,160)	(31,167)
Inventories	(3,633)	(1,659)
OPEB asset	817	1,727
Other assets	-	(3)
Prepaid expenses	(5,041)	(2,930)
Notes receivable, net	10,438	(7,197)
Investment in affiliated companies	(3,453)	512
Capital assets, net	3,015	(1)
Deferred outflows of resources	(19,246)	(72,391)
Accounts payable and accrued liabilities	60,341	213,961
Unearned revenue	(1,909)	(8,281)
Long-term liabilities	45,817	10,602
Net pension liability	73,933	94,896
OPEB liability	(6,712)	10,135
Deferred inflows of resources	(25,078)	(26,065)
<b>TOTAL ADJUSTMENTS</b>	<b>291,393</b>	<b>446,696</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (383,446)</b>	<b>\$ (236,545)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Assets acquired through assumption of a liability	14,921	\$ 2,661
Assets acquired through a gift	-	20
Change in fair value of investments	2,768,259	366,214
Increase (decrease) in receivables related to nonoperating income	35,538	(35,430)
(Loss) gain on disposal of capital assets	(4,315)	4,262
Gain (loss) on investments in affiliated companies	1,456	(11,751)
Amortization of bond premium and deferral	11,792	30,331

*Certain 2020 amounts have been restated to conform to 2021 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.*





Note

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# NOTE 1

## Organization and Summary of Significant Accounting Policies

### ORGANIZATION AND PURPOSE

The University of Virginia (the University) is an agency of the Commonwealth of Virginia (the Commonwealth) and is governed by the University's Board of Visitors (the Board). A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions and authorities over which the Commonwealth exercises or can exercise oversight authority. The University is a discretely presented component unit of the Commonwealth and is included in its basic financial statements. The University consists of three divisions. The Academic Division and the University of Virginia's College at Wise (the College at Wise) generate and disseminate knowledge in the humanities, arts, and scientific and professional disciplines through instruction, research, and public service. The Medical Center Division (the Medical Center), along with its two blended component units — Community Medicine, LLC and Monticello Community Surgery Center, LLC — provides routine and ancillary patient services through a full-service hospital and clinics.

### INCOME TAX STATUS

The University is an agency of the Commonwealth and is exempt from federal income tax under Section 115(a) of the Internal Revenue Code. The University's related organizations are 501(c)(3) organizations and are exempt from federal income tax under the Internal Revenue Code. Certain activities may be subject to taxation as unrelated business income per Internal Revenue Code requirements.

### FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles in the United States of America (U.S. GAAP), the financial reporting entity includes both the University and all of its component units. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and, therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their separate legal status.

### BLENDED COMPONENT UNITS

**UVA Global, LLC**, a 100 percent controlled subsidiary of the University, was organized to serve as the parent company to a wholly foreign-owned enterprise (the WFOE) in Shanghai, China. The purpose of UVA Global, LLC and its subsidiary, the WFOE, is to help promote and orchestrate the University's academic activities and operations in China in compliance with the legal structures permitted by the host country. Subsequently, an authorized representative has been appointed to act on behalf of the parent company and the University.

**Community Medicine, LLC**, was established as a limited liability corporation (LLC) under the laws of the Commonwealth to house physician practices. This model gives physicians an organizational structure that allows for the opportunity to practice independently in a virtual private practice environment with all the risks and gains associated with an independent model. As an LLC and wholly owned subsidiary of

the Medical Center Division, Community Medicine is considered a disregarded entity for tax purposes and its financial activity is accounted for under the consolidation method.

**Monticello Community Surgery Center** is an ambulatory surgery center where UVA and community physicians perform ambulatory surgical services. The Medical Center acquired 100 percent interest in Monticello Community Surgery Center on April 17, 2021 and is accounted for using the consolidation method.

### DISCRETELY PRESENTED COMPONENT UNITS

The University has 23 legally separate, tax-exempt University-Associated Organizations (UAOs) operating in support of the interests of the University. These UAOs are not-for-profit corporations controlled by separate boards of directors. The University determined that the following nine UAOs qualify as component units of the University because of the nature and significance of their relationship with the University, including their ongoing financial support of its schools. As such, they are presented discretely in the financial statements as of and for the year ended June 30, 2021.

- University of Virginia Law School Foundation
- The College Foundation of the University of Virginia
- University of Virginia Darden School Foundation
- Alumni Association of the University of Virginia
- Jefferson Scholars Foundation
- Virginia Athletics Foundation
- University of Virginia Foundation
- University of Virginia Physicians Group
- University of Virginia Investment Management Company

The University also discretely presents University of Virginia Imaging, LLC, which was formed as an agreement between the Medical Center and Outpatient Imaging Affiliates of Virginia, LLC.

The component units' combined financial information is included in the accompanying financial statements. Condensed financial statements for each component unit are disclosed in Note 8. Information on the organization and nature of activities for each component unit follows.

The **University of Virginia Law School Foundation (Law School Foundation)** was established to foster the study and teaching of law at the University and to receive and administer funds for that purpose. It expends funds to support professorships, faculty benefits, financial aid, student activities and other academic programs within the University's Law School. For additional information, contact the Law School Foundation Treasurer's Office at Slaughter Hall, 580 Massie Road, Charlottesville, VA 22903.

The **College Foundation of the University of Virginia (College Foundation)** was formed to further the purposes and aspirations of the College and Graduate School of Arts and Sciences (the College) of the University. It accomplishes its purposes through fundraising and funds management efforts to benefit the College, its programs and other areas of the University. For additional information, contact the College Foundation at P.O. Box 400801, Charlottesville, VA 22904.



## Notes to Financial Statements

The **University of Virginia Darden School Foundation (Darden School Foundation)** was established to promote the advancement and further the aims and purposes of the Darden School of Business of the University and to provide education for business executives. For additional information, contact the Darden School Foundation at P.O. Box 6550, Charlottesville, VA 22906.

The **Alumni Association of the University of Virginia (Alumni Association)** was established to provide services to all alumni of the University, thereby assisting the University and all its students, faculty and administration in attaining the University's highest priority of achieving eminence as a center of higher learning. For additional information, contact the Alumni Foundation's Finance and Administration Office at P.O. Box 400314, Charlottesville, VA 22904.

The **Jefferson Scholars Foundation (JSF)** was established to develop and administer a merit-based scholarship, fellowship and professorship program. The mission of the JSF is to serve the University by identifying, attracting and nurturing individuals of extraordinary intellectual range and depth, who possess the highest concomitant qualities of leadership, scholarship and citizenship. For additional information, contact the JSF Finance Team at 112 Clarke Court, Charlottesville, VA 22903.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation (VAF)**, was established to support intercollegiate athletic programs at the University by providing student-athletes the opportunity to achieve academic and athletic excellence. It provides funding for student-athlete scholarships, funding for student-athlete academic advising programs, operational support for various sports, informational services to its members and the general public, and ancillary support to the athletic programs. VAF has adopted December 31 as its year end. All amounts reflected are as of December 31, 2020. For additional information, contact the VAF Gift Accounting Office at P.O. Box 400833, Charlottesville, VA 22904.

The **University of Virginia Foundation (UVAF)**, including the University of Virginia Real Estate Foundation, was established to provide administrative services to the University and supporting organizations; engage in any and all matters pertaining to real property for the benefit of the University; and use and administer gifts, grants and bequests, and devise for the benefit of the University. For additional information, contact the UVAF Financial Services Office at P.O. Box 400218, Charlottesville, VA 22904.

The **University of Virginia Physicians Group (UPG)** was established as a nonprofit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University. It also strives to coordinate and develop superior patient care in the Health System. UPG entered into an affiliation agreement with the University for UPG, through its member clinical departments, to provide patient care at the Health System. UPG provides patient care services to Health System patients, and in conjunction with the care of patients, provides teaching services. The University provides space and certain administrative services to UPG, which reimburses the University for the salaries and fringe benefits of classified and hourly employees of the clinical departments paid by the University and not funded by the Commonwealth or by gifts, grants and contracts. For additional information, contact the UPG Finance Office at 4105 Lewis & Clark Drive, Charlottesville, VA 22911.

The **University of Virginia Investment Management Company (UVIMCO)** was established to provide investment management services to the University and the UAOs. UVIMCO strives to generate exemplary investment returns to further the University's mission in perpetuity by providing support to current and future generations of students, faculty, staff, and patients. For additional information, contact UVIMCO at 701 East Water Street, 4th Floor, Charlottesville, VA 22902.

**University of Virginia Imaging, LLC (UVI)** was formed to operate an outpatient diagnostic imaging center to help respond to the need for radiology services in the Charlottesville area. The Medical Center currently operates an outpatient imaging department offering MRI, plain film radiography, fluoroscopy, and ultrasound in office space at the Fontaine Research Park, Transitional Care Hospital, and the Zions Crossroads facility. UVI provides services to outpatients from the Medical Center's primary and secondary service areas. Since the Medical Center owns 80 percent of UVI, its financial activity is presented under the consolidation method.

### REPORTING BASIS AND MEASUREMENT FOCUS

The University prepares its financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP). As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the University has elected to report as an entity engaged in business-type activities. Entities engaged in business-type activities are financed in whole, or in part, by fees charged to external parties for goods and services. Statement No. 34 establishes standards for external financial reporting for public colleges and universities.

The University also follows GASB Statement No. 84, *Fiduciary Activities* for activities that meet the fiduciary activity criteria defined by GASB. Fiduciary activities are those activities that state and local governments carry out for the benefit of individuals or other agencies outside the government. The University's fiduciary activities are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

The accompanying financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues, including all exchange and nonexchange transactions, are recorded when earned, and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. In accordance with GASB requirements, revenues from nonexchange transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

The component units included herein follow the pronouncements of the Financial Accounting Standards Board (FASB). Their separately published financial statements are presented in accordance with those standards and use the full accrual basis of accounting.



## Notes to Financial Statements

### FAIR VALUE MEASUREMENTS

The University follows the guidance in GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value and establishes guidelines and a framework for measuring fair value. Fair value is 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. The University categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

**Level 1** – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets as of the reporting date.

**Level 2** – Inputs are observable, for example, for quoted prices for similar assets or liabilities in active markets or for identical assets or liabilities in inactive markets.

**Level 3** – Inputs are unobservable, reflecting the assumptions of management and are significant to the fair value measurement.

The University establishes the fair value of its investments in investment funds that do not have a readily determinable fair value by using net asset value (NAV) per share (or its equivalent) as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with the FASB's measurement principles for investment companies. These investments are not reported in the fair value hierarchy.

### CASH AND CASH EQUIVALENTS

In addition to cash on deposit in commercial bank accounts, petty cash and undeposited receipts, cash and cash equivalents include cash on deposit with fiscal agents and investments with original maturities of ninety days or less. Substantially all cash is concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. Money market instruments are valued at amortized costs.

### INVESTMENTS

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement No. 59, *Financial Instruments Omnibus*, and GASB Statement No. 72, *Fair Value Measurement and Application* require that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value (See Note 2). Changes in unrealized gains and losses on the carrying value of the investments are reported as part of investment income on the Statement of Revenues, Expenses, and Changes in Net Position.

### PLEDGES RECEIVABLE

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB standards, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is determined based on management's judgment of potentially uncollectible amounts. The determination includes such factors as prior collection history and the type of gift.

### PREPAID EXPENSES

Prepaid expenses are items paid for in the current year, but for which the underlying asset will not be entirely consumed until a future period. The University's prepaid expenses for fiscal year ended June 30, 2021 included prepaid insurance premiums, various prepayments to vendors, and prepaid rent.

### INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at the lower of cost (generally determined on the weighted average method) or market value.

### CAPITAL ASSETS AND DEPRECIATION

Capital assets are recorded at cost on the date of acquisition or, if donated, at the acquisition value on the date of donation. Capital assets are depreciated or amortized on a straight-line basis over their estimated useful lives unless they are inexhaustible or are intangible assets with indefinite useful lives. The University capitalizes construction costs that have a value or cost in excess of \$250,000 on the date of acquisition. Renovations in excess of \$250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division and the College at Wise capitalize moveable equipment at a value or cost of \$5,000 and an expected useful life of greater than one year.

The Medical Center capitalizes moveable equipment at a value or cost of \$2,000 and an expected useful life of two or more years. Maintenance or renovation expenditures of \$250,000 or more are capitalized only to the extent that such expenditures prolong the life of the asset or otherwise enhance its capacity to render service. Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Position are classified as Construction in Progress.

Capital assets, such as roads, parking lots, sidewalks, and other nonbuilding structures and improvements, are capitalized as infrastructure and depreciated accordingly.

In accordance with GASB standards, the University capitalizes intangible assets such as computer software developed or obtained for internal use, easements, patents, and trademarks. Capitalization begins when the asset is considered identifiable. For computer software, this is often at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. Net interest capitalized for the fiscal year ended June 30, 2021, was \$5.2 million.



## Notes to Financial Statements

The estimated useful lives of capital assets are as follows:

ASSETS	YEARS
Buildings, improvements other than buildings and infrastructure	10-50
Equipment	3-20
Intangible assets	5-20
Library books	10

### COLLECTIONS

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved, neither disposed of for financial gain, nor encumbered by any means. Accordingly, such collections are not recognized as assets for financial statement purposes.

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets that are applicable to a future reporting period and increase net position similar to assets.

### DEPOSITS

Deposits held in custody for others represent cash and invested funds held by the University on behalf of various groups and organizations.

### UNEARNED REVENUE

Unearned revenue consists primarily of cash received from grant and contract sponsors that has not been earned under the terms of the agreement, and amounts received in advance of an event, such as student tuition and fees as well as fees for housing and dining services.

### COMPENSATED ABSENCES

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2021, all unused vacation leave, and the amount payable upon termination under the Commonwealth's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

### LONG-TERM DEBT AND DEBT ISSUANCE COSTS

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs, except portions related to prepaid insurance, are expensed as nonoperating expenses.

### PENSIONS

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans for financial reporting purposes. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, and the additions to/deductions from the VRS State

Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

Full-time faculty and certain administrative staff may participate in defined contribution Optional Retirement Plans established by the University. University of Virginia employees must elect to be in the Optional Retirement Plan (ORP) within sixty days of becoming eligible. Medical Center employees are automatically placed in the Medical Center Retirement Program (MCRP), but may elect to continue in the VRS if they were already a participant prior to becoming eligible for the MCRP. Distributions from both the ORP and MCRP are made in accordance with Code Section 401(a)(9). Transactions and account balances are based on fair market value determined by Fidelity or TIAA-CREF.

### OTHER POSTEMPLOYMENT BENEFITS

The University participates in other postemployment benefit (OPEB) programs that are sponsored by the Commonwealth and administered by the VRS. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Plan, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

#### Group Life Insurance

The VRS Group Life Insurance (GLI) program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## Notes to Financial Statements

### State Employee Health Insurance Credit Program

The VRS State Employee Health Insurance Credit (HIC) program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The HIC program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The HIC program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net HIC program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC program OPEB, and the HIC program OPEB expense, information about the fiduciary net position of the VRS HIC program; and the additions to/deductions from the VRS HIC program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Line of Duty Act Program

The VRS Line of Duty Act (LODA) program is a multiple-employer, cost-sharing plan. The LODA program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The LODA program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA program OPEB, and LODA program OPEB expense, information about the fiduciary net position of the VRS LODA program OPEB plan and the additions to/deductions from the VRS LODA program OPEB plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### VRS Disability Insurance Program

The VRS Virginia Sickness and Disability Program (VSDP) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The VSDP is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for state police officers, state employees, and VaLORS employees. For purposes of measuring the net VSDP OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB, and VSDP OPEB expense, information about the fiduciary net position of the VRS VSDP OPEB plan and the additions to/deductions from the VRS Disability Insurance Program OPEB plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### University OPEB Plans

The University also provides Optional Retirement Retiree Life Insurance and Retiree Health Plan OPEBs that are not part of the Commonwealth-provided OPEB plans. These are defined benefit plans

not administered through a trust as defined in GASB Statement No. 75. The University's total OPEB liability, deferred outflows of resources related to OPEBs, deferred inflows of resources related to OPEBs, and OPEB expense are recognized and measured in accordance with the parameters of GASB Statement No. 75. There are currently no assets accumulated in a trust for the University administered OPEBs.

### IRREVOCABLE SPLIT-INTEREST AGREEMENTS

The University serves as the trustee for gift assets where there is a requirement that an annual distribution is made to specified beneficiaries. The fair value of trust assets, the liability for the obligation to the beneficiaries, and deferred inflows to the University are recorded in accordance with GASB Statement No. 81, *Irrevocable Split Interest Agreements*.

Additionally, the University shares beneficial interests with at least one other beneficiary in various trusts managed by third parties. The University recognizes an asset and a deferred inflow of resources when the University becomes aware of the agreement, has sufficient information to measure the beneficial interest, and the asset meets the specified criteria in GASB Statement No. 81. The assets are measured at fair value and remeasured at each financial reporting date, with the change being reflected in the related deferred inflow of resources.

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period and decrease net position similar to liabilities.

### NET POSITION

The University's net position is required to be classified for accounting and reporting purposes into the following categories:

**Net Investment in Capital Assets.** This category represents all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

**Restricted.** The University classifies the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose, or for as long as the provider requires the resources to remain intact.

**Nonexpendable.** The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University, is classified as nonexpendable net position. This includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested.

**Expendable.** The University's net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time is classified as expendable net position. This includes net appreciation of the University's permanent endowment funds that has not been stipulated by the donor to be reinvested permanently.



## Notes to Financial Statements

**Unrestricted.** The net position that is neither restricted nor invested in capital assets, net of related debt, is classified as unrestricted net position. The University's unrestricted net position may be designated for specific purposes by the Board. Substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs, or for other purposes.

Expenses are charged to either restricted or unrestricted net position based on a variety of factors, including consideration of prior and future revenue sources, the type of expenditure incurred, the University's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

### FIDUCIARY NET POSITION

The University's fiduciary net position is required to be classified for accounting and reporting purposes into pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, or custodial funds. All of the fiduciary funds of the University are classified as custodial funds and include investments on behalf of other entities in UVIMCO and all related activity. These investments are not held in a trust that meets the criteria in paragraph 11c(1) in GASB Statement No. 84, *Fiduciary Activities*, and therefore represent external investment pool funds within the custodial fund classification.

The provisions of GASB Statement No. 84 were not applied to items that were considered by the University to be immaterial.

### STUDENT TUITION AND FEES

Student tuition and fees are presented net of scholarships, discounts and fellowships applied to student accounts. Scholarship discount and allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf.

### MEDICAL CENTER SALES AND SERVICE

A significant portion of the Medical Center services is rendered to patients covered by Medicare, Medicaid or other third-party payors. The Medical Center has entered into contractual agreements with these third parties to accept payment for services in amounts less than scheduled charges.

Certain annual settlements of amounts due for Medical Center services covered by third parties are determined through cost reports that are subject to audit and retroactive adjustment by the third parties. Provisions for possible adjustments of cost reports have been estimated and reflected in the accompanying financial statements. Since the determination of cost reimbursement settlements of amounts earned in prior years has been based on reasonable estimation, the difference in any year between the originally estimated amount and the final determination is reported in the year of determination.

### REVENUE AND EXPENSE CLASSIFICATIONS

The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student tuition and fees, net of scholarship discounts and allowances; sales and services from Medical Center, net of charity care allowances; educational activities and auxiliary

enterprises, net of scholarship discounts and allowances; and federal, state, local and nongovernmental grants and contracts. With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

Certain significant revenues relied on and budgeted for fundamental operational support of the core institutional mission of the University are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, federal Pell grants, nonexchange federal grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense, and gain or loss on the disposal of assets.

### ELIMINATIONS

Certain auxiliary operations provide goods and services to internal customers. These auxiliary operations include activities such as central stores, the print shop, and other auxiliaries with interdepartmental activities. The net effect of these internal transactions has been eliminated in the Statement of Revenues, Expenses and Changes in Net Position to avoid inflating revenues and expenses.

### COMPARATIVE DATA

The University presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, the prior-year information should be read in conjunction with the University's financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived. Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

### CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the University implemented the following pronouncements issued by the GASB.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, addresses accounting and financial reporting guidance for a government entity's majority equity interest in an organization that remains legally separate after acquisition, and reporting component units in which the government acquires a 100 percent equity interest. In accordance with this statement, the University has begun reporting UVA Imaging, LLC as a discretely presented component unit.

On the University's Statement of Net Position, the June 30, 2020 balances have been adjusted to reflect a net \$9.8-million reduction in both total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. On the University's Statement of Revenues, Expenses, and Changes in Net Position, for the year ended June 30, 2020, total operating revenues were reduced by \$34.2 million, operating expenses were reduced by \$17.2 million, and nonoperating revenues were increased by \$17 million.

Additionally, on the Component Units, Combined Statement of Financial Position, the June 30, 2020 balances have been adjusted to reflect a net \$29.1-million increase in total assets, a net \$11.1-million increase in total



## Notes to Financial Statements

liabilities, and a resulting increase in net position of \$18 million. On the Component Units, Combined Statement of Activities, for the year ended June 30, 2020, the beginning of year net assets was increased by \$16.8 million, total unrestricted revenues and support increased by \$34.1 million, total expenses increased by \$32.9 million, and the resulting change in net assets increased by \$1.2 million.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting implications of the replacement of an interbank offered rate (IBOR), providing guidance to governments that have entered into agreements in which an IBOR is the benchmark for variable payments made or received from derivative counterparties or parties associated with lease agreements. The University does not have any hedging derivatives impacted by the guidance in GASB Statement No. 93, but will utilize the appropriate benchmark interest rates as identified in the guidance to evaluate any hedges entered into going forward. The guidance pertaining to leases is effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, clarifies rules related to reporting of fiduciary activities under GASB Statements No. 14 and No. 84, as well as enhances the relevance, consistency, and comparability of the accounting and financial reporting of Section 457 plans that meet the definition of a pension plan. The requirements that limit the applicability of fiduciary activity rules to defined contribution plans are effective immediately. The University does not have pension plans impacted by this change. The requirements related to accounting and financial reporting for Section 457 plans are effective for reporting periods beginning after June 15, 2021.

## NOTE 2

### Cash, Cash Equivalents, Investments and Endowment

#### CASH

The University deposits cash in commercial banking accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq., *Code of Virginia*. The Virginia Security for Public Deposits Act significantly diminishes any custodial risk on the University's banking deposits. This Act includes a cross guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled \$380.9 million on June 30, 2021.

#### CASH EQUIVALENTS

The University maintains an investment policy approved by the Board that governs its short-term investments. As part of this policy, the University complies with the provisions set forth in the Investment of Public Funds Act (the Act), Sections 2.2-4500 through 2.2-4518 of the *Code of Virginia*. It is the policy of the University to comply with the Act when investing tuition and educational fees that are used or required for day-to-day operations, as permitted under the *Code of Virginia* Section 23-76.1. Authorized investments under the Act include U.S. Treasury and agency securities, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA-rated obligations of foreign governments, bankers' acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, and money market funds. The University considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents include short-term money market investments in mutual funds, overnight collective funds or other short-term, highly liquid investments registered as securities held by the University. The short-term investments of the University are valued daily by the custodian banks. Deposits and withdrawals may be processed daily.

Restricted cash and cash equivalents totaled \$16.8 million and \$15.5 million on June 30, 2021 and June 30, 2020, respectively, which is restricted in accordance with applicable debt or other contractual requirements.

#### RISK

Risks disclosed below are direct risks to the University. The risk disclosure does not include indirect risks incurred by investing in the UVIMCO LTP

**Custodial credit risk** is the risk that, in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had no custodial credit risk related to investments as of June 30, 2021.

**Interest-rate risk** results if changes in interest rates adversely affect the fair market value of an investment. The longer the duration of an investment, the greater the interest-rate risks. Investments subject to interest-rate risk at June 30, 2021, are outlined in the accompanying chart.

**Credit risk** is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain non-endowed assets to short-term commercial paper, certificates of deposit, asset-backed securities and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2021 are outlined in the accompanying chart.

**Concentration of credit risk** is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The University minimizes this risk by diversifying its investments. As of June 30, 2021, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5 percent or more of its total investments.

**Foreign currency risk** is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University has no foreign investments or deposits as of June 30, 2021.



## Notes to Financial Statements

Details of the University's investment risks as of June 30, 2021 are outlined below:

CREDIT QUALITY AND INTEREST RATE RISK <i>(in thousands)</i>	BALANCE AT JUNE 30, 2021	CREDIT RATING (S&P/ MOODY'S)	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1 YEAR	1 - 5 YEARS	6 - 10 YEARS	GREATER THAN 10 YEARS
<b>CASH AND CASH EQUIVALENTS</b>						
Cash on hand	\$ 395	Not Applicable	N/A	N/A	N/A	N/A
Cash deposits	359,256	Not Applicable	N/A	N/A	N/A	N/A
Money market*	526,917	AAA/Aaa	\$ 526,917	\$ -	\$ -	\$ -
Agency notes*	1,535	P-1/A-1+	1,535	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 888,103</b>		<b>\$ 528,452</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SHORT-TERM INVESTMENTS</b>						
Cash deposits	\$ 6,318	Not Applicable	N/A	N/A	N/A	N/A
UVIMCO STP	126,681	Not Rated	N/A	N/A	N/A	N/A
Agency notes	6,000	P-1/A-1+	\$ 6,000	\$ -	\$ -	\$ -
US Treasury bills	10,000	Aaa/AA+	10,000	-	-	-
Other investments not subject to credit or interest-rate risk	77	Not Applicable	77	-	-	-
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>\$ 149,076</b>		<b>\$ 16,077</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LONG-TERM INVESTMENTS</b>						
UVIMCO LTP	\$ 3,804,976	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	4,375	Not Applicable	N/A	N/A	N/A	N/A
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>\$ 3,809,351</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>ENDOWMENT</b>						
Cash and cash equivalents	\$ 2,353	Not Applicable	\$ 2,353	\$ -	\$ -	\$ -
UVIMCO LTP	7,490,106	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	29,326	Not Applicable	N/A	N/A	N/A	N/A
<b>TOTAL ENDOWMENT</b>	<b>\$ 7,521,785</b>		<b>\$ 2,353</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INVESTMENT IN AFFILIATED COMPANIES</b>						
Other investments not subject to credit or interest-rate risk	\$ 123,206	Not Applicable	N/A	N/A	N/A	N/A
<b>TOTAL INVESTMENT IN AFFILIATED COMPANIES</b>	<b>\$ 123,206</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\* These securities have original maturities of less than 90 days. In accordance with UVA policy, they are reported as cash and cash equivalents.

### INVESTMENTS

UVIMCO administers and manages most of the University's investments in its unitized investment pools. From time to time, the University also invests its operating funds with several other asset managers. At June 30, 2021, the University's investment in the UVIMCO LTP and STP was \$11.4 billion representing 91.2 percent of the University's invested assets. These pools are not rated by NRSROs.

UVIMCO's primary investment objective for the LTP is to maximize long-term real return commensurate with the risk tolerance of the University. To obtain this objective, UVIMCO actively manages the LTP to achieve returns that consistently exceed the returns on a passively investable benchmark with similar asset allocation and risk.

UVIMCO is governed by a board of directors, three of whom are appointed by the Board and one of whom is appointed by the University's president. The University receives and monitors periodic reports on the long-term investment policy as executed by UVIMCO.

UVIMCO invests primarily in investment funds that allow the LTP to gain exposure to a broad array of financial instruments and markets. UVIMCO classifies LTP investments as public equity, long/short equity, private equity, real assets, marketable alternatives, credit, fixed income, and cash according to the investment strategy of the underlying manager.

These investments are subject to a variety of risks, including market risk, manager risk and liquidity risk. UVIMCO closely manages and monitors the LTP's exposure to these risks. The risks may be influenced by several factors, including the size, composition and diversification of positions held, fund manager actions, and market volatility.

In the normal course of business, UVIMCO's external investment fund managers trade various financial instruments and enter into investment activities subject to various market risks. Market risk is the risk that the value of assets such as common stocks may fall. Fixed-income investments are subject to other market risks, including interest-rate and credit risk. Foreign investments are subject to currency exchange rates (foreign exchange risk), political and economic developments, limited legal recourse, and market risks. The prices of derivative positions such as



## Notes to Financial Statements

futures, options, warrants, and swap contracts may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

Manager risk includes tracking error or active positions away from the benchmark, operational or business risks, a lack of transparency, and leverage. UVIMCO mitigates manager risk through extensive due diligence, diversification, by declining certain partnership structures, and by avoiding certain investment strategies (e.g., highly leveraged hedge funds). UVIMCO's investment fund managers often limit the liquidity of their funds, resulting in liquidity risk for the LTP. UVIMCO manages liquidity risk by maintaining a portfolio of Treasury bills and bonds, maintaining sufficient liquidity with public equity funds and hedge funds, and managing the pace of commitments to private investments.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements as of June 30, 2021:

<b>INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE</b> <i>(in thousands)</i>	<b>BALANCE AT JUNE 30, 2021</b>	<b>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS</b>	<b>SIGNIFICANT OTHER OBSERVABLE INPUTS</b>	<b>SIGNIFICANT UNOBSERVABLE INPUTS</b>	<b>INVESTMENTS MEASURED AT NAV*</b>	<b>AMOUNTS NOT MEASURED AT FAIR VALUE</b>
		(LEVEL 1)	(LEVEL 2)	(LEVEL 3)		
<b>CASH AND CASH EQUIVALENTS</b>						
Cash on hand	\$ 395	\$ -	\$ -	\$ -	\$ -	\$ 395
Cash deposits	359,256	-	-	-	-	359,256
Money market**	526,917	-	-	-	-	526,917
Agency notes**	1,535	-	1,535	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 888,103</b>	<b>\$ -</b>	<b>\$ 1,535</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 886,568</b>
<b>SHORT-TERM INVESTMENTS</b>						
Cash deposits	\$ 6,318	\$ -	\$ -	\$ -	\$ -	\$ 6,318
UVIMCO STP	126,681	-	-	-	126,681	-
Agency notes	6,000	-	6,000	-	-	-
US Treasury bills	10,000	10,000	-	-	-	-
Equity securities	77	77	-	-	-	-
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b>\$ 149,076</b>	<b>\$ 10,077</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 126,681</b>	<b>\$ 6,318</b>
<b>LONG-TERM INVESTMENTS</b>						
Life insurance contracts***	\$ 4,367	\$ -	\$ -	\$ -	\$ -	\$ 4,367
Equity securities	8	-	-	8	-	-
UVIMCO LTP	3,804,976	-	-	-	3,804,976	-
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>\$ 3,809,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 3,804,976</b>	<b>\$ 4,367</b>
<b>ENDOWMENT</b>						
Cash and cash equivalents	\$ 2,353	\$ -	\$ 1,662	\$ -	\$ -	\$ 691
Equity securities	576	404	-	172	-	-
UVIMCO LTP	7,490,106	-	-	-	7,490,106	-
Exchange traded funds	28,750	28,750	-	-	-	-
<b>TOTAL ENDOWMENT</b>	<b>\$ 7,521,785</b>	<b>\$ 29,154</b>	<b>\$ 1,662</b>	<b>\$ 172</b>	<b>\$ 7,490,106</b>	<b>\$ 691</b>
<b>INVESTMENT IN AFFILIATED COMPANIES</b>						
Investment in affiliates	\$ 123,206	\$ -	\$ -	\$ -	\$ -	\$ 123,206
<b>TOTAL INVESTMENT IN AFFILIATED COMPANIES</b>	<b>\$ 123,206</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 123,206</b>
<b>INVESTMENT DERIVATIVE INSTRUMENTS****</b>						
Fixed-payer interest rate swaps	(39,061)	-	(39,061)	-	-	-
<b>TOTAL INVESTMENT DERIVATIVE INSTRUMENTS</b>	<b>\$ (39,061)</b>	<b>\$ -</b>	<b>\$ (39,061)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\* Certain investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

\*\* These securities have original maturities of less than 90 days. In accordance with UVA policy, they are reported as cash and cash equivalents.

\*\*\* Investments in life insurance contracts are measured at cash surrender value.

\*\*\*\* Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

## Notes to Financial Statements

The valuation method for investments measured at NAV per share or its equivalent is presented on the following table:

INVESTMENTS MEASURED AT NAV <i>(in thousands)</i>	BALANCE AT JUNE 30, 2021	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY (IF CURRENTLY ELIGIBLE)	REDEMPTION NOTICE PERIOD
UVIMCO STP	\$ 126,681	\$ -	Weekly	2 days
UVIMCO LTP	11,295,082	-	Monthly	(a)
<b>TOTAL INVESTMENTS MEASURED AT NAV</b>	<b>\$ 11,421,763</b>	<b>\$ -</b>		

(a) Subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVIMCO.

### ENDOWMENT

Endowments are invested in accordance with Virginia Uniform Prudent Management Institutional Funds Act (UPMIFA), Chapter 11 of Title 64.2 of the *Code of Virginia*, as amended; and paragraph 23.1-2210 of the *Code of Virginia*. The market value of the endowment on June 30, 2021, was \$7.5 billion. Three annual distributions are made from the University's endowment to departments holding endowment accounts. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index (HEPI). The current inflation factor in use by the University is 2.5 percent, based on a five-year rolling average of the HEPI. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board may recommend increasing or decreasing the spending rate. For fiscal year 2021, the endowment spending distribution of \$237.7 million, excluding fiduciary funds, equaled 4.8 percent of the fiscal year 2019 ending market value. Since the results fell within the range, no further action by the board was needed. Restricted expendable net assets includes \$2.6 billion of appreciation on donor-restricted endowments.

For the year ended June 30, 2021, the University had the following endowment-related activities:

SUMMARY OF ENDOWMENT ACTIVITY <i>(in thousands)</i>	TYPE OF ENDOWMENT FUND				TOTAL
	DONOR- RESTRICTED	QUASI	TRUSTS	OTHER	
Investment earnings	\$ 1,217,710	\$ 1,222,750	\$ 38,433	\$ 1,144	\$ 2,480,037
Contributions to permanent endowments	53,994	-	-	-	53,994
Other gifts	-	-	20,247	-	20,247
Spending distribution	(114,285)	(123,365)	-	-	(237,650)
Endowment administrative fee*	(19,649)	(21,051)	-	-	(40,700)
Transfers in (out)**	76,985	25,969	(10,250)	(361)	92,343
<b>TOTAL CHANGE IN ENDOWMENT FUNDS</b>	<b>\$ 1,214,755</b>	<b>\$ 1,104,303</b>	<b>\$ 48,430</b>	<b>\$ 783</b>	<b>\$ 2,368,271</b>

\* The University has implemented an administrative fee on the endowment of up to 100 basis points.

\*\* Transfers into donor-restricted endowments include donor-directed income capitalizations, and transfers out of trusts include payments to income beneficiaries.





## Notes to Financial Statements

# NOTE 3

### Statement Of Net Position Details

**a. Accounts receivable:** The composition of accounts receivable at June 30, 2021, is summarized as follows:

<b>ACCOUNTS RECEIVABLE</b> <i>(in thousands)</i>	
Patient care	\$ 966,808
Grants and contracts	58,491
Student payments	12,740
Institutional loans	1,613
Bond requisition receivables	3,509
Build America Bonds rebate	727
Equipment Trust Fund reimbursement	251
Auxiliary	5,560
Related foundation	162,418
Higher Education Relief funds	27,075
Other	16,514
Less: Allowance for doubtful accounts	(704,996)
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>\$ 550,710</b>

**b. Notes receivable:** The principal repayment and interest-rate terms of federal and University loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various other loan programs. The composition of notes receivable at June 30, 2021, is summarized as follows:

<b>NOTES RECEIVABLE</b> <i>(in thousands)</i>	
Perkins	\$ 7,676
Nursing	1,687
Institutional	21,525
Fraternity loan	550
Less: Allowance for doubtful accounts	(1,933)
<b>Total notes receivable, net</b>	<b>29,505</b>
Less: Current portion, net of allowance	(5,974)
<b>TOTAL NONCURRENT NOTES RECEIVABLE</b>	<b>\$ 23,531</b>

**c. Pledges and other receivables:** As discussed in Note 1, permanent endowment pledges do not meet eligibility requirements, as defined by GASB, until the related gift is received. Accordingly, permanent endowment pledges totaling \$64.8 million and \$89.3 million at June 30, 2021 and June 30, 2020, respectively, are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. The composition of pledges and other receivables at June 30, 2021, is summarized as follows:

<b>PLEDGES AND OTHER RECEIVABLES</b> <i>(in thousands)</i>	
<b>PLEDGES AND OTHER RECEIVABLES OUTSTANDING</b>	
Gift pledges - operations	\$ 9,547
Gift pledges - capital	96,366
Service concession arrangements	178,137
<b>Total pledges and other receivables outstanding</b>	<b>284,050</b>
Less:	
Allowance for uncollectible accounts	(6,289)
Discount to present value	(62,270)
<b>Total pledges and other receivable, net</b>	<b>215,491</b>
Less: Current portion, net of allowance	(44,572)
<b>TOTAL NONCURRENT PLEDGES AND OTHER RECEIVABLES</b>	<b>\$ 170,919</b>



## Notes to Financial Statements

**d. Capital assets:** The capital assets activity for the year ended June 30, 2021, is summarized as follows:

CAPITAL ASSETS <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2020	INCREASES	DECREASES	ENDING BALANCE JUNE 30, 2021
<b>NONDEPRECIABLE CAPITAL ASSETS</b>				
Land	\$ 97,057	\$ -	\$ -	\$ 97,057
Construction in progress	470,396	372,328	(410,540)	432,184
Software in development	5,898	3,511	-	9,409
<b>TOTAL NONDEPRECIABLE CAPITAL ASSETS</b>	<b>\$ 573,351</b>	<b>\$ 375,839</b>	<b>\$ (410,540)</b>	<b>\$ 538,650</b>
<b>DEPRECIABLE CAPITAL ASSETS</b>				
Buildings	\$ 4,769,543	\$ 364,444	\$ (12,093)	\$ 5,121,894
Equipment	1,081,053	74,576	(41,945)	1,113,684
Infrastructure	583,157	27,561	-	610,718
Improvements other than buildings	224,005	14,758	-	238,763
Capitalized software	282,509	4,648	(4)	287,153
Library books	125,481	474	-	125,955
<b>Total depreciable capital assets</b>	<b>7,065,748</b>	<b>486,461</b>	<b>(54,042)</b>	<b>7,498,167</b>
Less: Accumulated depreciation for:				
Buildings	(1,832,982)	(152,198)	7,988	(1,977,192)
Equipment	(731,799)	(83,795)	34,376	(781,218)
Infrastructure	(271,873)	(17,524)	-	(289,397)
Improvements other than buildings	(153,117)	(5,882)	-	(158,999)
Capitalized software	(199,478)	(18,406)	-	(217,884)
Library books	(119,263)	(2,015)	-	(121,278)
<b>Total accumulated depreciation</b>	<b>(3,308,512)</b>	<b>(279,820)</b>	<b>42,364</b>	<b>(3,545,968)</b>
<b>TOTAL DEPRECIABLE CAPITAL ASSETS, NET</b>	<b>\$ 3,757,236</b>	<b>\$ 206,641</b>	<b>\$ (11,678)</b>	<b>\$ 3,952,199</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 4,330,587</b>	<b>\$ 582,480</b>	<b>\$ (422,218)</b>	<b>\$ 4,490,849</b>

\*The balance as of July 1, 2020 has been adjusted to comply with new GASB 90 classifications of certain Medical Center component units. See Note 1 for more information.

**e. Other assets:** The composition of other assets on June 30, 2021, is summarized as follows:

OTHER ASSETS <i>(in thousands)</i>	
Funds held at UAO	\$ 76,606
UVA LVG seed funds	11,238
Trustee held split-interest agreement assets	2,272
UVA Global LLC	3
<b>TOTAL OTHER ASSETS</b>	<b>\$ 90,119</b>

**f. Deferred outflows of resources:** The composition of deferred outflows of resources on June 30, 2021, is summarized as follows:

DEFERRED OUTFLOWS OF RESOURCES <i>(in thousands)</i>	
Deferred Outflows - Acquisitions	\$ 3,009
Deferred loss on early retirement of debt	17,467
OPEB	46,034
Pension	148,416
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 214,926</b>

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, requires the reporting of a deferred outflow in situations where the consideration in an acquisition exceeds the net position acquired. Previously, this excess consideration was known as goodwill. Goodwill is reflected in Deferred Outflows on the Statement of Net Position.

In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center, currently known as the University of Virginia Outpatient Surgery Center. As a result of the purchase, the Medical Center recorded \$6.9 million of deferred outflows to be amortized over a period of 40 years. In June 2021, management reassessed and determined the UVA Outpatient Surgery Center deferred outflow to be worthless, as the construction of the UVA Children's Hospital and additional operating rooms essentially absorbed the services previously provided by UVA Outpatient Surgery Center.

In April 2017, the previously acquired HOPE enterprise was fully absorbed into normal clinical operations. The deferred outflow remaining from the acquisition of HOPE will be amortized over a period of 15 years beginning April 1, 2017. In June 2021, management reassessed and determined the HOPE enterprise deferred outflow to be worthless, as the original physicians are no longer employed with the Medical Center.

In April 2021, the Medical Center purchased Monticello Surgery Associates, LLC. As a result of the purchase, the Medical Center recorded \$3.0 million of a deferred outflow, to be amortized over a period of 15 years, beginning May 2021.



## Notes to Financial Statements

**g. Accounts payable and accrued liabilities:** The composition of accounts payable on June 30, 2021, is summarized as follows:

<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b> <i>(in thousands)</i>	
Accounts payable	\$ 168,476
Accrued salaries and wages payable	128,850
Due to related foundations	46,914
Due to third party payors	319,320
Other	22,194
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>	<b>\$ 685,754</b>

**h. Unearned revenue:** The composition of unearned revenue on June 30, 2021, is summarized as follows:

<b>UNEARNED REVENUE</b> <i>(in thousands)</i>	
Grants and contracts	\$ 43,364
Student payments	18,311
Medical Center unearned revenues	3,902
Other	9,990
<b>TOTAL UNEARNED REVENUE</b>	<b>\$ 75,567</b>

**i. Deferred inflows of resources:** The composition of deferred inflows on June 30, 2021, is summarized as follows:

<b>DEFERRED INFLOWS OF RESOURCES</b> <i>(in thousands)</i>	
Deferred gain on early retirement of debt	\$ 339
Service concession arrangements	179,449
Split-Interest agreements	17,741
Pension	14,583
OPEB	67,420
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 279,532</b>

During the year ended June 30, 2015, the University entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. The University also receives a yearly minimum guarantee on dining and vending commissions and has a minimum guaranteed profit split on residential and athletics services regardless of gross sales. In accordance with GASB requirements, as of June 30, 2021, the University has accrued \$125.7 million in current and noncurrent pledges receivable and a \$179.4 million deferred inflow of resources related to the service concession arrangement.

## NOTE 4

### Short-Term Debt

The University has a \$500 million combined taxable and tax-exempt commercial paper program that is primarily used to bridge finance capital projects and, from time to time, fund operations. The University did not issue new commercial paper in fiscal year 2021 and the balance outstanding remains at \$0.

The University has four revolving credit agreements from four different banks in an aggregate amount of \$500 million to provide liquidity for its operating expenses and variable-rate debt obligations. In the event of default under the agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions. As of June 30, 2021, there were no advances outstanding, collateral pledged, or subjective acceleration clauses.



## Notes to Financial Statements

# NOTE 5

### Long-Term Obligations

**a. Long-term debt:** The composition of long-term debt at June 30, 2021, is summarized as follows:

LONG-TERM DEBT <i>(in thousands)</i>	INTEREST RATES AT ISSUANCE	FINAL MATURITY FISCAL YEAR	BEGINNING BALANCE JULY 1, 2020	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2021	CURRENT PORTION
<b>BONDS AND NOTES PAYABLE</b>							
Revenue bonds:							
University of Virginia Series 2009 (9d)	4.15%*	2040	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -
University of Virginia Series 2010 (9d)	3.35%**	2041	190,000	-	-	190,000	-
University of Virginia Series 2011 (9d)	4.0% to 5.0%	2022	6,635	-	3,245	3,390	3,390
University of Virginia Series 2013A (9d)	2.0% to 5.0%	2023	8,395	-	2,660	5,735	2,800
University of Virginia Series 2015A-1 (9d)	4.0%	2045	86,995	-	-	86,995	-
University of Virginia Series 2015A-2 (9d)	3.57% to 5.0%	2045	97,735	-	-	97,735	-
University of Virginia Series 2015B (9d)	2.0% to 5.0%	2022	106,910	-	75,635	31,275	31,275
University of Virginia Series 2017A (9d)	4.0% to 5.0%	2047	231,780	-	-	231,780	-
University of Virginia Series 2017B (9d)	4.0% to 5.0%	2046	123,440	-	-	123,440	-
University of Virginia Series 2017C (9d)	4.2%	2118	300,000	-	-	300,000	-
University of Virginia Series 2018A (9d)	4.0%	2049	64,080	-	-	64,080	-
University of Virginia Series 2018B (9d)	4.0%	2049	135,920	-	-	135,920	-
University of Virginia Series 2019A (9d)	3.2%	2120	350,000	-	-	350,000	-
University of Virginia Series 2019B (9d)	3.0% to 5.0%	2055	150,000	-	-	150,000	-
University of Virginia Series 2019C-1 (9d)	3.0%	2050	200,140	-	-	200,140	-
University of Virginia Series 2019C-2 (9d)	3.0%	2050	87,270	-	-	87,270	-
University of Virginia Series 2020 (9d)	2.3%	2051	-	600,000	-	600,000	-
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	335	-	335	-	-
Notes payable to VCBA 2010B (9d)	2.0% to 5.0%	2021	3,435	-	3,435	-	-
Other	various	various	4,622	-	839	3,783	859
<b>Total bonds and notes payable</b>			<b>2,397,692</b>	<b>600,000</b>	<b>86,149</b>	<b>2,911,543</b>	<b>38,324</b>
Less: Current portion of debt			(10,514)	-	27,810	(38,324)	
Bond premium			87,912	-	8,435	79,477	
<b>NET LONG-TERM DEBT</b>			<b>\$ 2,475,090</b>	<b>\$ 600,000</b>	<b>\$ 122,394</b>	<b>\$ 2,952,696</b>	

\* The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2 percent. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35 percent. This amount has been reduced as noted in the footnote on the next page. With the current credit, the effective interest rate on the bonds is reduced to 4.15 percent.

\*\* The University of Virginia Series 2010 (9d) revenue bonds are Build America Bonds, issued at five percent. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35 percent. This amount has been reduced as noted in the footnote on the next page. With the current credit, the effective interest rate on the bonds is reduced to 3.35 percent.

At its June 4, 2021 meeting, the University's Board of Visitors approved an extension to its shelf registration program for issuing up to \$400 million in fixed or variable rate bonds. The maximum yield on fixed rate bonds, or the initial maximum yield on variable bonds, is authorized up to 6 percent per year.

On July 21, 2020, the University issued \$600 million federally taxable General Revenue Pledge and Refunding Bonds, Series 2020. The bonds are callable on March 1, 2050 for 100 percent of the principal amount to be redeemed and accrued interest. The bonds are also callable prior to March 1, 2050 for 100 percent of the principal amount to be redeemed, the sum of the present values of the remaining scheduled payments of principal and interest to the par call date, and accrued interest on the redemption date. The proceeds were primarily used to finance or refinance costs of capital projects at the University's academic facilities, working capital and general operating purposes, and refund a portion of the outstanding principal balance of the University's Series 2015B bonds originally issued to finance or refinance costs of capital projects at the University's academic facilities. The refunding resulted in net present value loss of \$1.7 million and a recognized accounting loss of \$3.2 million, calculated as the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding.



## Notes to Financial Statements

Maturities and interest on notes and bonds payable for the next five years and in subsequent five-year periods are as follows:

FISCAL YEAR MATURITIES <i>(in thousands)</i>	PRINCIPAL	INTEREST	BUILD AMERICA BONDS INTEREST REBATE	NET INTEREST EXPENSE
2022*	\$ 38,324	\$ 110,867	\$ (8,251)	\$ 102,616
2023	3,814	109,890	(8,251)	101,639
2024	900	109,722	(8,251)	101,471
2025	322	109,706	(8,251)	101,455
2026	227	109,700	(8,251)	101,449
2027-2031	596	548,414	(41,256)	507,158
2032-2036	-	548,387	(41,257)	507,130
2037-2041	587,700	503,151	(32,015)	471,136
2042-2046	352,870	361,829	-	361,829
2047-2051	1,176,790	251,705	-	251,705
2052-2056	100,000	129,657	-	129,657
2057-2061	-	119,157	-	119,157
2062-2066	-	119,157	-	119,157
2067-2071	-	119,157	-	119,157
2072-2076	-	119,157	-	119,157
2077-2081	-	119,157	-	119,157
2082-2086	-	119,157	-	119,157
2087-2091	-	119,158	-	119,158
2092-2096	-	119,158	-	119,158
2097-2101	-	119,158	-	119,158
2102-2106	-	119,158	-	119,158
2107-2111	-	119,158	-	119,158
2112-2116	-	119,158	-	119,158
2117-2121	650,000	58,336	-	58,336
<b>TOTAL</b>	<b>\$ 2,911,543</b>	<b>\$ 4,381,254</b>	<b>\$ (155,783)</b>	<b>\$ 4,225,471</b>

\* Fiscal year 2022 represents a 5.7 percent reduction in the credit interest payment for September 1, 2021, and a 5.7 percent reduction in the credit interest payment for March 1, 2022. The 5.7 percent sequestration reduction rate will be applied to all future years unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.



## Notes to Financial Statements

**Prior Year Refundings:** As of June 30, 2021, the outstanding balance on prior years' in-substance defeased bonds and notes was \$255.3 million.

**b. Long-term liabilities:** The composition of long-term liabilities at June 30, 2021, is summarized as follows:

LONG-TERM LIABILITIES (in thousands)	BEGINNING BALANCE JULY 1, 2020	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2021
Investments held for related entities	\$ 2,419	\$ 1,155	\$ 196	\$ 3,378
Accrual for compensated absences	106,783	98,640	89,440	115,983
Perkins loan program	5,181	-	2,270	2,911
Deferred FICA taxes	25,782	68,672	4,214	90,240
Investment in Culpeper Regional Hospital	32,301	-	6,693	25,608
Irrevocable split-interest agreements	71,921	51,750	7,143	116,528
Other*	10,447	594	192	10,849
<b>Total long-term liabilities</b>	<b>254,834</b>	<b>220,811</b>	<b>110,148</b>	<b>365,497</b>
Less: Current portion of long-term liabilities	(103,725)	(53,830)	-	(157,555)
<b>NET LONG-TERM LIABILITIES</b>	<b>\$ 151,109</b>	<b>\$ 166,981</b>	<b>\$ 110,148</b>	<b>\$ 207,942</b>

\*The balance as of July 1, 2020 has been adjusted to comply with new GASB 90 classifications of certain Medical Center component units. See Note 1 for more information.

## NOTE 6

### Derivatives

The University recognizes all derivative instruments as either assets or liabilities on the Statement of Net Position at their respective fair values. Changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the Statement of Net Position. Changes in fair values of investment derivative instruments, including derivative instruments that are determined to be ineffective, are reported as investment income or loss on the Statement of Revenues, Expenses and Changes in Net Position. On June 30, 2021, the University held the following derivative instruments:

INVESTMENT DERIVATIVE INSTRUMENTS (in thousands)	EFFECTIVE DATE	MATURITY DATE	RATE PAID	RATE RECEIVED	NOTIONAL AMOUNT	FAIR VALUE ASSET (LIABILITY)	CHANGE IN FAIR VALUE
<b>INVESTMENT DERIVATIVE ASSETS</b>							
Fixed-receiver interest rate swaps	4/8/2015	8/1/2021	SIFMA*	1.2%	\$ 128,000	\$ -	\$ (1,422)
<b>TOTAL INVESTMENT DERIVATIVE ASSETS</b>					<b>\$ 128,000</b>	<b>\$ -</b>	<b>\$ (1,422)</b>
<b>INVESTMENT DERIVATIVE LIABILITY</b>							
Fixed-payer interest rate swaps	6/1/2008	6/1/2038	4.07-4.15%	SIFMA*	\$ 100,000	\$ (39,061)	\$ 12,353
<b>TOTAL INVESTMENT DERIVATIVE LIABILITIES</b>					<b>\$ 100,000</b>	<b>\$ (39,061)</b>	<b>\$ 12,353</b>

\* Securities Industry and Financial Markets Municipal Swap Index

The fair value of the interest-rate swaps was determined by using the quoted Securities Industry and Financial Markets Association (SIFMA) index curve at the time of market valuation. The University's fixed-receiver swaps were identified as hedges to its fixed-rate Series 2015B bonds maturing in August 2021. The swaps were re-evaluated as of June 30, 2016, and determined to no longer be effective hedges. The fixed-receiver swaps were terminated in conjunction with the issuance of General Revenue Pledge and Refunding Bond Series 2020 and refunding of the University's Series 2015B bonds in July 2020. The fixed-payer swaps were established as cash flow hedges to provide a hedge against changes in interest rates on a similar amount of the University's debt. During the year ended June 30, 2015, the University refunded the associated variable-rate debt for the fixed-payer swaps. As such, the fixed-payer interest rate swaps are no longer effective hedges. In accordance with GASB standards, the University terminated hedge accounting for both the fixed-receiver and fixed-payer swaps. Subsequent changes in fair value are reported as investment income or loss in the Statement of Revenues, Expenses and Changes in Net Position.



## Notes to Financial Statements

### RISK

The use of derivatives may introduce certain risks for the University, including the following:

**Credit risk** is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2021, the University's swap counterparties were rated at least BBB+ from Standard & Poor's or A2 by Moody's Investors Service. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. As of June 30, 2021, no collateral was required to be posted by the counterparties.

**Interest-rate risk** is the risk that an investment's value will change due to a change of interest rates. The University is exposed to interest-rate risk on its interest-rate swap, as the fair value of this instrument is highly sensitive to interest-rate changes. See Note 2 for additional interest rate risk disclosures.

**Termination risk** arises when the unscheduled termination of a derivative could have an adverse effect on the University's strategy or could lead to potentially significant unscheduled payments. The University's derivative contracts use the International Swap Dealers Association Master Agreement (the Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's Investors Service, respectively. The University or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, the University would be liable to the counterparty for a payment equal to the swaps' market value.

**Foreign currency risk** is the risk of a swap's value changing due to changes in currency exchange rates. The University's derivatives have no foreign currency risk.

## NOTE 7

### Affiliated Companies

#### NOVANT HEALTH UNIVERSITY OF VIRGINIA HEALTH SYSTEM

On December 31, 2015, the Medical Center entered into a joint operating agreement with Novant Health to form a new joint operating company named Novant Health University of Virginia Health System (Novant). As part of the agreement, the Medical Center contributed Culpeper Regional Hospital to the joint operating company for a 40 percent investment in the new joint operating company. Effective January 1, 2016, the Medical Center used the equity method of consolidation in order to reflect the Medical Center's investment in the joint operating company.

#### UNIVERSITY OF VIRGINIA / ENCOMPASS HEALTH

The Medical Center entered into a joint venture with ENCOMPASS Health, previously HEALTHSOUTH, LLC, to establish an acute rehabilitation facility, located at the Fontaine Research Park in Charlottesville, Virginia, to provide patient services to the region. The Medical Center made a capital contribution of \$2.2 million to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: ENCOMPASS HEALTH, 9001 Liberty Parkway, Birmingham, AL 35242.

#### VALIANCE HEALTH, LLC

In November 1997, the Medical Center became a participant with Rockingham Memorial Hospital and Augusta Health Care, Inc., in Valiance Health, LLC (Valiance), a joint venture integrating and coordinating the delivery of health care services in central and western Virginia. The Medical Center contributed \$100,000 in initial capital, which entitles it to a pro rata distribution of any profits and losses of Valiance. In October 2003, the Medical Center contributed an additional \$400,000 in capital to Valiance, bringing the Medical Center's total investment to \$500,000.

#### UNIVERSITY HEALTH SYSTEM CONSORTIUM

In December 1986, the Medical Center became a member of the University Health System Consortium (UHC). Founded in 1984, UHC is an alliance of the clinical enterprises of academic health centers. While focusing on the clinical mission, UHC is mindful of and supports the research and education missions. The mission of UHC is to advance knowledge, foster collaboration and promote change to help members compete in their respective health care markets. In keeping with this mission, UHC helps members pool resources, create economies of scale, improve clinical and operating efficiencies, and influence the direction and delivery of health care. Accordingly, UHC is organized and operated on a cooperative basis for the benefit of its member health systems as patrons.

UHC is a not-for-profit organization. It is incorporated as a non-stock corporation and designated as a nonexempt cooperative that is taxable under Subchapter T, Sections 1382-1388, of the Internal Revenue Code. As such, UHC's bylaws provide for distributions of patronage dividends to its patrons based on the value of business done with or for each patron by UHC. The Medical Center records its portion of the patronage dividends that were held by UHC as patronage equity. The Medical Center received the final dissolution payment from the University Health Consortium during FY2021.

#### VALLEY REGIONAL HEALTH AND UNIVERSITY OF VIRGINIA RADIOSURGERY CENTER, LLC

The Medical Center entered into a 10 percent minority interest partnership with Winchester Medical Center in fiscal year 2014. Winchester Medical Center expanded its cancer program with the addition of stereotactic radiosurgery (SRS) and stereotactic body radiotherapy (SBRT), offered in partnership with the Medical Center. By collaborating with nationally recognized leaders in stereotactic radiosurgery, this advanced non-surgical technology is available to patients in the Winchester and surrounding areas, who would have otherwise had to travel to receive care.

## Notes to Financial Statements

### FORTIFY CHILDREN'S HEALTH, LLC

On July 1, 2018, the University of Virginia Medical Center entered into a 50/50 partnership with Children's Quality Care, LLC, a wholly owned subsidiary of Children's Health System. Fortify is a pediatric clinically integrated network (CIN) focused on "improving the health of children throughout the Commonwealth by providing access to the highest quality health care." Fortify is to serve as a model for quality, safety, access, coordination, effectiveness and efficiency of pediatric care, the promotion of pediatric health, and the advancement of state-of-the-art pediatric clinical services, education and research through innovative and collaborative initiatives. The Medical Center uses the equity method of accounting to record the financial activity of Fortify.

### GLOBAL GENOMICS AND BIOINFORMATICS RESEARCH INSTITUTE

In December 2016, the University, Inova Health System Foundation, and George Mason University established the Global Genomics and Bioinformatics Research Institute (GGBRI) as a joint venture governed by a five-member board of directors. GGBRI's mission is to improve the quality of the human condition and its environment through research focused on generating fundamental knowledge to further the understanding of genetics and functional genomics, disseminating discoveries to the public, and enabling scientific collaborations that have potential to culminate in commercialization.

The GGBRI is located at the campus of the Inova Center for Personalized Health in Falls Church, Virginia. In June 2018, the University agreed to contribute \$53.5 million to retrofit Building C into laboratory and ancillary research space and \$4 million for the recruitment of high performing researchers. The University was also appropriated and allotted \$20 million in VCBA funds in August 2017 in accordance with Item C-52.10 and Item 478.20 of Chapter 780 of the 2016 Acts of Assembly, as amended by Chapter 836 of the 2017 Acts of Assembly. The Commonwealth will also contribute \$8 million to UVA for immediate transfer to the GGBRI for recruitment of high performing researchers. As of June 30, 2021, the University has made \$18.3 million in contributions to the GGBRI.

Details of the University's net investment in affiliated companies, accounted for using the equity method of accounting as of June 30, 2021, is summarized below:

<b>INVESTMENT IN AFFILIATED COMPANIES</b> <i>(in thousands)</i>	<b>CAPITAL CONTRIBUTIONS</b>	<b>SHARE OF ACCUMULATED INCOME (LOSS)</b>	<b>NET INVESTMENT</b>
Fortify Children's Health, LLC	\$ 3,500	\$ (2,858)	\$ 642
Valley Regional Health, LLC	5	-	5
Valiance, LLC	249	-	249
University Health System Consortium	3,230	(3,230)	-
HEALTHSOUTH, LLC	-	23,229	23,229
Novant	94,041	(19,704)	74,337
UVA Imaging, LLC	4,964	8,421	13,385
Global Genomics and Bioinformatics Research Institute	18,330	(6,971)	11,359
<b>TOTAL INVESTMENT IN AFFILIATED COMPANIES</b>	<b>\$ 124,319</b>	<b>\$ (1,113)</b>	<b>\$ 123,206</b>



## Notes to Financial Statements

# NOTE 8

### Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2021 is presented as follows:

<b>CONDENSED STATEMENT OF NET POSITION</b> <i>(in thousands)</i> <i>as of June 30, 2021</i>	<b>UNIVERSITY OF VIRGINIA</b>	<b>MONTICELLO SURGERY CENTER</b>	<b>COMMUNITY MEDICINE</b>	<b>UVA GLOBAL, LLC</b>	<b>ELIMINATIONS</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Total current assets	\$ 1,169,906	\$ 2,322	\$ 3,765	\$ 467	\$ (587)	\$ 1,175,873
Capital assets, net	4,490,539	298	9	3	-	4,490,849
Other noncurrent assets	12,300,289	(265)	4,678	503	(5,434)	12,299,771
<b>Total assets</b>	<b>\$ 17,960,734</b>	<b>\$ 2,355</b>	<b>\$ 8,452</b>	<b>\$ 973</b>	<b>\$ (6,021)</b>	<b>\$ 17,966,493</b>
Deferred outflows of resources	214,926	-	-	-	-	214,926
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 18,175,660</b>	<b>\$ 2,355</b>	<b>\$ 8,452</b>	<b>\$ 973</b>	<b>\$ (6,021)</b>	<b>\$ 18,181,419</b>
<b>LIABILITIES</b>						
Total current liabilities	\$ 937,182	\$ 820	\$ 8,462	\$ 116	\$ (4,707)	\$ 941,873
Long-term debt	2,952,696	-	-	-	-	2,952,696
Other noncurrent liabilities	1,165,826	400	(10)	-	(400)	1,165,816
<b>Total liabilities</b>	<b>\$ 5,055,704</b>	<b>\$ 1,220</b>	<b>\$ 8,452</b>	<b>\$ 116</b>	<b>\$ (5,107)</b>	<b>\$ 5,060,385</b>
Deferred inflows of resources	279,532	-	-	-	-	279,532
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 5,335,236</b>	<b>\$ 1,220</b>	<b>\$ 8,452</b>	<b>\$ 116</b>	<b>\$ (5,107)</b>	<b>\$ 5,339,917</b>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 2,143,591	\$ -	\$ -	\$ 3	\$ -	\$ 2,143,594
Restricted:						
Nonexpendable	1,129,588	-	-	-	-	1,129,588
Expendable	4,880,507	-	-	-	-	4,880,507
Unrestricted	4,686,738	1,135	-	854	(914)	4,687,813
<b>TOTAL NET POSITION</b>	<b>\$ 12,840,424</b>	<b>\$ 1,135</b>	<b>\$ -</b>	<b>\$ 857</b>	<b>\$ (914)</b>	<b>\$ 12,841,502</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 18,175,660</b>	<b>\$ 2,355</b>	<b>\$ 8,452</b>	<b>\$ 973</b>	<b>\$ (6,021)</b>	<b>\$ 18,181,419</b>

## Notes to Financial Statements

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b> <i>(in thousands) for the period ended June 30, 2021</i>	UNIVERSITY OF VIRGINIA	MONTICELLO SURGERY CENTER	COMMUNITY MEDICINE	UVA GLOBAL, LLC	ELIMINATIONS	TOTAL
<b>REVENUES</b>						
<b>Operating revenues</b>						
Student tuition and fees, net	\$ 629,820	\$ -	\$ -	\$ -	\$ -	\$ 629,820
Patient services, net	1,801,160	1,841	3,677	-	-	1,806,678
Grants and contracts	407,349	-	-	-	-	407,349
Other operating revenues	183,217	-	-	755	(755)	183,217
<b>TOTAL OPERATING REVENUES</b>	<b>3,021,546</b>	<b>1,841</b>	<b>3,677</b>	<b>755</b>	<b>(755)</b>	<b>3,027,064</b>
<b>EXPENSES</b>						
<b>Operating expenses</b>						
Operating expenses	3,409,039	1,743	3,832	780	(755)	3,414,639
Depreciation	287,201	35	28	-	-	287,264
<b>TOTAL OPERATING EXPENSES</b>	<b>3,696,240</b>	<b>1,778</b>	<b>3,860</b>	<b>780</b>	<b>(755)</b>	<b>3,701,903</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(674,694)</b>	<b>63</b>	<b>(183)</b>	<b>(25)</b>	<b>-</b>	<b>(674,839)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	3,770,894	(264)	183	-	81	3,770,894
Other nonoperating revenues	400,590	201	-	28	-	400,819
<b>NET NONOPERATING REVENUES</b>	<b>4,171,484</b>	<b>(63)</b>	<b>183</b>	<b>28</b>	<b>81</b>	<b>4,171,713</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>3,496,790</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>81</b>	<b>3,496,874</b>
Capital appropriations	88,956	-	-	-	-	88,956
Capital grants and gifts	75,925	-	-	-	-	75,925
Additions to permanent endowments	53,994	-	-	-	-	53,994
<b>TOTAL OTHER REVENUES</b>	<b>218,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218,875</b>
<b>INCREASE IN NET POSITION</b>	<b>3,715,665</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>81</b>	<b>3,715,749</b>
<b>NET POSITION – BEGINNING OF YEAR</b>	<b>9,124,759</b>	<b>1,135</b>	<b>-</b>	<b>854</b>	<b>(995)</b>	<b>9,125,753</b>
<b>NET POSITION – END OF YEAR</b>	<b>\$ 12,840,424</b>	<b>\$ 1,135</b>	<b>\$ -</b>	<b>\$ 857</b>	<b>\$ (914)</b>	<b>\$ 12,841,502</b>

<b>CONDENSED STATEMENT OF CASH FLOWS</b> <i>(in thousands) for the year ended June 30, 2021</i>	UNIVERSITY OF VIRGINIA	MONTICELLO SURGERY CENTER	COMMUNITY MEDICINE	UVA GLOBAL, LLC	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(382,901)</b>	<b>(937)</b>	<b>317</b>	<b>75</b>	<b>\$ (383,446)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>567,598</b>	<b>201</b>	<b>-</b>	<b>-</b>	<b>567,799</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>152,383</b>	<b>66</b>	<b>(182)</b>	<b>-</b>	<b>152,267</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>145,982</b>	<b>1,135</b>	<b>-</b>	<b>-</b>	<b>147,117</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>483,062</b>	<b>465</b>	<b>135</b>	<b>75</b>	<b>483,737</b>
Cash and cash equivalents - beginning of year	401,619	-	2,467	280	404,366
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>884,681</b>	<b>465</b>	<b>2,602</b>	<b>355</b>	<b>888,103</b>



## Notes to Financial Statements

### NOTE 9

#### Component Units

Summary financial statements and additional disclosures for the University's discretely presented component units are presented below.

STATEMENT OF FINANCIAL POSITION <i>(in thousands)</i> as of June 30, 2021	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 3	\$ 16,204	\$ 24,463	\$ 40,905	\$ 13,637	\$ 13,761
Receivables	5,011	10,160	20,010	2,934	29,720	12,234
Short-term investments	121,820	811	28,049	18,996	4,660	-
Other current assets	132	163	1,706	244	149	-
<b>Total current assets</b>	<b>126,966</b>	<b>27,338</b>	<b>74,228</b>	<b>63,079</b>	<b>48,166</b>	<b>25,995</b>
<b>Noncurrent assets</b>						
Long-term investments	621,118	186,689	493,603	507,130	583,081	91,394
Capital assets, net and other assets	41,748	24,038	96,861	11,832	130,495	29,624
<b>Total noncurrent assets</b>	<b>662,866</b>	<b>210,727</b>	<b>590,464</b>	<b>518,962</b>	<b>713,576</b>	<b>121,018</b>
<b>TOTAL ASSETS</b>	<b>\$ 789,832</b>	<b>\$ 238,065</b>	<b>\$ 664,692</b>	<b>\$ 582,041</b>	<b>\$ 761,742</b>	<b>\$ 147,013</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Assets held in trust for others	\$ -	\$ -	\$ -	\$ 155,012	\$ -	\$ -
Other liabilities	696	1,139	19,741	777	14,259	1,614
<b>Total current liabilities</b>	<b>696</b>	<b>1,139</b>	<b>19,741</b>	<b>155,789</b>	<b>14,259</b>	<b>1,614</b>
<b>Noncurrent liabilities</b>						
Long-term debt, net of debt issuance cost and current portion	-	-	6,000	-	22,500	-
Other noncurrent liabilities	-	-	-	5,592	30,964	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>5,592</b>	<b>53,464</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 696</b>	<b>\$ 1,139</b>	<b>\$ 25,741</b>	<b>\$ 161,381</b>	<b>\$ 67,723</b>	<b>\$ 1,614</b>
<b>NET ASSETS</b>						
Unrestricted	\$ 101,743	\$ 8,864	\$ 66,115	\$ 113,514	\$ 19,220	\$ 27,405
Temporarily restricted	475,698	114,954	347,277	197,319	306,560	67,958
Permanently restricted	211,695	113,108	225,559	109,827	368,239	50,036
<b>TOTAL NET ASSETS</b>	<b>\$ 789,136</b>	<b>\$ 236,926</b>	<b>\$ 638,951</b>	<b>\$ 420,660</b>	<b>\$ 694,019</b>	<b>\$ 145,399</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 789,832</b>	<b>\$ 238,065</b>	<b>\$ 664,692</b>	<b>\$ 582,041</b>	<b>\$ 761,742</b>	<b>\$ 147,013</b>

\* December 31, 2020 year-end

## Notes to Financial Statements

STATEMENT OF FINANCIAL POSITION (CONTINUED) <i>(in thousands)</i> as of June 30, 2021	UNIVERSITY OF VIRGINIA IMAGING, LLC*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	SUBTOTAL	ELIMINATIONS	TOTAL
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 4,905	\$ 133	\$ 101,926	\$ 250,590	\$ 466,527	\$ -	\$ 466,527
Receivables	8,682	7,675	82,657	19,404	198,487	-	198,487
Short-term investments	-	4,313	23,480	291,669	493,798	-	493,798
Other current assets	1,979	789	1,886	506	7,554	-	7,554
<b>Total current assets</b>	<b>15,566</b>	<b>12,910</b>	<b>209,949</b>	<b>562,169</b>	<b>1,166,366</b>	<b>-</b>	<b>1,166,366</b>
<b>Noncurrent assets</b>							
Long-term investments	-	170,427	325,586	14,120,667	17,099,695	(2,744,537)	14,355,158
Capital assets, net and other assets	11,026	350,221	37,720	3,937	737,502	(11,284)	726,218
<b>Total noncurrent assets</b>	<b>11,026</b>	<b>520,648</b>	<b>363,306</b>	<b>14,124,604</b>	<b>17,837,197</b>	<b>(2,755,821)</b>	<b>15,081,376</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,592</b>	<b>\$ 533,558</b>	<b>\$ 573,255</b>	<b>\$ 14,686,773</b>	<b>\$ 19,003,563</b>	<b>\$ (2,755,821)</b>	<b>\$ 16,247,742</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current liabilities</b>							
Assets held in trust for others	\$ -	\$ -	\$ -	\$ -	\$ 155,012	\$ -	\$ 155,012
Other liabilities	4,634	90,826	130,311	108,438	372,435	-	372,435
<b>Total current liabilities</b>	<b>4,634</b>	<b>90,826</b>	<b>130,311</b>	<b>108,438</b>	<b>527,447</b>	<b>-</b>	<b>\$ 527,447</b>
<b>Noncurrent liabilities</b>							
Long-term debt, net of debt issuance cost and current portion	5,220	132,935	7,580	-	174,235	-	174,235
Other noncurrent liabilities	-	122,549	194,203	14,560,599	14,913,907	(2,755,821)	12,158,086
<b>Total noncurrent liabilities</b>	<b>5,220</b>	<b>255,484</b>	<b>201,783</b>	<b>14,560,599</b>	<b>15,088,142</b>	<b>(2,755,821)</b>	<b>12,332,321</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 9,854</b>	<b>\$ 346,310</b>	<b>\$ 332,094</b>	<b>\$ 14,669,037</b>	<b>\$ 15,615,589</b>	<b>\$ (2,755,821)</b>	<b>\$ 12,859,768</b>
<b>NET ASSETS</b>							
Unrestricted	\$ 13,606	\$ 70,973	\$ 241,161	\$ 17,736	\$ 680,337	\$ -	\$ 680,337
Temporarily restricted	-	101,499	-	-	1,611,265	-	1,611,265
Permanently restricted	3,132	14,776	-	-	1,096,372	-	1,096,372
<b>TOTAL NET ASSETS</b>	<b>\$ 16,738</b>	<b>\$ 187,248</b>	<b>\$ 241,161</b>	<b>\$ 17,736</b>	<b>\$ 3,387,974</b>	<b>\$ -</b>	<b>\$ 3,387,974</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,592</b>	<b>\$ 533,558</b>	<b>\$ 573,255</b>	<b>\$ 14,686,773</b>	<b>\$ 19,003,563</b>	<b>\$ (2,755,821)</b>	<b>\$ 16,247,742</b>

\* December 31, 2020 year-end







## Notes to Financial Statements

<b>STATEMENT OF ACTIVITIES</b> <i>(in thousands)</i> as of June 30, 2021	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA IMAGING, LLC*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	TOTAL
<b>UNRESTRICTED REVENUES AND SUPPORT</b>											
Contributions	\$ 3,175	\$ 7,770	\$ 6,070	\$ 4,084	\$ (797)	\$ 15,276	\$ -	\$ -	\$ -	\$ -	\$ 35,578
Fees for services, rentals, and sales	-	-	16,392	4,427	-	496	41,266	50,475	384,531	-	497,587
Other revenues	52,052	18,172	32,863	111,521	35,606	36,425	-	22,789	218,370	26,601	554,399
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<b>55,227</b>	<b>25,942</b>	<b>55,325</b>	<b>120,032</b>	<b>34,809</b>	<b>52,197</b>	<b>41,266</b>	<b>73,264</b>	<b>602,901</b>	<b>26,601</b>	<b>1,087,564</b>
<b>EXPENSES</b>											
Program services, lectures, and special events	21,013	16,223	40,295	82,014	20,888	45,614	16,491	28,402	444,059	24,386	739,385
Other expenses	4,542	5,663	28,949	4,092	3,994	3,055	25,982	28,945	30,744	3,444	139,410
<b>TOTAL EXPENSES</b>	<b>25,555</b>	<b>21,886</b>	<b>69,244</b>	<b>86,106</b>	<b>24,882</b>	<b>48,669</b>	<b>42,473</b>	<b>57,347</b>	<b>474,803</b>	<b>27,830</b>	<b>878,795</b>
<b>EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES</b>	<b>29,672</b>	<b>4,056</b>	<b>(13,919)</b>	<b>33,926</b>	<b>9,927</b>	<b>3,528</b>	<b>(1,207)</b>	<b>15,917</b>	<b>128,098</b>	<b>(1,229)</b>	<b>208,769</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>											
Contributions	3,821	5,351	18,243	29,627	2,528	12,419	-	710	-	-	72,699
Other	173,389	44,443	133,465	54,549	157,351	(18,328)	-	26,158	-	-	571,027
<b>NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>177,210</b>	<b>49,794</b>	<b>151,708</b>	<b>84,176</b>	<b>159,879</b>	<b>(5,909)</b>	<b>-</b>	<b>26,868</b>	<b>-</b>	<b>-</b>	<b>643,726</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>											
Contributions	11,910	9,970	10,157	16,678	31,355	5,061	-	-	-	-	85,131
Other	5,478	1,780	-	566	9,289	1,712	-	-	-	-	18,825
<b>NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<b>17,388</b>	<b>11,750</b>	<b>10,157</b>	<b>17,244</b>	<b>40,644</b>	<b>6,773</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,956</b>
<b>CHANGE IN NET ASSETS</b>	<b>224,270</b>	<b>65,600</b>	<b>147,946</b>	<b>135,346</b>	<b>210,450</b>	<b>4,392</b>	<b>(1,207)</b>	<b>42,785</b>	<b>128,098</b>	<b>(1,229)</b>	<b>956,451</b>
Net assets - beginning of year	564,866	171,326	491,005	285,314	483,569	141,007	17,945	144,463	113,063	18,965	2,431,523
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 789,136</b>	<b>\$ 236,926</b>	<b>\$ 638,951</b>	<b>\$ 420,660</b>	<b>\$ 694,019</b>	<b>\$ 145,399</b>	<b>\$ 16,738</b>	<b>\$ 187,248</b>	<b>\$ 241,161</b>	<b>\$ 17,736</b>	<b>\$3,387,974</b>

\* December 31, 2020 year-end





## Notes to Financial Statements

### PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units record an allowance against pledges receivable for estimated uncollectible amounts. Unconditional promises to give at June 30, 2021, are as follows:

PLEDGES RECEIVABLE (in thousands)	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	COMPONENT UNITS TOTAL
<b>Total pledges receivable</b>	\$ 20,173	\$ 31,998	\$ 48,986	\$ 3,827	\$ 121,142	\$ 30,632	\$ 256,758
Less:							
Allowance for uncollectible accounts	(1,020)	(3,475)	(1,819)	(333)	(6,842)	(1,617)	(15,106)
Unamortized discount to present value	(797)	(2,722)	(1,977)	(51)	(10,129)	(202)	(15,878)
<b>Total pledges receivable, net</b>	<b>18,356</b>	<b>25,801</b>	<b>45,190</b>	<b>3,443</b>	<b>104,171</b>	<b>28,813</b>	<b>225,774</b>
Less: Current portion, net of allowance	(4,999)	(10,159)	(16,744)	(1,275)	(29,702)	(11,392)	(74,271)
<b>TOTAL NONCURRENT PLEDGES RECEIVABLE</b>	<b>\$ 13,357</b>	<b>\$ 15,642</b>	<b>\$ 28,446</b>	<b>\$ 2,168</b>	<b>\$ 74,469</b>	<b>\$ 17,421</b>	<b>\$ 151,503</b>

\* December 31, 2020 year-end

### INVESTMENTS

Investments are recorded at fair value, which is determined by readily available quotes on the stock exchange or as quoted by UVMCO. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class on June 30, 2021, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS (in thousands)	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
Common stocks, corporate notes, bonds, limited partnerships, and agency securities	\$ 88,545	\$ -	\$ 28,611	\$ 15,686	\$ 2,528	\$ -	\$ -	\$ 187,514	\$ 3,868,967	\$ -	\$ 4,191,851
University of Virginia Investment Management Company	600,500	186,689	464,492	500,779	578,507	89,343	169,804	154,423	-	(2,744,537)	-
Mutual and money market funds	20,711	811	28,549	3,507	-	2,051	2,175	4,467	86,107	-	148,378
Other	33,182	-	-	6,154	6,706	-	2,761	2,662	10,457,262	-	10,508,727
<b>Total investments</b>	<b>742,938</b>	<b>187,500</b>	<b>521,652</b>	<b>526,126</b>	<b>587,741</b>	<b>91,394</b>	<b>174,740</b>	<b>349,066</b>	<b>14,412,336</b>	<b>(2,744,537)</b>	<b>14,848,956</b>
Less: Short-term investments	(121,820)	(811)	(28,049)	(18,996)	(4,660)	-	(4,313)	(23,480)	(291,669)	-	(493,798)
<b>LONG-TERM INVESTMENTS</b>	<b>\$ 621,118</b>	<b>\$ 186,689</b>	<b>\$ 493,603</b>	<b>\$ 507,130</b>	<b>\$ 583,081</b>	<b>\$ 91,394</b>	<b>\$ 170,427</b>	<b>\$ 325,586</b>	<b>\$ 14,120,667</b>	<b>\$(2,744,537)</b>	<b>\$14,355,158</b>

\* December 31, 2020 year-end

UVMCO has investments in investment funds, limited partnerships, and similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at NAV, based on UVMCO's interest in the investee as determined and reported by the external manager of the investment. Such investments represent \$13.5 billion on June 30, 2021. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

## Notes to Financial Statements

### CAPITAL ASSETS

Capital assets are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over the estimated useful lives of the assets using the straight-line method. As of June 30, 2021, capital assets consisted of the following:

<b>CAPITAL ASSETS</b> <i>(in thousands)</i>	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA IMAGING, LLC*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	TOTAL
Land	\$ 152	\$ -	\$ -	\$ 633	\$ 4,242	\$ -	\$ -	\$ 83,199	\$ 3,229	\$ -	\$ 91,455
Buildings and improvements	914	-	53,515	8,201	23,761	-	-	368,159	44,320	4,627	503,497
Furnishings and equipment	367	447	3,111	2,315	2,015	58	11,652	31,888	26,353	1,305	79,511
Collections and other	-	-	-	-	96	-	-	107	-	-	203
Construction in progress	-	-	26,741	-	57	-	-	14,367	5,404	-	46,569
<b>Total</b>	<b>1,433</b>	<b>447</b>	<b>83,367</b>	<b>11,149</b>	<b>30,171</b>	<b>58</b>	<b>11,652</b>	<b>497,720</b>	<b>79,306</b>	<b>5,932</b>	<b>721,235</b>
Less: Accumulated depreciation	(539)	(125)	(24,928)	(7,327)	(9,073)	(45)	(626)	(150,290)	(42,934)	(1,995)	(237,882)
<b>NET CAPITAL ASSETS</b>	<b>\$ 894</b>	<b>\$ 322</b>	<b>\$ 58,439</b>	<b>\$ 3,822</b>	<b>\$ 21,098</b>	<b>\$ 13</b>	<b>\$ 11,026</b>	<b>\$ 347,430</b>	<b>\$ 36,372</b>	<b>\$ 3,937</b>	<b>\$ 483,353</b>

\* December 31, 2020 year-end

### SHORT-TERM AND LONG-TERM DEBT

The component units listed below had the following lines of credit available and outstanding as of June 30, 2021:

<b>LINES OF CREDIT</b> <i>(in thousands)</i>	AVAILABLE	CURRENT OUTSTANDING BALANCE	NONCURRENT OUTSTANDING BALANCE
<b>University of Virginia Foundation</b>			
Wells Fargo Bank, N.A.	\$ 34,000	\$ -	\$ 34,000
Bank of America, N.A.	72,573	72,573	-
U.S. Bank, N.A.	25,000	-	25,000
Truist Bank	40,000	-	40,000
<b>University of Virginia Investment Management Company</b>			
Bank of America, N.A.	150,000	-	-
Truist Bank	100,000	-	-
U.S. Bank, N.A.	50,000	-	-
<b>Jefferson Scholars Foundation</b>			
Truist Bank	10,000	-	-
<b>Alumni Association of the University of Virginia</b>			
Truist Bank	750	-	-
<b>University of Virginia Darden School Foundation</b>			
Truist Bank	3,000	3,000	-
<b>University of Virginia Law School Foundation</b>			
JP Morgan Chase	15,000	-	-
<b>TOTAL</b>	<b>\$ 500,323</b>	<b>\$ 75,573</b>	<b>\$ 99,000</b>





## Notes to Financial Statements

The composition of the long-term debt of the component units on June 30, 2021, is summarized as follows:

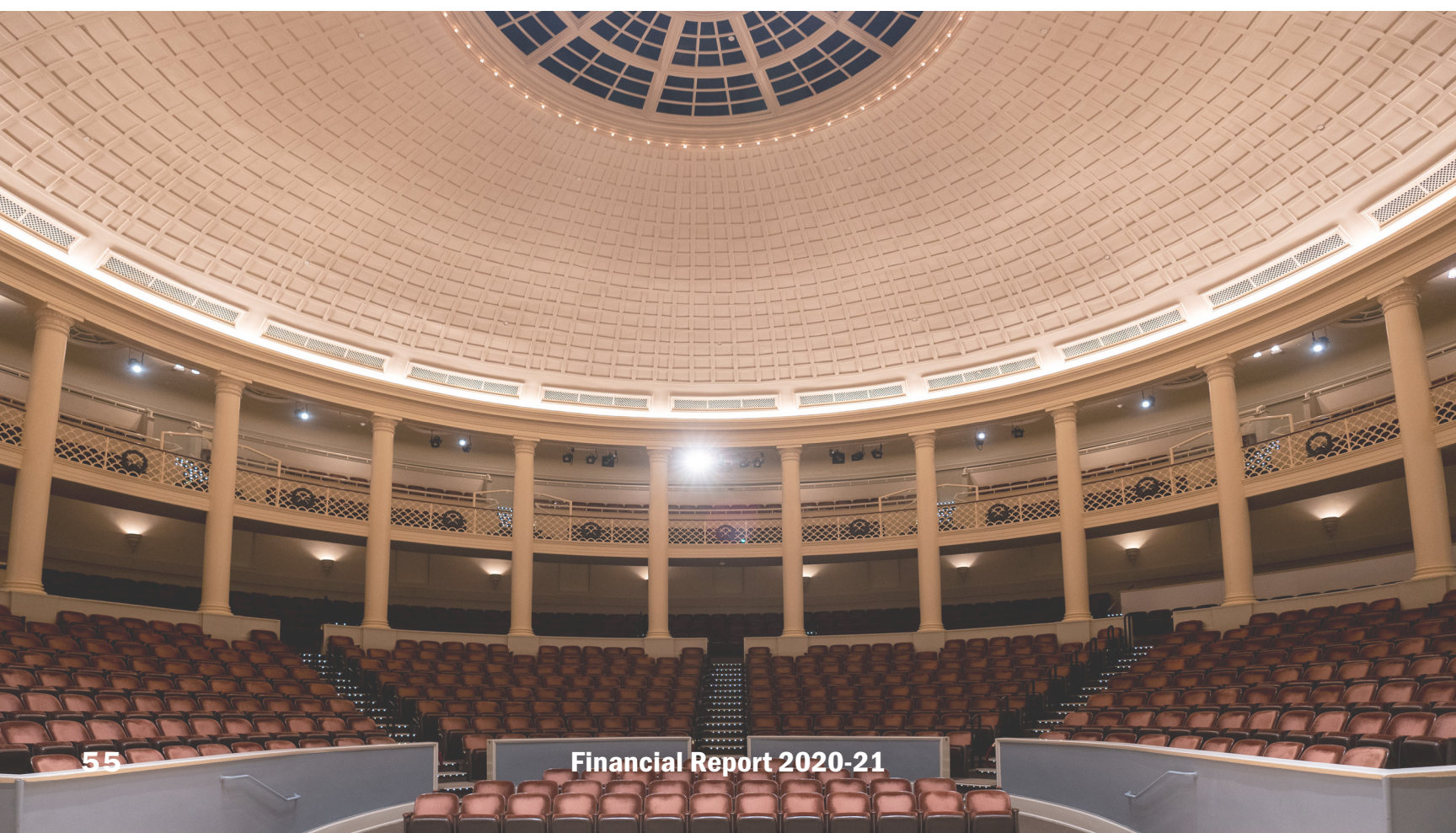
<b>LONG-TERM DEBT</b> <i>(in thousands)</i>	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA IMAGING, LLC*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	TOTAL
Notes payable	139	7,802	-	6,481	29,508	8,031	51,961
Recovery Zone Facility Bond	-	-	-	-	6,364	-	6,364
2017 Variable rate bank bonds	-	-	22,500	-	-	-	22,500
<b>Total long-term debt</b>	<b>139</b>	<b>7,802</b>	<b>22,500</b>	<b>6,481</b>	<b>35,872</b>	<b>8,031</b>	<b>80,825</b>
Less: Current portion	(139)	(1,802)	-	(1,261)	(1,889)	(451)	(5,542)
Less: Unamortized issuance costs	-	-	-	-	(48)	-	(48)
<b>NET LONG-TERM DEBT</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ 22,500</b>	<b>\$ 5,220</b>	<b>\$ 33,935</b>	<b>\$ 7,580</b>	<b>\$ 75,235</b>

\* December 31, 2020 year-end

Principal maturities of long-term debt obligations on June 30, 2021, are as follows:

<b>MATURITIES</b> <i>(in thousands)</i>	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA IMAGING, LLC*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	TOTAL
2022	\$ 139	\$ 1,802	\$ -	\$ 1,261	\$ 1,889	\$ 451	\$ 5,542
2023	-	-	-	5,220	8,446	435	14,101
2024	-	-	-	-	1,262	450	1,712
2025	-	118	-	-	20,272	469	20,859
2026	-	118	-	-	628	488	1,234
Thereafter	-	5,764	22,500	-	3,375	5,738	37,377
<b>TOTAL</b>	<b>\$ 139</b>	<b>\$ 7,802</b>	<b>\$ 22,500</b>	<b>\$ 6,481</b>	<b>\$ 35,872</b>	<b>\$ 8,031</b>	<b>\$ 80,825</b>

\* December 31, 2020 year-end



## Notes to Financial Statements

### LEASES

The component units have several operating leases for buildings, equipment, and other property. Future minimum rental payments under the operating lease agreements are as follows:

LEASES <i>(in thousands)</i>	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2022	\$ 411	\$ 2,903	\$ 526	\$ 4,877	\$ 8,717
2023	420	2,975	213	4,995	8,603
2024	435	3,050	219	4,928	8,632
2025	451	3,126	225	5,060	8,862
2026	468	3,204	224	4,782	8,678
Thereafter	4,748	20,898	2,906	987	29,539
<b>TOTAL</b>	<b>\$ 6,933</b>	<b>\$ 36,156</b>	<b>\$ 4,313</b>	<b>\$ 25,629</b>	<b>\$ 73,031</b>

For fiscal year 2021, rental expense for all component units was \$9.1 million.

### SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY

The University provides certain services for the Darden School Foundation that are reimbursed by the Darden School Foundation monthly.

The University has entered into agreements with the Darden School Foundation in which the University has committed to reimburse the Darden School Foundation for any defaults the Darden School Foundation is required to pay under its student loan guarantee programs with three banks. As of June 30, 2021, there were outstanding student loan balances under the program of approximately \$18.1 million. At the inception of the agreements with the banks, origination fees were used to fund reserve accounts that are to be used to cover subsequent student loan defaults. As of June 30, 2021, the reserve account balances totaled \$305,669. No payments have been made to the Darden School Foundation related to student loan guarantee program defaults.

UPG has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately \$106.6 million for the year ended June 30, 2021. Approximately \$45.6 million of the fiscal year payments were provided through the Medical Center for the purpose of treating indigent and Medicaid patients. UPG contributed approximately \$32 million to the University in support of various academic programs, equipment, teaching and research for the year ended June 30, 2021.

In April 2017, the University and UVAF entered into an agreement where the University will reimburse UVAF for the purchase price of new aircraft. UVA makes lease payments to UVAF to cover the interest expense on UVAF's outstanding debt balance and is scheduled to pay \$700,000 annually in principal payments through December 2027.

During fiscal year 2018, UVAF entered into an Investment Management Agreement with the University. Under the agreement, the University will, from time to time, deposit funds to be held in the custody and control of the Foundation, with the University retaining beneficial ownership of the funds. The funds will be invested and reinvested by the Foundation to the extent permitted by the agreement and provide other related services for or on behalf of the University, all for the benefit of the University. The total aggregate amount held by the Foundation shall not exceed \$100 million. Furthermore, funds from the agreement were used to pay off the affiliated notes payable agreements. At June 30, 2021, the outstanding balance due to UVA was \$76.6 million.



## Notes to Financial Statements

# NOTE 10

### Expense Classification Matrix

The composition of the University's operating expenses by functional classification for the year ended June 30, 2021, is as follows:

<b>OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION</b> <i>(in thousands)</i>	<b>COMPENSATION AND BENEFITS</b>	<b>SUPPLIES, UTILITIES, AND OTHER SERVICES</b>	<b>STUDENT AID</b>	<b>DEPRECIATION</b>	<b>OTHER</b>	<b>TOTAL</b>
Instruction	\$ 419,539	\$ 21,273	\$ 6,360	\$ -	\$ 3,035	\$ 450,207
Research	277,866	122,166	21,862	-	835	422,729
Public service	25,886	21,734	578	-	470	48,668
Academic support	156,482	34,565	326	-	5,756	197,129
Student services	40,087	8,830	1,049	-	419	50,385
Institutional support	178,863	96,037	790	-	721	276,411
Operation of plant	97,246	13,281	7	-	211	110,745
Student aid	6,905	3,754	94,886	-	146	105,691
Auxiliary	87,962	59,978	1,073	-	1,800	150,813
Depreciation	-	-	-	155,066	-	155,066
Patient services	769,864	868,927	-	132,198	-	1,770,989
Other	520	(3,246)	17	-	455	(2,254)
Central services recoveries	-	(34,676)	-	-	-	(34,676)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,061,220</b>	<b>\$ 1,212,623</b>	<b>\$ 126,948</b>	<b>\$ 287,264</b>	<b>\$ 13,848</b>	<b>\$ 3,701,903</b>

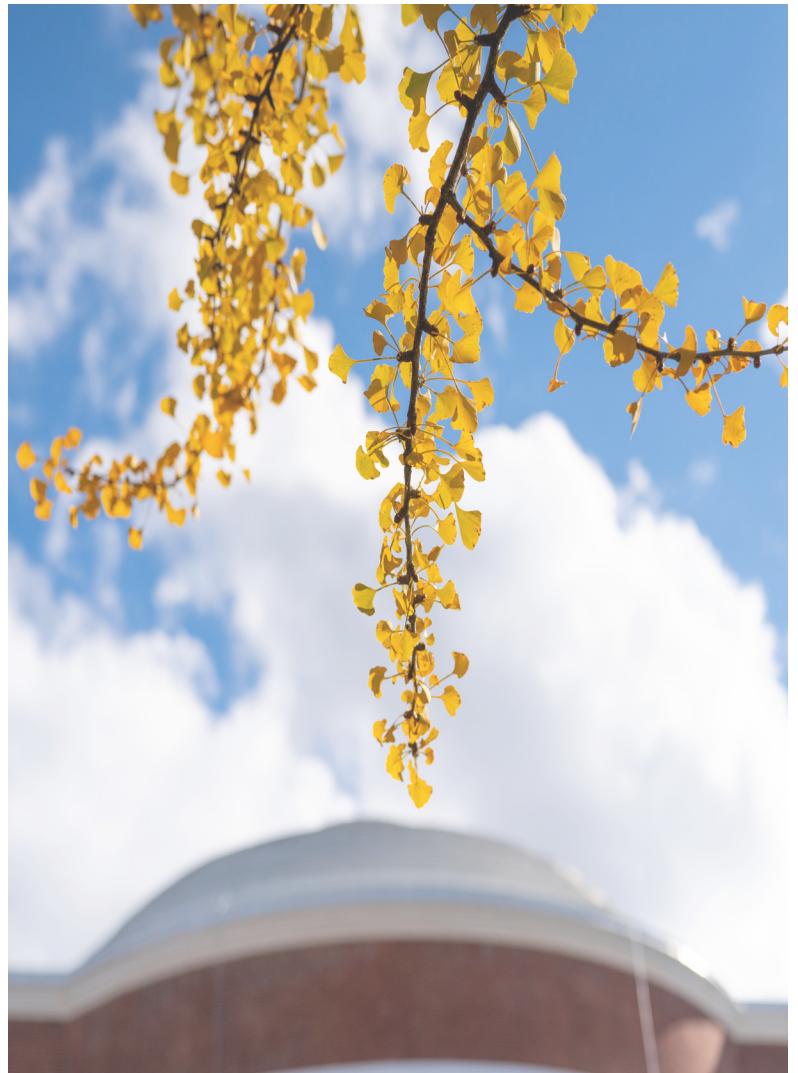
# NOTE 11

### Appropriations

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions for the year ended June 30, 2021, is provided in the following chart:

<b>APPROPRIATIONS</b> <i>(in thousands)</i>	
Original legislative appropriation per Chapter 1289	\$ 167,266
<b>Adjustments:</b>	
Financial aid - General Fund	15,865
Financial assistance for educational and general	12,440
<b>TOTAL</b>	<b>\$ 195,571</b>



# NOTE 12

## Retirement Plans

### VIRGINIA RETIREMENT SYSTEM

All full-time, salaried, permanent employees of state agencies and higher education institutions are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan: Plan 1, Plan 2 and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan: Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>



## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b></p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b></p> <p>State employees, excluding state elected officials and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b></p> <p>Same as Plan 1.</p>	<p><b>Retirement Contributions</b></p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Service Credit</b></p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Service Credit</b></p> <p>Same as Plan 1.</p>	<p><b>Service Credit</b></p> <p><b>Defined Benefit Component:</b> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b>Defined Contributions Component:</b> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>





## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b></p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b>Defined Benefit Component:</b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.</p> <p>Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b>Defined Contribution Component:</b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distributions not required except as governed by law.</p>
<p><b>Calculating the Benefit</b></p> <p>The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b>Defined Benefit Component:</b> See definition under Plan 1.</p> <p><b>Defined Contribution Component:</b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p> <p><b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 1.7% or 2%.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 2%.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Age 65.</p> <p><b>VaLORS:</b> Age 60.</p>	<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b></p> <p><b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p><b>VaLORS:</b> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>Defined Benefit Component:</b> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><b>VaLORS:</b> Age 50 with at least five years of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>Defined Benefit Component:</b> <b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>



## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) In Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> </ul> <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p><b>Cost-of-Living Adjustment (COLA) In Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b></p> <p>Same as Plan 1.</p> <p><b>Exceptions to COLA Effective Dates:</b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) In Retirement</b></p> <p><b>Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b></p> <p>Same as Plan 1 and Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b></p> <p>Same as Plan 1 and Plan 2.</p>

## Notes to Financial Statements

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b></p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS-refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b></p> <p>Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b></p> <p><b>Defined Benefit Component:</b> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b>Defined Contribution Component:</b> Not applicable.</p>





## Notes to Financial Statements

### Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute five percent of their compensation toward their retirement. Each state agency's contractually required contribution rate for the fiscal year ended June 30, 2021, was 14.46 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90 percent of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$53.8 million and \$51.3 million for the years ended June 30, 2021, and June 30, 2020, respectively. Contributions from the University to the VaLORS Retirement Plan were \$869,803 and \$763,052 for the years ended June 30, 2021, and June 30, 2020, respectively.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the University reported a liability of \$635.3 million for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability (NPL) and a liability of \$7.7 million for its proportionate share of the VaLORS Retirement Plan NPL. The NPL was measured as of June 30, 2020, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The University's proportion of the NPL was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion of the VRS State Employee Retirement Plan was 8.77 percent as compared to 8.91 percent at June 30, 2019. At June 30, 2020, the University's proportion of the VaLORS Retirement Plan was 0.98 percent as compared to 0.88 percent at June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$88.5 million for the VRS State Employee Retirement Plan and \$1,421,674 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019, and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

YEAR ENDING JUNE 30 <i>(in thousands)</i>	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 7,375	\$ 6,466
Change in assumptions	26,556	-
Net difference between projected and actual earnings on pension plan investments	49,879	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	9,965	8,117
Employer contributions subsequent to the measurement date	54,641	-
<b>TOTAL</b>	<b>\$ 148,416</b>	<b>\$ 14,583</b>

Deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date of \$54.6 million will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDING JUNE 30 <i>(in thousands)</i>	
2022	\$ 18,233
2023	29,366
2024	15,587
2025	16,006
<b>TOTAL</b>	<b>\$ 79,192</b>



## Notes to Financial Statements

### Actuarial Assumptions: VRS State Employee Retirement Plan

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75 percent. However, since the difference was minimal, and a more conservative 6.75 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75 percent to simplify preparation of pension liabilities.

#### Mortality rates:

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85 percent of rates; females set back 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5 percent increase compounded from ages 70 to 85.
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115 percent of rates; females 130 percent of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP - 2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increase rate from 14% to 25%
Discount rate	Decrease rate from 7% to 6.75%

### Actuarial Assumptions: VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75 percent. However, since the difference was minimal, and a more conservative 6.75 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75 percent to simplify preparation of pension liabilities.

#### Mortality rates:

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90 percent of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1 percent increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100 percent male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP - 2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decrease rate from 50% to 35%
Discount rate	Decrease rate from 7% to 6.75%



## Notes to Financial Statements

### Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows:

<b>NET PENSION LIABILITY</b> <i>(in thousands)</i>	<b>STATE EMPLOYEE RETIREMENT PLAN</b>	<b>VaLORS RETIREMENT PLAN</b>
Total pension liability	\$ 26,014,925	\$ 2,282,351
Less: Plan fiduciary net position	(18,770,067)	(1,500,469)
<b>EMPLOYERS' NET PENSION LIABILITY</b>	<b>\$ 7,244,858</b>	<b>\$ 781,882</b>
Plan fiduciary net position as a percentage of the total pension liability	72.15%	65.74%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

### Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ASSET CLASS (STRATEGY)</b>	<b>TARGET ALLOCATION</b>	<b>ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN PLAN</b>	<b>WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN</b>
Public equity	34%	4.65%	1.58%
Fixed income	15%	0.46%	0.07%
Credit strategies	14%	5.38%	0.75%
Real assets	14%	5.01%	0.70%
Private equity	14%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6%	3.04%	0.18%
PIP - Private Investment Partnership	3%	6.49%	0.19%
<b>TOTAL</b>	<b>100%</b>		<b>4.64%</b>
Inflation			2.50%
Expected arithmetic nominal return*			7.14%

\* The above allocation provides a one-year return of 7.14 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board elected a long-term rate of 6.75 percent which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81 percent.

### Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

## Notes to Financial Statements

### Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan NPL and the VaLORS Retirement Plan NPL using the discount rate of 6.75 percent, as well as what the University's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

SENSITIVITY OF NET PENSION LIABILITY <i>(in thousands)</i>	1% DECREASE (5.75%)	CURRENT DISCOUNT RATE (6.75%)	1% INCREASE (7.75%)
The University's proportionate share of the VRS State Employee Retirement Plan net pension liability	\$ 900,426	\$ 635,344	\$ 412,455
The University's proportionate share of the VaLORS Retirement Plan net pension liability	10,558	7,692	5,324
<b>TOTAL NET PENSION LIABILITY</b>	<b>\$ 910,984</b>	<b>\$ 643,036</b>	<b>\$ 417,779</b>

### Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan at June 30, 2021, was approximately \$2.2 million for legally required contributions into the plans.

### OPTIONAL RETIREMENT PLANS

Full-time faculty and certain administrative staff may participate in Optional Retirement Plans, as authorized by the *Code of Virginia*, rather than the VRS retirement plans. The Optional Retirement Plans are defined contribution plans to which the University contributes an amount established by statute.

There are two defined contribution plans for eligible academic employees. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based on the employer's 10.4 percent contributions, plus interest and dividends. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based on the employer's 8.9 percent contributions and the employee's five percent contributions, plus interest and dividends. For employees hired before July 1st, 2014, individual contracts issued under these plans provide for full and immediate vesting of both the University's and the employees' contributions. Employees hired after July 1st, 2014 are fully vested in the UVA contributions after two years of continuous employment.

Medical Center employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan where the retirement benefits received are based on the employer and employee contributions,

all of which are paid by the Medical Center, plus interest and dividends. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately \$70.4 million and were calculated using base salaries of \$940.3 million, for the year ended June 30, 2021. The contribution percentage amounted to 7.5 percent.

### DEFERRED COMPENSATION PLANS

State employees may elect to participate in the Commonwealth's Deferred Compensation 457 Plan and/or the University's 403(b) Plan. Participating employees can contribute to either plan each pay period, with the Commonwealth matching at 50 percent up to \$20 per pay period. This dollar amount match can change depending on the funding available in the Commonwealth's budget. The Employer Matching Plan falls under Section 401(a) of the Internal Revenue Code. Employer contributions for University employees to the 401(a) plan were approximately \$2.8 million for the year ended June 30, 2021.

The Deferred Compensation Plan for the University Medical Center employees hired on or after September 30, 2002, allows employee contributions up to four percent of their salary and an employer match of 50 percent of the employee's four percent deferral amount, not to exceed two percent of the employee's salary. Employer contributions under this plan were approximately \$5.7 million for the year ended June 30, 2021.

The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and University Medical Center. The University makes contributions on behalf of each participant as determined by the Board of Visitors. For the year ended June 30, 2021, the University contributed \$2 million to these accounts.



**Notes to Financial Statements**

# NOTE 13

Postemployment Benefits Other Than Pension Benefits

**VIRGINIA RETIREMENT SYSTEM OTHER POSTEMPLOYMENT (OPEB) PLANS**

As described in Note 1, the University employees participating in the VRS retirement plans are eligible for the VRS Group Life Insurance (GLI) program, State Employee Health Insurance Credit (HIC) program, Line of Duty Act (LODA) program, and Virginia Sickness and Disability Program (VSDP). The specific information for each of the plans, including eligibility, coverage and benefits is set out in the table below:

<b>VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS</b>			
<b>GLI</b>	<b>HIC</b>	<b>LODA</b>	<b>VSDP</b>
<p><b>Plan Description</b></p> <p>All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the GLI program upon employment. This plan is administered by the System, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.</p> <p>In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.</p>	<p><b>Plan Description</b></p> <p>All full-time, salaried permanent employees of state agencies are automatically covered by the HIC program. This plan is administered by the System, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.</p>	<p><b>Plan Description</b></p> <p>All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the System, the State Police Officers' Retirement System (SPORS), or the VaLORS are automatically covered by the LODA. As required by statute, the System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.</p>	<p><b>Plan Description</b></p> <p>All full-time and part-time permanent salaried state employees who are covered under the System, the State Police Officers' Retirement System (SPORS), or the VaLORS hired on or after January 1, 1999 are automatically covered by the VSDP upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the System, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.</p> <p>Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5% of the employee's compensation.</p>

## Notes to Financial Statements

<b>VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS</b>			
<b>GLI</b>	<b>HIC</b>	<b>LODA</b>	<b>VSDP</b>
<p><b>Eligible Employees</b></p> <p>The GLI program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>	<p><b>Eligible Employees</b></p> <p>The HIC program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Employees who retire after being on long-term disability under VSDP must also have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.</li> </ul>	<p><b>Eligible Employees</b></p> <p>The eligible employees of the LODA program include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, the SPORS, or the VaLORS.</p>	<p><b>Eligible Employees</b></p> <p>The VSDP, also known as the Disability Insurance Trust Fund, was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).</li> <li>• State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.</li> <li>• Public college and university faculty members who elect the VRS defined benefit plan. They may participate in the VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.</li> </ul> <p>Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.</p> <p>A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.</p>



## Notes to Financial Statements

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS			
GLI	HIC	LODA	VSDP
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI program have several components:</p> <ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option.</li> </ul>	<p><b>Benefit Amounts</b></p> <p>The HIC program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For State employees who retire, the monthly benefit is \$4 per year of service per month with no cap on the benefit amount.</li> <li>• <b>Disability Retirement</b> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the VSDP program, the monthly benefit is \$120 or \$4 per year of service, whichever is higher.</li> </ul> <p>For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the VSDP program the monthly benefit is \$120 or \$4 per year of service, whichever is higher.</p> <p>For State police officers with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the LODA program. However, they may receive the credit for premiums paid for other qualified health plans.</p> <p>The monthly benefit cannot exceed the individual’s premium amount.</p>	<p><b>Benefit Amounts</b></p> <p>The LODA program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <li>• <b>Death</b> – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> <li>• \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>• \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.</li> <li>• An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.</li> </ul> </li> <li>• <b>Health Insurance</b> – The LODA program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee’s death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.</li> </ul>	<p><b>Benefit Amounts</b></p> <p>The VSDP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>Leave</b> – Sick, family and personal leave. Eligible leave benefits are paid by the employer.</li> <li>• <b>Short-Term Disability</b> – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee’s pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.</li> <li>• <b>Long-Term Disability</b> – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee’s pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP.</li> <li>• <b>Income Replacement Adjustment</b> – The program provides for an income replacement adjustment to 80% for catastrophic conditions.</li> <li>• <b>VSDP Long-Term Care Plan</b> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.</li> </ul>

## Notes to Financial Statements

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS			
GLI	HIC	LODA	VSDP
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the GLI program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>	<p><b>Reduction in Benefit Amounts</b></p> <p>Not applicable</p>	<p><b>Reduction in Benefit Amounts</b></p> <p>Not applicable</p>	<p><b>Reduction in Benefit Amounts</b></p> <p>Not applicable</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.</p>	<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>Not applicable</p>	<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>Not applicable</p>	<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>During periods an employee receives long-term disability benefits, the long-term disability benefit may be increased annually by an amount recommended by the actuary and approved by the Board.</p> <ul style="list-style-type: none"> <li>• Plan 1 employees vested as of January 1, 2013 – 100% of the VRS Plan1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).</li> <li>• Plan 1 employee non-vested as of January 1, 2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).</li> </ul> <p>For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.</p> <ul style="list-style-type: none"> <li>• 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4%</li> </ul> <p>For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement</p> <ul style="list-style-type: none"> <li>• 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4%.</li> </ul>



## Notes to Financial Statements

### CONTRIBUTIONS

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent (1.34 percent x 60 percent) and the employer component was 0.54 percent (1.34 percent x 40 percent). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from the University were \$2 million for the years ended June 30, 2021 and June 30, 2020.

The contribution requirement for the HIC program for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2021 was 1.12 percent of covered employee compensation for employees in the HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the HIC program were \$15.3 million and \$15.4 million for the years ended June 30, 2021 and June 30, 2020, respectively.

The contribution requirements for the LODA program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were \$42,321 and \$42,346 for the years ended June 30, 2021 and June 30, 2020, respectively.

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2021 was 0.61 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were \$2 million and \$2.1 million for the years ended June 30, 2021 and June 30, 2020, respectively.

### OPEB LIABILITIES (ASSETS), OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO VRS OPEB PLANS

At June 30, 2021, the University reported a liability of \$199.5 million for its proportionate share of the Net OPEB Liability (NOL) for GLI, HIC, and LODA Programs. At June 30, 2021, the University reported an asset of \$17.1 million for its proportionate share of the Net VSDP OPEB Asset (NOA). The NOL/(NOA) was measured as of June 30, 2020 and the total OPEB liability used to calculate the NOL/(NOA) was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

The University's proportion of the NOL/(NOA) for GLI, HIC, and VSDP was based on the University's actuarially determined employer contributions to those programs for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. The University's proportion of the LODA NOL was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. The schedule below presents the University's proportion at June 30, 2020 and June 30, 2019.

#### University's proportion of contributions, as of June 30, 2020

DIVISION	GLI	HIC	LODA	VSDP
Academic - State Employees	1.6718%	12.0868%	N/A	(7.5068%)
Academic - Law Officers	0.0158%	0.0451%	0.2649%	(0.0600%)
Medical Center	0.1568%	5.7621%	N/A	N/A
College at Wise - State Employees	0.0446%	0.2486%	N/A	(0.1798%)
College at Wise - Law Officers	0.0019%	0.0054%	0.0467%	(0.0076%)

#### University's proportion of contributions, as of June 30, 2019

DIVISION	GLI	HIC	LODA	VSDP
Academic - State Employees	1.6645%	12.1544%	N/A	(7.5631%)
Academic - Law Officers	0.0140%	0.0404%	0.2419%	(0.0514%)
Medical Center	0.1711%	5.8934%	N/A	N/A
College at Wise - State Employees	0.0438%	0.2559%	N/A	(0.1874%)
College at Wise - Law Officers	0.0017%	0.0050%	0.0473%	(0.0070%)

## Notes to Financial Statements

For the year ended June 30, 2021, the University recognized OPEB expense of \$19.5 million. Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS administered OPEBs from the following sources:

YEAR ENDING JUNE 30 <i>(in thousands)</i>	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 3,840	\$ 6,513
Net difference between projected and actual earnings on OPEB plan investments	2,933	-
Change in assumptions	4,931	2,233
Changes in proportion	11,055	6,715
Employer contributions subsequent to the measurement date	19,283	-
<b>TOTAL</b>	<b>\$ 42,042</b>	<b>\$ 15,461</b>

\$19.3 million reported as deferred outflows of resources related to the VRS administered OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEBs will be recognized in OPEB expense in future reporting periods as follows:

YEAR ENDING JUNE 30 <i>(in thousands)</i>	
2022	\$ 2,232
2023	2,913
2024	1,941
2025	983
2026	(490)
Thereafter	(283)
<b>TOTAL</b>	<b>\$ 7,296</b>

## ACTUARIAL ASSUMPTIONS

The total OPEB liability for all VRS Programs was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation 2.5 percent

Salary increases, including inflation per plan:

Employee Type	GLI	HIC	LODA	VSDP
General State	3.5 - 5.35%	3.5 - 5.35%	N/A	3.5 - 5.35%
Teachers	3.5 - 5.95%	N/A	N/A	N/A
SPORS	3.5 - 4.75 %	3.5 - 4.75 %	N/A	3.5 - 4.75 %
VaLORS	3.5 - 4.75 %	3.5 - 4.75 %	N/A	3.5 - 4.75 %
JRS	4.5%	4.5%	N/A	N/A
Locality - General	3.5 - 5.35%	N/A	N/A	N/A
Locality - Hazardous Duty	3.5 - 4.75%	N/A	N/A	N/A

LODA Medical cost trend rates assumption:

Under age 65 7.00 percent - 4.75 percent  
 Ages 65 and older 5.375 percent - 4.75 percent

LODA Year of Ultimate Trend Rate:

Post-65 Fiscal year ended 2023  
 Pre-65 Fiscal year ended 2028

Investment rate of return 6.75 percent (2.21 percent for LODA), net of investment expenses, including inflation\*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75 percent (2.21 percent for LODA). However, since the difference was minimal, and a more conservative 6.75 percent (2.21 percent for LODA) investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75 percent (2.21 percent for LODA) to simplify preparation of the OPEB liabilities for GLI, HIC, and VSDP. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21 percent was used since it approximates the risk-free rate of return.





## Notes to Financial Statements

### Mortality rates – General State Employees (GLI, HIC, LODA, VSDP)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85 percent of rates; females set back 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5 percent increase compounded from ages 70 to 85.
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115 percent of rates; females 130 percent of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Discount rate	Decrease rate from 7% to 6.75%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increased rate from 14% to 25%
Discount rate	Decrease rate from 7% to 6.75%

### Mortality rates – SPORS Employees\* (GLI, HIC, LODA, VSDP)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90 percent of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1 percent increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100 percent male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increased rate from 60% to 85%
Discount rate	Decrease rate from 7% to 6.75%

### Mortality rates – Teachers\* (GLI)

Pre-Retirement:	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-Retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1 percent increase compounded from ages 70 to 90; females set back 3 years with 1.5 percent increase compounded from ages 65 to 70 and 2 percent increase compounded from ages 75 to 90.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115 percent of rates for males and females.

## Notes to Financial Statements

### Mortality rates – VaLORS Employees (GLI, HIC, LODA, VSDP)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90 percent of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1 percent increase compounded from ages 70 to 90; females set forward 3 years
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100 percent male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 50% to 35%
Discount rate	Decrease rate from 7% to 6.75%

### Mortality rates – JRS Employees\* (GLI, HIC)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85 percent of rates; females set back 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5 percent compounding increase from ages 70 to 85.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115 percent of rates; females 130 percent of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount rate	Decrease rate from 7% to 6.75%

### Mortality rates – Locality Employers - General Employees\* (GLI)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95 percent of rates; females 105 percent of rates
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1 percent increase compounded from ages 70 to 90
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; 110 percent of rates; females 125 percent of rates

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 20% (14% to 15% for Non-Largest Ten Locality Employers)
Discount rate	Decrease rate from 7% to 6.75%



## Notes to Financial Statements

Mortality rates – Locality Employers - Hazardous Duty Employees\* (GLI, LODA)

Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90 percent of rates; females set forward 1 year.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1 percent increase compounded from ages 70 to 90; females set forward 3 years
Post-Disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100 percent male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and increased age 50 rates for Non-Largest Ten Locality Employers
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Increased disability rates for Largest Ten Locality Employers and adjusted rates to better match experience for Non-Largest Ten Locality Employers
Salary scale	No change
Line of duty disability	Increased rate from 60% to 70% for Largest Ten Locality Employers and decreased rate from 60% to 45% for Non-Largest Ten Locality Employers
Discount rate	Decrease rate from 7% to 6.75%

\* UVA has no employees currently in these plans. Since the OPEB plans are treated as cost sharing plans and these assumptions affect the liability calculation for the University, the information is presented for informational purposes.

### Net OPEB Liability (Asset)

The net OPEB liability (NOL) or net OPEB asset (NOA) for the VRS administered OPEB plans represent the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL and NOA amounts for these programs are as follows:

<b>NET OPEB LIABILITY (ASSET)</b>				
<i>(in thousands)</i>				
	<b>GLI</b>	<b>HIC</b>	<b>LODA</b>	<b>VSDP</b>
Total OPEB liability	\$ 3,523,937	\$ 1,043,382	\$ 423,147	\$ 269,531
Less: Plan fiduciary net position	(1,855,102)	(125,378)	(4,333)	(490,220)
<b>EMPLOYER'S NET OPEB LIABILITY (ASSET)</b>	<b>\$ 1,668,835</b>	<b>\$ 918,004</b>	<b>\$ 418,814</b>	<b>\$ (220,689)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	52.64%	12.02%	1.02%	181.88%

The total OPEB liability (asset) is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The NOL/(NOA) is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### Discount Rate

The discount rate used to measure the total GLI, HIC, and VSDP OPEB liability was 6.75 percent and 2.21 percent for the LODA OPEB liability. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the OPEBs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the OPEBs' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

## Notes to Financial Statements

### Long-Term Expected Rate of Return - GLI, HIC, VSDP

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS (STRATEGY)	TARGET ALLOCATION	ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN PLAN	WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN
Public equity	34%	4.65%	1.58%
Fixed income	15%	0.46%	0.07%
Credit strategies	14%	5.38%	0.75%
Real assets	14%	5.01%	0.70%
Private equity	14%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6%	3.04%	0.18%
PIP - Private Investment Partnership	3%	6.49%	0.19%
<b>TOTAL</b>	<b>100%</b>		<b>4.64%</b>
Inflation			2.50%
Expected arithmetic nominal return*			<b>7.14%</b>

\* The above allocation provides a one-year return of 7.14 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board elected a long-term rate of 6.75 percent, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81 percent.

### Long-Term Expected Rate of Return - LODA

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75 percent assumption. Instead, the assumed annual rate of return of 2.21 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

### Sensitivity of the University's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the University's proportionate share of the NOL/(NOA) using the discount rate of 6.75 percent (2.21 percent for LODA), as well as what the University's proportionate share of the NOL/(NOA) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

SENSITIVITY OF NET OPEB LIABILITY (ASSET)			
(in thousands)	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the VRS administered net OPEB liability	\$ 227,642	\$ 199,461	\$ 175,719
Employer's proportionate share of the VRS administered net OPEB asset	(15,613)	(17,113)	(18,458)

### Sensitivity of the University's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the LODA NOL using a health care trend rate of 7 percent decreasing to 4.75 percent, as well as what the University's proportionate share of the LODA NOL would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

SENSITIVITY OF LODA NET OPEB LIABILITY			
(in thousands)	1% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 1,079	\$ 1,305	\$ 1,601



## Notes to Financial Statements

### VRS Administered OPEB Programs' Fiduciary Net Position

Detailed information about the VRS administered OPEBs' Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### UNIVERSITY OF VIRGINIA OTHER POSTEMPLOYMENT (OPEB PLANS)

As described in Note 1, the University employees participating in the University's Optional Retirement Plan or the UVA Health Plan are eligible for various OPEBs administered by the University. The specific information for each of the plans, including eligibility, coverage and benefits is set out below.

**Optional Retirement Retiree Life Insurance Plans.** University faculty and Medical Center employees who participate in the Optional Retirement Plans receive \$10,000 in retiree life insurance. The University pays the total cost of the insurance. Benefit provisions for these plans are established and maintained by the University under the authority of the Board. The University does not issue stand-alone financial statements for the plans.

**Retiree Health Plan.** University employees who retire before becoming eligible for Medicare participate in the Retiree Health Plan, a single-employer defined benefit plan administered by the University, until they are eligible for Medicare. At that time, University retirees can participate in the Commonwealth's Medicare Supplement Plan. The Retiree Health Plan mirrors the University's Health Plan for medical and pharmacy benefits provided to active employees. Benefits provided include preventative care, family planning and maternity, hospital care, surgery, behavioral health care, and other medical services. The amount of coverage ranges depending on the Health Plan option chosen by the employee and type of care. Benefit provisions for the Retiree Health Plan are established and maintained by the University under the authority of the Board. The University does not issue stand-alone financial statements for this plan.

The University also provides dental benefits through the UVA Dental Plan for retirees enrolled in the UVA Health Plan that elected dental coverage. Enrollment in the UVA Dental Plan must be completed at initial enrollment in the health benefits program. Dental enrollment can also be added or dropped during the open enrollment period each year. If dropped by the employee, the employee and/or their covered family members will not be able to re-enroll in the dental plan. As of June 30, 2021, the premiums paid by retirees exceed dental claims, as such, there is no liability associated with this plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2021, the University and Medical Center contributed \$321,021 to the plan for retiree costs. Retirees receiving benefits contributed \$3.2 million, or approximately 91 percent of the total costs, through their required contributions, ranging from \$757 to \$3,895 per month.

The benefit terms of the Retiree Life Insurance and the Retiree Health Plan covered the following employees:

COVERED EMPLOYEE CATEGORY	LIFE INSURANCE	RETIREE HEALTH PLAN
Inactive employees	1,036	284
Active employees	11,795	18,815
<b>TOTAL COVERED EMPLOYEES</b>	<b>12,831</b>	<b>19,099</b>

### OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to UVA OPEB Plans

The University's total OPEB liability (TOL) for University administered programs of \$59.7 million for the fiscal year ending June 30, 2021 was determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2021, the University recognized a negative OPEB expense of \$1,954,514. The University also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

YEAR ENDING JUNE 30 (in thousands)	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ -	\$ (33,208)
Changes in assumptions or other inputs	3,665	(18,751)
Transactions subsequent to the measurement date	327	-
<b>TOTAL</b>	<b>\$ 3,992</b>	<b>\$ (51,959)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDING JUNE 30 (in thousands)	
2022	\$ (9,366)
2023	(9,366)
2024	(8,692)
2025	(5,655)
2026	(5,223)
Thereafter	(9,992)
<b>TOTAL</b>	<b>\$ (48,294)</b>

## Notes to Financial Statements

### Actuarial Assumptions

The liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	4 percent
Discount rate	2.21 percent, based on the Bond Buyer GO 20-Bond Municipal Bond Index.
Healthcare cost trend rates	7 percent for June 30, 2021, decreasing 0.25 percent per year to an ultimate rate of 5 percent for fiscal year 2029 and thereafter.
Retirees' share of benefit-related costs	Equal to applicable percentage of projected average claims based on all relevant assumptions described in this section, including health care trend rates, health care cost aging, and various demographic assumptions.
Mortality rates	For healthy annuitants: Pub TH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2020 for faculty and Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2020 for non-faculty. For disabled annuitants: Pub TH-2010 disabled mortality table projected generationally using Scale MP-2020 for faculty and Pub GH-2010 disabled mortality table projected generationally using Scale MP-2020 for non-faculty.

\* Changes of assumptions reflect the following:

- A change in the discount rate from 3.51 percent in 2020 to 2.21 percent in 2021.
- A change in the mortality table projection scale from MP-2019 to MP-2020.

### Sensitivity of the University's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current discount rate:

<b>SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATE</b>			
<i>(in thousands)</i>	<b>1% DECREASE (1.21%)</b>	<b>DISCOUNT RATE (2.21%)</b>	<b>1% INCREASE (3.21%)</b>
<b>TOTAL OPEB LIABILITY</b>	\$ 67,623	\$ 59,664	\$ 53,105

### Sensitivity of the University's Total OPEB Liability to Changes in the Health Care Trend Rate

The following presents the total OPEB liability of the University administered programs, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6 percent decreasing to 4 percent) or one percentage point higher (8 percent decreasing to 6 percent) than the current healthcare cost trend rates:

<b>SENSITIVITY OF TOTAL OPEB LIABILITY TO HEALTHCARE TREND RATE</b>			
<i>(in thousands)</i>	<b>1% DECREASE (6% DECREASING TO 4%)</b>	<b>HEALTHCARE TREND RATES (7% DECREASING TO 5%)</b>	<b>1% INCREASE (8% DECREASING TO 6%)</b>
<b>TOTAL OPEB LIABILITY</b>	\$ 55,262	\$ 59,664	\$ 64,885

### Total OPEB Liability

<b>TOTAL OPEB LIABILITY</b> <i>(in thousands)</i>	
<b>BEGINNING BALANCE AS OF JUNE 30, 2020</b>	<b>\$ 64,584</b>
<b>Changes for the year:</b>	
Service cost	4,975
Interest	2,436
Expected vs actual experience	(14,430)
Changes in assumptions *	2,393
Benefit payments	(294)
<b>ENDING BALANCE AS OF JUNE 30, 2021</b>	<b>\$ 59,664</b>





## Notes to Financial Statements

# NOTE 14

## Self-Insurance

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments on June 30, 2021, was \$74.6 million. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2021, was \$11 million. The University has contracted with several third-party claims administrators: Aetna for its medical and pharmacy claims and United Concordia for its dental claims. Optum Rx administered the pharmacy claims through December 31, 2020, after which the University switched to Aetna.

University employees are covered by a self-insured workers' compensation benefits program administered by the Commonwealth's Department of Human Resource Management. Information relating to this plan is available at the statewide level only in the Commonwealth's Annual Report.

The University's Office of Property and Liability Risk Management manages all property and casualty insurance programs for the University, including the Medical Center and the College at Wise. At present, most insurance coverages are obtained through participation in the state risk management self-insurance plans administered by the Virginia Department of the Treasury, Division of Risk Management. The Division of Risk Management program includes property, mechanical breakdown, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation, network security and privacy insurance (response and regulatory), automobile liability and auto physical damage for vehicles valued in excess of \$25,000. The University is self-insured for the first \$100,000 (\$5,000 for the College at Wise) of each property and mechanical breakdown loss and for physical damage to all vehicles valued up to \$25,000. The University also maintains excess crime and employee dishonesty insurance and a special contingency risk insurance policy. Separate insurance coverage is maintained as appropriate for individual departments and subsidiary organizations owned by the University and the Medical Center, such as Community Medicine, LLC and UVA Global, LLC.

# NOTE 15

## Commitments and Contingencies

### COMMITMENTS

Authorized expenditures for construction and other projects unexpended as of June 30, 2021, were approximately \$388.2 million.

The University has entered into numerous operating lease agreements to rent, lease, and maintain land, buildings, and equipment, which expire on various dates. In most cases, the University has renewal options on the leased assets for another similar term and expects that, in the normal course of business, these leases will be replaced by similar leases. Operating lease expense totaled approximately \$37.8 million for the year ended June 30, 2021.

The University's ongoing minimum commitments for operating leases for land, office and clinical buildings, and equipment are as follows:

YEARS ENDING JUNE 30 <i>(in thousands)</i>	LEASE OBLIGATION
2022	\$ 18,021
2023	14,660
2024	10,468
2025	9,743
2026	8,313
2027-31	25,521
2032-36	1,328
<b>TOTAL</b>	<b>\$ 88,054</b>

### LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.



## Notes to Financial Statements

### NOTE 16

#### Nonexchange Federal Grants

##### PANDEMIC RELIEF

During the fiscal year, the Academic Division was awarded \$16.8 million from the second round of CARES Act for the Higher Education Emergency Relief Fund (HEERF II). \$5.8 million will be used to provide students with emergency hardship support related to the disruption of on-Grounds operations due to COVID-19. The remaining \$11 million will primarily be used to cover costs associated with institutional COVID impacts. The Academic Division was also awarded \$11.2 million in additional Coronavirus Relief Funding (CRF II) as federal pass-through funds from the Commonwealth of Virginia during the fiscal year. The additional funding was fully spent in FY21 and was primarily used for COVID-19 testing and contact tracing, facilitating distance learning, and miscellaneous public health expenses. The College at Wise was also awarded a combined \$4.3 million in HEERF and CRF funds during the fiscal year.

In May 2021, the Academic Division was also awarded a third round of HEERF for \$30.4 million. \$15.2 million will be used to provide students with emergency hardship support related to the disruption of on-Grounds operations due to COVID-19. The remaining amount will be used primarily to offset lost revenues of the University and miscellaneous institutional-wide health and safety measures.

During the fiscal year, the Medical Center was awarded \$16.1 million in Provider Relief Funding to help offset lost revenues during the Coronavirus pandemic. The Medical Center was also granted an additional \$9.4 million in CRF II funds. Those funds will be used primarily for personal protective equipment of patients and staff and COVID testing.

As of June 30, 2021, the University has spent \$11.7 million on emergency aid to students.

Total nonexchange federal grants recognized as non-operating revenue during FY21 at the University and Medical Center are presented in the table below.

<b>Nonexchange Federal Grants</b> <i>(in thousands)</i>	<b>UVA</b>	<b>UVA MEDICAL CENTER</b>	<b>TOTAL INSTITUTION</b>
Higher Education Emergency Relief Funding	\$ 29,736	\$ -	\$ 29,736
Coronavirus Relief Funding	32,425	9,400	41,825
Provider Relief Funding	-	16,081	16,081
Other	422	-	422
<b>TOTAL NONEXCHANGE FEDERAL GRANTS</b>	<b>\$ 62,583</b>	<b>\$ 25,481</b>	<b>\$ 88,064</b>

### NOTE 17

#### Subsequent Events

In July 2021, the University issued \$100 million tax-exempt General Revenue Pledge Bonds, Series 2021A. The bonds were issued with a coupon rate of 2.180 percent and are due on November 1, 2051. The proceeds of the bond were used to finance the UVA Medical Center's 100 percent acquisition of the Novant joint operating company.

In July 2021, the University also issued \$300 million in taxable General Revenue Pledge and Refunding Bonds, Series 2021B. The bonds were issued with a coupon rate of 2.584 percent and are due on November 1, 2051. The proceeds will primarily be used to finance or refinance costs of capital projects at the University's academic facilities, working capital and general operating purposes, and refund the outstanding principal balance of the University's Series 2015B bonds originally issued to finance or refinance costs of capital projects at the University's academic facilities.



## Required Supplementary Information (Unaudited)

# REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

### VIRGINIA RETIREMENT SYSTEM PENSION PLANS

<b>SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY*</b> <i>(in thousands)</i>							
	<b>VRS STATE EMPLOYEE RETIREMENT PLAN</b>						
	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	8.77%	8.91%	8.66%	8.59%	8.28%	8.19%	8.12%
Employer's proportionate share of the net pension liability	\$ 635,343	\$ 562,966	\$ 468,658	\$ 500,697	\$ 545,568	\$ 501,446	\$ 454,655
Covered payroll	\$ 387,464	\$ 393,943	\$ 371,724	\$ 352,738	\$ 332,184	\$ 318,920	\$ 314,268
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	163.97%	142.91%	126.08%	141.95%	164.24%	157.23%	144.67%
Plan fiduciary net position as a percentage of the total pension liability	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

\* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data are presented. However, additional years will be included as they become available.

<b>SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (CONTINUED)*</b> <i>(in thousands)</i>							
	<b>VaLORS RETIREMENT PLAN</b>						
	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.98%	0.88%	0.89%	0.87%	0.80%	0.86%	0.79%
Employer's proportionate share of the net pension liability	\$ 7,692	\$ 6,137	\$ 5,548	\$ 5,689	\$ 6,218	\$ 6,144	\$ 5,294
Covered payroll	\$ 3,640	\$ 4,011	\$ 3,367	\$ 3,255	\$ 3,085	\$ 3,036	\$ 3,088
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	211.32%	153%	164.78%	174.78%	201.56%	202.37%	171.44%
Plan fiduciary net position as a percentage of the total pension liability	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

\* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data are presented. However, additional years will be included as they become available.



## Required Supplementary Information (Unaudited)

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS*</b> <i>(in thousands)</i>		<b>CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION</b>	<b>CONTRIBUTION DEFICIENCY</b>	<b>EMPLOYER'S COVERED PAYROLL</b>	<b>CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL</b>
<b>PLAN</b>						
VRS State Employee Retirement Plan	2021	\$ 53,771	\$ 53,771	\$ -	\$ 374,318	14.37%
	2020	51,315	51,315	-	387,464	13.24%
	2019	50,862	50,862	-	393,943	12.91%
	2018	47,979	47,979	-	371,724	12.91%
	2017	46,238	46,238	-	352,738	13.11%
	2016	44,925	44,925	-	332,184	13.52%
	2015	37,781	37,781	-	318,920	11.85%
VaLORS Retirement Plan	2021	\$ 870	\$ 870	\$ -	\$ 4,012	21.68%
	2020	\$ 763	\$ 763	\$ -	\$ 3,640	20.96%
	2019	719	719	-	4,011	17.92%
	2018	649	649	-	3,367	19.28%
	2017	643	643	-	3,255	19.75%
	2016	570	570	-	3,085	18.48%
	2015	498	498	-	3,036	16.40%

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### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM PENSION PLANS

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Line of Duty Disability rate increased from 14 percent to 25 percent
- Discount rate decreased from 7 percent to 6.75 percent

The following changes in actuarial assumptions were made for the VRS State Employee Retirement Plan effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Update mortality table to RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Increased age 50 retirement rates and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Decrease service related disability rate from 50 percent to 35 percent
- Discount rate decreased from 7 percent to 6.75 percent



## Required Supplementary Information (Unaudited)

### POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - VIRGINIA RETIREMENT SYSTEM OPEBS

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET)* <i>(in thousands)</i>	2021	2020	2019	2018
<b>EMPLOYER'S PROPORTION OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE</b>				
<b>GLI OPEB Liability (Asset)</b>				
University Employees - VRS	1.672%	1.664%	1.619%	1.586%
University Employees - VaLORS	0.016%	0.014%	0.014%	0.014%
Medical Center Employees - VRS	0.157%	0.171%	0.184%	0.186%
College at Wise Employees - VRS	0.045%	0.044%	0.046%	0.047%
College at Wise Employees - VaLORS	0.002%	0.002%	0.002%	0.002%
<b>HIC OPEB Liability (Asset)</b>				
University Employees - VRS	12.087%	12.154%	11.596%	11.325%
University Employees - VaLORS	0.045%	0.040%	0.040%	0.040%
Medical Center Employees - VRS	5.762%	5.893%	6.533%	6.386%
College at Wise Employees - VRS	0.249%	0.256%	0.249%	0.255%
College at Wise Employees - VaLORS	0.005%	0.005%	0.006%	0.006%
<b>LODA OPEB Liability (Asset)</b>				
University Employees - VRS	N/A	N/A	N/A	N/A
University Employees - VaLORS	0.265%	0.242%	0.272%	0.268%
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VaLORS	0.047%	0.047%	0.048%	0.047%
<b>VSDP OPEB Liability (Asset)</b>				
University Employees - VRS	(7.507%)	(7.563%)	(7.309%)	(7.259%)
University Employees - VaLORS	(0.060%)	(0.051%)	(0.051%)	(0.052%)
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	(0.180%)	(0.187%)	(0.197%)	(0.203%)
College at Wise Employees - VaLORS	(0.008%)	(0.007%)	(0.008%)	(0.008%)
<b>EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE</b>				
<b>GLI OPEB Liability (Asset)</b>				
University Employees - VRS	\$ 27,900	\$ 27,086	\$ 24,583	\$ 23,866
University Employees - VaLORS	263	218	216	216
Medical Center Employees - VRS	2,616	2,785	2,793	2,794
College at Wise Employees - VRS	745	713	704	713
College at Wise Employees - VaLORS	32	28	30	31
<b>HIC OPEB Liability (Asset)</b>				
University Employees - VRS	\$ 110,958	\$ 112,193	\$ 105,773	\$ 103,119
University Employees - VaLORS	414	373	366	368
Medical Center Employees - VRS	52,897	54,400	59,595	58,152
College at Wise Employees - VRS	2,282	2,362	2,268	2,324
College at Wise Employees - VaLORS	50	46	51	52
<b>LODA OPEB Liability (Asset)</b>				
University Employees - VRS	N/A	N/A	N/A	N/A
University Employees - VaLORS	\$ 1,109	\$ 868	\$ 852	\$ 705
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VaLORS	196	170	150	124
<b>VSDP OPEB Liability (Asset)</b>				
University Employees - VRS	\$ (6,567)	\$ (14,838)	\$ (16,471)	\$ (14,896)
University Employees - VaLORS	(132)	(101)	(116)	(107)
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	(397)	(368)	(443)	(417)
College at Wise Employees - VaLORS	(17)	(14)	(18)	(17)

\* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data is available. However, additional years will be included as they become available.

## Required Supplementary Information (Unaudited)

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET) (CONTINUED)* (in thousands)	2021	2020	2019	2018
<b>EMPLOYER'S COVERED PAYROLL</b>				
<b>GLI OPEB Liability (Asset)</b>				
University Employees - VRS	\$ 344,069	\$ 326,293	\$ 307,783	\$ 292,551
University Employees - VaLORS	3,247	2,753	2,704	2,772
Medical Center Employees - VRS	32,261	33,547	34,969	40,629
College at Wise Employees - VRS	9,188	8,595	8,812	8,532
College at Wise Employees - VaLORS	393	342	376	375
<b>HIC OPEB Liability (Asset)</b>				
University Employees - VRS	\$ 870,811	\$ 828,243	\$ 780,764	\$ 739,172
University Employees - VaLORS	3,248	2,753	2,700	2,761
Medical Center Employees - VRS	415,138	401,596	439,856	423,097
College at Wise Employees - VRS	17,909	17,438	16,734	15,960
College at Wise Employees - VaLORS	392	342	376	378
<b>LODA OPEB Liability (Asset)**</b>				
University Employees - VRS	N/A	N/A	N/A	N/A
University Employees - VaLORS	\$ 3,248	\$ 3,624	\$ 3,019	\$ 3,254
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VaLORS	392	387	348	375
<b>VSDP OPEB Liability (Asset)</b>				
University Employees - VRS	\$ 325,292	\$ 306,127	\$ 288,230	\$ 291,594
University Employees - VaLORS	2,599	2,080	2,030	2,237
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	7,791	7,587	7,762	7,993
College at Wise Employees - VaLORS	330	281	315	336
<b>EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL</b>				
<b>GLI OPEB Liability (Asset)</b>				
University Employees - VRS	8.109%	8.301%	7.987%	8.158%
University Employees - VaLORS	8.110%	8.299%	7.988%	7.792%
Medical Center Employees - VRS	8.109%	8.301%	7.987%	6.877%
College at Wise Employees - VRS	8.108%	8.300%	7.989%	8.357%
College at Wise Employees - VaLORS	8.111%	8.279%	7.979%	8.267%
<b>HIC OPEB Liability (Asset)</b>				
University Employees - VRS	12.742%	13.546%	13.547%	13.951%
University Employees - VaLORS	12.741%	13.546%	13.556%	13.329%
Medical Center Employees - VRS	12.742%	13.546%	13.549%	13.744%
College at Wise Employees - VRS	12.742%	13.546%	13.553%	14.561%
College at Wise Employees - VaLORS	12.740%	13.549%	13.564%	13.757%
<b>LODA OPEB Liability (Asset)**</b>				
University Employees - VRS	N/A	N/A	N/A	N/A
University Employees - VaLORS	34.153%	23.949%	28.221%	21.666%
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VaLORS	49.938%	43.880%	43.103%	33.067%
<b>VSDP OPEB Liability (Asset)</b>				
University Employees - VRS	(5.093%)	(4.847%)	(5.715%)	(5.108%)
University Employees - VaLORS	(5.092%)	(4.846%)	(5.714%)	(4.783%)
Medical Center Employees - VRS	N/A	N/A	N/A	N/A
College at Wise Employees - VRS	(5.093%)	(4.847%)	(5.707%)	(5.217%)
College at Wise Employees - VaLORS	(5.089%)	(4.853%)	(5.714%)	(5.060%)
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY</b>				
GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%
HIC OPEB Liability	12.02%	10.56%	9.51%	8.03%
LODA OPEB Liability	1.02%	0.79%	0.60%	1.30%
VSDP OPEB Liability	181.88%	167.18%	194.74%	186.63%

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\*\* The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.



## Required Supplementary Information (Unaudited)

SCHEDULE OF EMPLOYER CONTRIBUTIONS* <i>(in thousands)</i>		CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTION DEFICIENCY	EMPLOYER'S COVERED PAYROLL	CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL
GLI	2021	\$ 2,009	\$ 2,009	\$ -	\$ 378,712	0.53%
	2020	2,013	2,013	-	389,158	0.52%
	2019	1,932	1,932	-	371,530	0.52%
	2018	2,069	2,069	-	354,644	0.58%
HIC	2021	\$ 15,275	\$ 15,275	\$ -	\$ 1,363,744	1.12%
	2020	15,383	15,383	-	1,307,498	1.18%
	2019	14,907	14,907	-	1,250,372	1.19%
	2018	14,721	14,721	-	1,240,430	1.19%
LODA**	2021	\$ 42	\$ 42	\$ -	\$ 4,012	1.05%
	2020	42	42	-	3,640	1.16%
	2019	39	39	-	4,011	0.97%
	2018	35	35	-	3,367	1.04%
VSDP	2021	\$ 1,957	\$ 1,957	\$ -	\$ 326,921	0.60%
	2020	2,086	2,086	-	336,012	0.62%
	2019	1,962	1,962	-	316,075	0.62%
	2018	1,970	1,970	-	298,337	0.66%

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\*\* The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution. Therefore, covered-employee payroll is the more relevant measure, which is the total payroll of employees in the OPEB plan.

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM OPEBS

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Additional details regarding the changes of assumptions can be found in Note 13 to the financial statements.



## Required Supplementary Information (Unaudited)

### POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - UVA ADMINISTERED OPEBS

CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS* <i>(in thousands)</i>	2021	2020	2019	2018
<b>RETIREE HEALTH PLAN</b>				
Service cost	\$ 4,392	\$ 3,954	\$ 6,567	\$ 6,725
Interest	2,151	2,165	3,249	2,405
Changes in terms	-	-	-	-
Expected vs actual experience	(17,036)	(3,854)	(23,155)	1,439
Changes in assumptions	1,750	1,730	(19,294)	(5,903)
Benefit payments	(288)	(6)	(946)	(2,727)
<b>CHANGE IN RETIREE HEALTH PLAN LIABILITY</b>	<b>(9,031)</b>	<b>3,989</b>	<b>(33,579)</b>	<b>1,939</b>
Retiree Health Plan liability, beginning	48,640	44,651	78,230	76,291
<b>RETIREE HEALTH PLAN LIABILITY, ENDING</b>	<b>39,609</b>	<b>48,640</b>	<b>44,651</b>	<b>78,230</b>
<b>OPTIONAL RETIREMENT RETIREE LIFE INSURANCE</b>				
Service cost	583	483	1,283	1,475
Interest	285	264	634	527
Changes in terms	-	-	-	-
Expected vs actual experience	2,606	983	(5,514)	3,297
Changes in assumptions	643	544	(5,570)	(1,498)
Benefit payments	(7)	(7)	(6)	(1,355)
<b>CHANGE IN OPTIONAL RETIREMENT RETIREE LIFE INSURANCE LIABILITY</b>	<b>4,110</b>	<b>2,267</b>	<b>(9,173)</b>	<b>2,446</b>
Optional retirement retiree life insurance, beginning	15,945	13,678	22,851	20,405
<b>OPTIONAL RETIREMENT RETIREE LIFE INSURANCE LIABILITY, ENDING</b>	<b>20,055</b>	<b>15,945</b>	<b>13,678</b>	<b>22,851</b>
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<b>(4,921)</b>	<b>6,256</b>	<b>(42,752)</b>	<b>4,385</b>
Total OPEB Liability, beginning	64,585	58,329	101,081	96,696
<b>TOTAL OPEB LIABILITY, ENDING</b>	<b>\$ 59,664</b>	<b>\$ 64,585</b>	<b>\$ 58,329</b>	<b>\$ 101,081</b>
<b>COVERED-EMPLOYEE PAYROLL</b>				
Retiree Health Plan	\$ 564,450	\$ 543,660	\$ 522,750	\$ 482,636
Optional Retirement Retiree Life Insurance	353,850	347,724	334,350	481,884
<b>TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>				
Retiree Health Plan	7.02%	8.95%	8.54%	16.21%
Optional Retirement Retiree Life Insurance	5.67%	4.59%	4.09%	4.74%

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### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - UVA ADMINISTERED OPEBS

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - Details regarding changes in assumptions can be found in Note 13 to the financial statements.



# Financial Report 2020-21

*Prepared by UVAFinance*

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An online version of this report is available at [fro.vpfinance.virginia.edu](http://fro.vpfinance.virginia.edu)

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*Individuals, including UVA students and employees, and participants in UVA’s programs or activities, may be entitled to reasonable accommodations or modifications for a disability. The following person has been designated to handle inquiries regarding the American with Disabilities Act, Rehabilitation Act, and related statutes and regulations: ADA Coordinator, Office for Equal Opportunity and Civil Rights, (434) 924-3200, [ADACoordinator@virginia.edu](mailto:ADACoordinator@virginia.edu). A Deputy ADA Coordinator has also been designated to assist the ADA Coordinator: (434) 924-3200, [ADACoordinator@virginia.edu](mailto:ADACoordinator@virginia.edu).*

*The following person has been designated to handle inquiries regarding the non-discrimination policies: Associate Vice President, Office for Equal Opportunity and Civil Rights, (434) 924-3200, [UVAEOCR@virginia.edu](mailto:UVAEOCR@virginia.edu).*

*The following person has been designated to serve as the overall coordinator for purposes of Title IX compliance: Title IX Coordinator, (434) 297-7988, [titleixcoordinator@virginia.edu](mailto:titleixcoordinator@virginia.edu). A Deputy Title IX Coordinator has also been designated to assist the Title IX Coordinator: (434) 297-7988, [titleixcoordinator@virginia.edu](mailto:titleixcoordinator@virginia.edu).*

