

# Virginia Polytechnic Institute and State University

## **Annual Financial Report**

2024-2025



VIRGINIA TECH

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# 2025 Snapshot

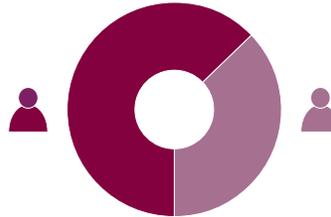
## Student Enrollment

**31,035**    **7,822**  
Undergraduate    Graduate



## Faculty and Staff

**6,022**    **3,468**  
Faculty    Staff



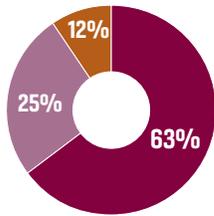
## Degrees Conferred

**7,260**    **2,812**  
Undergraduate    Graduate



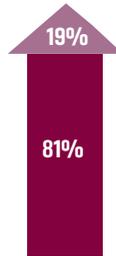
## Revenues \$2.7B

Operating    Non-Operating    Other



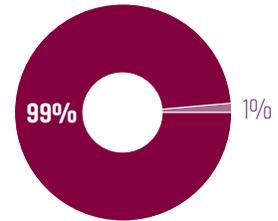
## Endowment \$2.1B

Contributions    Appreciation



## Expenses \$2.2B

Operating    Non-Operating



## Sponsored Program Awards

Number of Awards Granted

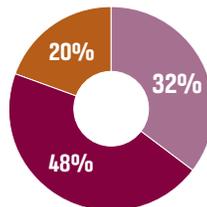
**2,097**

Value of Awards Received

**\$ 466.0M**

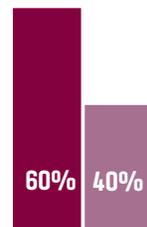
## Student Financial Aid \$738.8M

Loans    Grants    Employment



## Assets \$4.9B

Capital    Noncapital



# University Highlights

For the years ended June 30, 2021 - 2025

	<u>2020-21<sup>(1)</sup></u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<b>Student admissions</b>					
Applications received, including transfers					
Undergraduate	33,538	44,936	48,211	50,220	55,919
Graduate	7,445	7,448	8,498	8,956	10,065
Offers, as a percentage of applications					
Undergraduate	65.7%	55.8%	57.0%	57.2%	54.5%
Graduate	57.6%	59.5%	48.0%	53.7%	47.8%
New enrollment, as a percentage of offers					
Undergraduate	35.5%	30.5%	29.7%	28.9%	27.4%
Graduate	37.4%	45.0%	44.8%	41.9%	41.8%
<b>Total student enrollment (head count)</b>					
Enrollment by classification					
Undergraduate	30,020	29,760	30,434	30,504	31,035
Graduate and first professional	7,004	7,519	7,736	7,790	7,822
Enrollment by campus					
Blacksburg campus	24,878	34,656	35,593	35,734	36,205
D.C. area	752	871	715	810	837
Other off-campus locations	11,394	1,752	1,862	1,750	1,815
Enrollment by residence					
Virginia	24,479	23,619	23,722	23,426	23,250
Other states	8,998	9,966	10,564	10,857	11,436
Other countries	3,547	3,694	3,884	4,011	4,171
<b>Degrees conferred</b>					
Undergraduate (first majors)	7,393	7,290	8,076	7,271	7,260
Graduate and first professional	2,084	2,117	2,568	2,571	2,812
<b>Faculty and staff</b>					
Full-time instructional faculty	2,068	2,082	2,135	2,183	2,221
Other faculty and research associates	2,888	2,953	3,155	3,355	3,570
P14 or part-time faculty	232	249	263	231	231
Support staff	3,380	3,257	3,276	3,386	3,468
Total faculty and support staff	<u>8,568</u>	<u>8,541</u>	<u>8,829</u>	<u>9,155</u>	<u>9,490</u>
Percent of instructional faculty tenured	53%	51%	50%	50%	50%

(1) 2020-21 admissions, enrollments, and course delivery options were affected as a result of the COVID-19 pandemic.

# Financial Highlights

For the years ended June 30, 2021-2025  
 (all dollars are in millions; square feet in thousands)

	2020-21 (restated)	2021-22 (restated)	2022-23 (restated)	2023-24 (restated)	2024-25
<b>Revenues, expenses, and changes in net position</b>					
Operating revenues	\$ 1,162.3	\$ 1,311.6	\$ 1,443.3	\$ 1,537.9	\$ 1,639.9
Operating expenses	<u>1,509.5</u>	<u>1,637.2</u>	<u>1,810.4</u>	<u>1,953.9</u>	<u>2,144.6</u>
Operating loss <sup>(1)</sup>	(347.2)	(325.6)	(367.1)	(416.0)	(504.7)
Non-operating revenues and expenses <sup>(1)</sup>	517.8	436.1	545.4	611.6	689.4
Other revenues, expenses, gains or losses	<u>130.3</u>	<u>199.7</u>	<u>212.9</u>	<u>221.4</u>	<u>305.4</u>
Net increase in net position	<u>\$ 300.9</u>	<u>\$ 310.2</u>	<u>\$ 391.2</u>	<u>\$ 417.0</u>	<u>\$ 490.1</u>
<b>University net position</b>					
Net investment in capital assets	\$ 1,521.3	\$ 1,705.6	\$ 1,994.3	\$ 2,112.0	\$ 2,210.7
Restricted	\$ 251.7	\$ 259.1	\$ 322.6	\$ 443.8	\$ 659.4
Unrestricted	\$ 42.1	\$ 160.6	\$ 288.1	\$ 416.2	\$ 587.8
<b>Assets and facilities</b>					
Total university assets	\$ 3,291.9	\$ 3,578.1	\$ 4,217.0	\$ 4,512.7	\$ 4,925.6
Capital assets, net of accumulated depreciation	\$ 2,112.5	\$ 2,292.4	\$ 2,685.1	\$ 2,887.9	\$ 2,936.6
Facilities—owned gross square feet	12,273	12,373	12,530	12,643	13,004
Facilities—leased square feet	2,134	2,146	2,407	2,425	2,375
<b>Sponsored programs</b>					
Number of awards received	2,328	2,097	2,311	2,126	2,097
Value of awards received	\$ 349.3	\$ 390.3	\$ 458.1	\$ 548.1	\$ 466.0
Research expenditures reported to NSF <sup>(2)</sup>	\$ 542.0	\$ 592.0	\$ 598.1	\$ 656.9	N/A
<b>Virginia Tech Foundation Inc. (VTF)</b>					
Gifts and bequests received	\$ 177.0	\$ 203.3	\$ 136.1	\$ 178.3	\$ 150.9
Expended in support of the university	\$ 155.8	\$ 242.2	\$ 220.6	\$ 246.9	\$ 273.2
Total assets and managed funds	\$ 2,687.6	\$ 2,667.8	\$ 2,838.3	\$ 3,026.3	\$ 3,137.0
<b>Endowments (at market value)</b>					
Owned by VTF	\$ 1,184.7	\$ 1,167.3	\$ 1,314.0	\$ 1,333.9	\$ 1,439.8
Owned by Virginia Tech (held with VTF)	495.6	507.9	575.9	605.8	636.5
Managed by VTF under agency agreements	<u>10.1</u>	<u>9.6</u>	<u>10.0</u>	<u>10.5</u>	<u>11.0</u>
Total endowments supporting the university	<u>\$ 1,690.4</u>	<u>\$ 1,684.8</u>	<u>\$ 1,899.9</u>	<u>\$ 1,950.2</u>	<u>\$ 2,087.3</u>
<b>Student financial aid</b>					
Number of students receiving selected types of financial aid					
Loans	13,140	12,894	13,195	13,070	12,293
Grants, scholarships and waivers	20,606	20,179	23,478	22,690	23,194
Employment opportunities	9,747	11,693	12,390	12,789	13,362
Total amounts by major category					
Loans	\$ 202.4	\$ 206.5	\$ 226.5	\$ 246.7	\$ 239.5
Grants, scholarships and waivers	251.0	265.9	289.0	329.9	352.7
Employment opportunities	<u>94.4</u>	<u>101.6</u>	<u>122.9</u>	<u>138.3</u>	<u>146.6</u>
Total financial aid	<u>\$ 547.8</u>	<u>\$ 574.0</u>	<u>\$ 638.4</u>	<u>\$ 714.9</u>	<u>\$ 738.8</u>

(1) The university will always be expected to show an operating loss since significant recurring revenues are shown as non-operating. Major revenue sources reported as non-operating include state appropriations, gifts, and investment income. These revenue sources are used for general operations in support of the learning, discovery, and engagement missions of the university.

(2) Total research expenditures reported to the National Science Foundation for the current year were not available at publication date.

# Message from the Executive Vice President and Chief Operating Officer



Amy S. Sebring

Virginia Tech's fiscal year 2025 (FY25) demonstrates the university's commitment to excellence in financial stewardship, resilience, and continued investment in the people, programs, and infrastructure that advance our land-grant mission. The university concluded FY25 in a strong financial position, providing the flexibility and stability needed to pursue institutional priorities and mitigate economic uncertainty. Guided by our *Virginia Tech Advantage* and *Virginia Tech Global Distinction* priorities, we continued to expand access and affordability, elevate research and scholarly activity, and attract exceptional faculty and students to the institution. The university's focus on *enabling infrastructure* ensures that our physical, technological, and operational foundations are supporting excellence today while preparing Virginia Tech for the opportunities of tomorrow.

By aligning these institutional commitments with thoughtful, sound financial management and planning, we can best serve the commonwealth and support excellence in discovery, learning, and engagement. As you will see, Virginia Tech concluded FY25 well positioned to continue delivering for our students, employees, and university partners.

The university's total revenue climbed 11.1 percent over the prior year to \$2.63 billion. Total expenses were \$2.14 billion, resulting in a net position increase of \$490.1 million (16.5 percent). The value of the university's investments held within the Virginia Tech Foundation totaled \$636.5 million, an increase of \$30.7 million. Additionally, the value of grants, scholarships, and waivers awarded to students totaled \$353 million, and the value of total sponsored program awards reached \$466 million.

Demand for a Virginia Tech education has never been greater – across geographies, demographics, and academic disciplines. Virginia Tech received a record 52,365 first-year applications for fall 2024, a figure that marks an 11 percent total increase over the prior year and includes increased application totals across each of the first-generation, in-state, out-of-state, and international student populations. Total enrollment for the 2024-2025 academic year reached a new high of 38,857 students, including 31,035 undergraduates and 7,822 graduate and professional students, both slight increases from the prior academic year. Retention rates continue to remain a point of emphasis for the university, and the first-year retention rate of 93.1 percent also ticked higher from last year.

Virginia Tech continues to experience increased demand for professional programs, including Veterinary and Human Medicine. In collaboration with the Commonwealth of Virginia, the university has set a goal

to strategically grow enrollment at the Virginia Tech-Carilion School of Medicine to help address the commonwealth's and country's need for more physicians. The state provided General Fund support in FY25 to support this goal and has voiced support for expanding the Virginia Tech-Carilion School of Medicine campus to accommodate a growing medical program. The university is also in the planning stage of expanding enrollment in the Virginia-Maryland College of Veterinary Medicine to address state workforce needs.

National rankings continue to recognize the university's upward trajectory. Virginia Tech was ranked 21st among top public schools in the U.S. News & World Report's 2024-25 Best College rankings, and ranked 13th among all U.S. public schools in recent Wall Street Journal/College Pulse rankings that assess how much a school improves students' chances of graduating, their future earnings, and the overall student experience.

The university's commitment to empowering impactful research, scholarship, and creative activity – *Virginia Tech Global Distinction* – continues to be a significant marker of excellence. The National Science Foundation's latest Higher Education Research and Development (HERD) survey, which charts the nation's institutional research expenditures, reflects Virginia Tech's growth of externally funded expenditures to \$453 million in FY24, up from \$418 million the prior year.

Virginia Tech faculty were recognized for a fifth consecutive year by the Times Higher Education (THE) World University Rankings for their leadership of interdisciplinary efforts and development of global partnerships. Assessing nearly 2,200 universities around the globe across five criteria – teaching, research environment, research quality, international outlook, and industry – THE ranked Virginia Tech in the top 15 percent (in the 251-300 range overall) of all institutions.

The Commonwealth of Virginia made robust investments in Virginia Tech to support the operations of the academic division, cooperative extension and agricultural experiment station division, student financial aid assistance, research, and the Corps of Cadets programs during FY25. In total, \$463.5 million was appropriated to the university, an increase of \$60 million over the prior year, including significant one-time investments directly supporting access and affordability, financial aid, and biotechnological research. Reflecting a commitment to support Virginia's talented workforce, the appropriation also provided funding for the state's share of a 3 percent compensation program and 1.5 percent bonus payment for faculty, staff, and graduate students.

Philanthropy continues to be an essential component of advancing institutional progress, supporting student success, and enabling greater impact on the people and communities we serve. In FY25, the university benefited from the remarkable generosity of Hokie alumni, friends, students, parents, community members, and partners from corporations and foundations. The university received \$241 million in new gifts and commitments – the second highest annual total ever and a 7 percent increase from the prior year. The five-year annual average for new gifts and commitments stands at \$232 million. Our alumni and students continue to set national standards with philanthropic participation. The percentage of undergraduate alumni who contribute to the university topped 20 percent for a fourth straight year – consistently among the nation's best rates for public universities – and 50 percent of the Class of 2025 participated in the Senior Class Giving Campaign. Virginia Tech's Giving Day raised more than \$21 million from 24,000 donors in all 50 states and 41 different countries.

Virginia Tech continued to achieve significant progress toward philanthropic milestones. The Boundless Impact Campaign, which launched in 2019, had raised nearly \$1.88 billion and engaged more than 117,000 alumni as of June 30, 2025, surpassing its goal of \$1.87 billion two years ahead of schedule. Further, over \$53 million of the fiscal year's donations counted toward *Virginia Tech Advantage*, bringing the total raised for that priority to \$105.7 million – with a goal of raising \$500 million by 2033. More than \$70.9 million was raised in support of *Virginia Tech Global Distinction* priorities such as faculty and graduate student support, research facilities and equipment, and project-specific funding.

In addition, the value of the Virginia Tech Foundation's endowed assets totaled \$2.09 billion as of June 30, 2025, an increase from the FY24 total of \$1.95 billion. The continued strength in philanthropy, coupled with solid endowment performance, offers flexibility to invest in university priorities and expand financial aid resources for students.

Creating new opportunities for learning, research, and discovery is paramount to serving the commonwealth as a leading land-grant institution. A variety of strategic activities, partnerships, and investments during FY25 underscore Virginia Tech's commitment to driving economic and workforce progress through its educational, research and extension activities, while creating pathways for innovation:

- The U.S. Department of Energy Office of Fossil Energy and Carbon Management selected Virginia Tech to lead an \$11.6 million feasibility research study for developing a regional carbon dioxide storage complex in the Roanoke Valley. Located in Botetourt County, the study pairs Virginia Tech's pioneering research team with a variety of industry partners to investigate the effectiveness of a cutting-edge geologic carbon sequestration process.
- This spring, the Virginia Tech National Security Institute (NSI) and the Virginia Tech Mid-Atlantic Aviation Partnership (MAAP) received a \$5 million award from the U.S. Department of Defense to lead the new Counter UAS Research and Testing Center, aimed at creating an ecosystem of drone research with outdoor, indoor, and virtual labs working in tandem. Students from NSI and MAAP are engaged in the creation of the virtual environment and outdoor test bed, supporting the development of the field's future workforce. The NSI also continued its collaboration with Northrop Grumman engineers on a multi-year project aimed at strengthening wireless security by developing smart radio techniques to detect anomalies that could compromise secure data.
- Project VITAL (Virginia Innovations and Technology Advancements in Life Sciences), a statewide initiative, announced it will direct \$4.9 million to strengthen Southwest Virginia's position in fields such as medical devices, oncology therapeutic research, and neurotechnology. Virginia Tech, in partnership with Carilion Clinic and the Roanoke Blacksburg Innovation Alliance, will help lead the project, which will include support for innovation fellowships facilitated through LAUNCH: Center for New Ventures at Virginia Tech.
- The State Council of Higher Education for Virginia (SCHEV) made significant investments supporting current and prospective Virginia Tech students. In November, SCHEV awarded more than \$7.4 million to support Pell Grant-eligible students

participating in the university's Graduation Plan for Success, Hokie Summer Scholars, and eleVaTed Scholars programs – all aimed at enhancing educational and experiential learning outcomes. And in June, SCHEV announced Virginia Tech's \$4.5 million grant to strengthen pathways to higher education for students across the commonwealth, particularly for prospective first-generation and Pell-eligible students.

- Fralin Biomedical Research Institute established a laboratory on the Children's National Hospital Research and Innovation Campus in Washington, D.C., a further expansion of an existing partnership to advance pediatric cancer research.

Supporting the institution's mission and long-term vision, Virginia Tech's portfolio of active capital projects had a total combined budget of \$1.35 billion for FY25, with \$151 million of annual expenditures and \$765 million of cumulative expenditures across 24 projects. In February, the university celebrated the opening of the 11-story, 300,000 gsf Academic Building One in Alexandria, Virginia. The building houses the Institute for Advanced Computing and supports outreach and partnerships that advance research and education in artificial intelligence, quantum science, and next-generation technology. The university's new Undergraduate Science Laboratory Building in Blacksburg, spanning approximately 102,000 gross-square-feet, advances interdisciplinary scholarship among students and faculty from several colleges. In addition to collaboration and instructional spaces, the building provides 26 flexible and adaptable laboratories that enable students to work on projects bridging academic instruction with experiential learning and real-world applications. A fully renovated War Memorial Hall opened for the 2024-25 academic year, and planning efforts are underway to expand and improve student's residential experience, enhance Rescue Squad operations, and expand operations for the College of Veterinary Medicine.

The university's forward looking 2026-2032 Capital Outlay Plan reflects the university's priorities for academic, auxiliary, and infrastructure projects which will be supported through a combination of state and institutional resources, including the prudent use of debt. For FY25, the university reported a debt ratio of 4.92 percent, with a long-term debt liability of \$725 million. Virginia Tech owns an Aa1 credit rating from Moody's Investors Service Inc., and in December 2025, S&P Global Ratings upgraded the university's rating from AA to AA+. S&P cited the university's improved enrollment, selectivity, operating results, and financial resources as key drivers of the upgrade. This achievement illustrates the proactive and comprehensive planning our teams do around capital outlay and debt allocation. As the scope and complexity of projects continue to evolve, the university will continue to strike a sustainable balance between meeting the university's near-term needs and preserving capacity for future projects and priorities.

This is a transformational period for higher education and for Virginia Tech. The years ahead will require significant new financial commitments in support of our institutional priorities, whilst maintaining a prudent posture in an evolving external environment. However, as the following pages demonstrate, the university enters this period with a strong financial position to deliver on these ambitions and manage any such challenges. Led by our incredible students, faculty, and staff, and driven by our *Ut Prosim* (That I May Serve) shared responsibility, Virginia Tech continues to excel in its mission and advance our communities, the commonwealth, and the world.

# Management's Responsibility for Financial Reporting and Internal Controls



The information in this *Annual Financial Report*, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia Tech executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the university. Management believes the information is accurate in all material respects and fairly presents the university's revenues, expenses, and changes in net position as well as its overall financial condition. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The *Annual Financial Report* includes all disclosures necessary for the reader of this report to gain a broad understanding of the university's operations for the year ended June 30, 2025.

The administration is responsible for establishing and maintaining the university's system of internal controls. Key elements of the university's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Office of the University Controller; a growing management services segment; and an extensive internal audit function. 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, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Virginia Tech Board of Visitors maintains two committees which review and monitor the university's financial reporting and accounting practices. The Finance and Resource Management Committee meets with university financial officers and external independent auditors annually to review the *Annual Financial Report*, results of audit examinations, and quality of financial reporting. The Compliance, Audit, and Risk Committee periodically meets with internal auditors and university financial officers. These meetings include a review of the scope, quality, and results of the internal audit program, as well as a review of issues related to internal controls.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has audited these annual financial statements and the report thereon appears on the facing page. The APA audit includes a study and evaluation of the university's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues considered worthy of management's attention. The university has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2025.

Simon P. M. Allen  
Vice President for Finance and Chief Financial Officer

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
*An equal opportunity employer*



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

November 17, 2025

The Honorable Glenn Younkin, Governor of Virginia  
Joint Legislative Audit and Review Commission  
Board of Visitors, Virginia Polytechnic Institute and State University  
Timothy D. Sands, President, Virginia Polytechnic Institute and State University

## INDEPENDENT AUDITOR'S REPORT

### Report on Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities and discretely presented component unit of **Virginia Polytechnic Institute and State University** (Virginia Tech), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of another auditor, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Virginia Tech as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit of Virginia Tech, which is discussed in Notes 1 and 27. Those statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the component unit of Virginia Tech, are based solely on the report of the other auditor.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Tech, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the component unit of Virginia Tech that were audited by another auditor, upon whose report we are relying, were not audited in accordance with Government Auditing Standards.

#### *Emphasis of Matter*

##### Change in Accounting Principle

As discussed in Note 1 of the accompanying financial statements, Virginia Tech implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which updates existing recognition and measurement guidance. Our opinions are not modified with respect to this matter.

*Other Matter***Report on Summarized Comparative Information**

We have previously audited Virginia Tech's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated November 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 Statement No. 101, as discussed in Note 1.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Tech's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Tech's ability to continue as a going concern for a reasonable period of time.

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

*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 11 through 18; the Schedule of Virginia Tech's Share of Net Pension Liability, the Schedule of Virginia Tech's Pension Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 64 through 65; the Schedule of Virginia Tech's Share of OPEB Liability (Asset), the Schedule of Virginia Tech's Share of OPEB Contributions, and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare, Health Insurance Credit, Group Life Insurance, Disability Insurance, and Line of Duty programs on pages 66 through 69; Such information is the responsibility of management and, 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Virginia Tech's basic financial statements. The supplementary information, such as the Virginia Tech Foundation, Inc. information and Affiliated Corporations Financial Highlights, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information, including the Virginia Tech Foundation, Inc. information and Affiliated Corporations Financial Highlights, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the 2025 Snapshot, University Highlights, Financial Highlights, and Message from the Executive Vice President and Chief Operating Officer but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2025, on our consideration of Virginia Tech's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Virginia Tech's internal control over financial reporting and compliance.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

MBR/vks



*Photo by Ryan Young/Virginia Tech*

# Management’s Discussion and Analysis

(Unaudited)

Virginia Polytechnic Institute and State University, popularly known as Virginia Tech, is a comprehensive land-grant university located in Blacksburg, Virginia. The university offers approximately 280 graduate, undergraduate, and professional degree programs through its nine academic colleges: Agriculture and Life Sciences; Architecture, Arts, and Design; Engineering; Liberal Arts and Human Sciences; Natural Resources and Environment; Pamplin College of Business; Science; Virginia-Maryland College of Veterinary Medicine; and Virginia Tech Carilion School of Medicine.

Virginia Tech has evolved into a position of increasing national prominence since its founding in 1872, consistently ranking among the nation’s top universities for undergraduate and graduate programs.

The university is an agency of the Commonwealth of Virginia and therefore included as a component unit in the Commonwealth of Virginia’s *Annual Comprehensive Financial Report*. The 14 members of the Virginia Tech Board of Visitors govern university operations. Members of the board are appointed by the Governor of Virginia.

## Overview

This unaudited *Management’s Discussion and Analysis* (MD&A) is required supplemental information under the Governmental Accounting Standards Board’s (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provide an overall view of the university’s financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the university’s financial condition and results of operations for the fiscal year ended June 30, 2025. Comparative numbers are included for the fiscal year ended June 30, 2024, and have been restated for the implementation of GASB Statement 101, *Compensated Absences*. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. The university’s management is responsible for all of the financial information presented, including this discussion and analysis.

The university’s financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements 37, 38, and 63. The three required financial statements are the *Statement of Net Position* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Position* (operating statement), and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections.

In accordance with Section 2100 of the GASB codification, the university’s nine affiliated corporations were evaluated on the nature and significance of their relationship to the university. The Virginia Tech Foundation Inc. (VTF or the foundation) was determined to be a component unit and is presented in a separate column on the university’s financial statements. VTF serves the university by generating significant funding from private sources and aggressively managing its assets to provide supplemental funding to the

university. The foundation is not part of this MD&A, but details regarding its financial activities can be found in Note 27 of the *Notes to Financial Statements*. Transactions between the university and this component unit have not been eliminated in this year’s financial statements.

The following GASB statements of standards became effective and were implemented in fiscal year 2025: Statement 101, *Compensated Absences* and Statement 102, *Certain Risk Disclosures*.

GASB Statement 101, *Compensated Absences*, was issued in June 2022. This statement requires a liability to be recognized for leave that is attributable to past service, accumulates, and is more likely than not to be used or paid, as well as for leave that has been used but not yet paid. Certain leave types, such as parental leave, are only recognized once the leave begins. Liabilities are measured based on the employee’s pay rate as of the financial statement date and include additional compensation amounts that are directly and incrementally tied to the leave payments. The university adopted GASB Statement 101 in fiscal year 2025 with an implementation date of July 1, 2024 and fiscal year ending June 30, 2024 has been restated as follows:

Net position June 30, 2024	\$ 2,972,030
Accrued compensated absences	(4,199)
Adjusted net position June 30, 2024	<u>\$ 2,967,831</u>

In December 2023, GASB issued Statement 102 *Certain Risk Disclosures*. This statement aims to improve transparency regarding certain risks faced by state and local governments. Specifically, the statement requires disclosure of vulnerabilities arising from concentrations (lack of diversity in significant resource inflows or outflows) and constraints (external or internal limitations on a government’s operations or finances). The university must assess and disclose when such factors could lead to a substantial impact, particularly if related events have occurred, are occurring, or are likely to occur within 12 months of the financial statement’s issuance. Required disclosures include the nature of the concentration or constraint, associated events, and any mitigation actions taken. The statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The university adopted GASB Statement 102 in fiscal year 2025 with an implementation date of July 1, 2024. The university determined there were no concentrations and constraints that met the disclosure requirements of GASB Statement 102.

In April 2023, the National Association of College and University Business Officers (NACUBO) issued Advisory Report (AR) 2023-01 *Public Institutions: Accounting for and Reporting Financial Aid as a Discount* to supersede AR 2000-05. The updated reporting framework standardizes the treatment of institutional scholarships, grants, and other financial aid as a reduction of tuition and fee revenue (contra-revenue) rather than as a scholarship expense. The new guidance also refines the methodologies used to estimate tuition discounts, improving alignment with financial aid disbursements and enhancing consistency and transparency across public institutions. The university adopted NACUBO AR 2023-01 in fiscal year 2025 with an implementation date of July 1, 2024.



Photo by Luke Hayes/Virginia Tech

## Statement of Net Position

The *Statement of Net Position* (SNP) presents the university's assets, liabilities, and net position as of the end of the fiscal year. The purpose of this statement is to present a snapshot of the university's financial position to readers of the financial statements.

The data presented aids readers in determining the assets available to continue operations of the university. It also allows readers to see what the university owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of the university's net position and the restrictions for expenditure of the components of net position. Sustained increases in net position over time are one indicator of the financial health of the organization.

The university's net position is classified as follows:

*Net investment in capital assets* – Net investment in capital assets represents the university's total investment in capital assets, net of accumulated depreciation, amortization, and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.

*Restricted component of net position, nonexpendable* – The nonexpendable category of the restricted component of net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal. The university's nonexpendable endowments of \$15.2 million are included in its column on the SNP.

*Restricted component of net position, expendable* – The expendable category of the restricted component of net position includes resources the university is legally or contractually obligated to expend, with restrictions imposed by external third parties. This category partially consists of quasi-endowments totaling \$60.1 million. The investment of quasi-endowments is managed by VTF.

*Unrestricted component of net position* – The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the university and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose in support of the university's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide

services for students, faculty, and staff. Examples of the university's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets increased by \$412.9 million or 9.1% during the fiscal year 2025, bringing the total to \$4,925.6 million at year-end. Current assets increased by \$41.2 million. The growth is the result of increases in accounts and contributions receivable of \$27.9 million largely in grants and contracts and auxiliary and other operating activities, an increase in the amount due from Commonwealth of Virginia of \$7.7 million for appropriations related to the School of Medicine, a rise of \$7.7 million in prepaid expenses, and an increase of \$1.3 million in inventories. These upturns were offset by a slight decline in cash and cash equivalents of \$3.4 million. Noncurrent assets grew by \$371.7 million. Depreciable capital assets, net, increased by \$373.1 million reflecting the capitalization of completed university research, instructional, and auxiliary facilities discussed in detail in the following section, *Capital Asset and Debt Administration*. Noncurrent cash and cash equivalents grew by \$62.7 million. Due from the Commonwealth of Virginia grew by \$210.3 million due to an increase in appropriations receivable for capital projects. Long-term investments rose \$56.9 million while nondepreciable capital assets declined by \$324.3 million due to the completion and capitalization of the Academic Building One in Alexandria, Virginia, as well as several smaller capital and renovation projects on the university's main campus.

Total university liabilities declined by \$62.3 million or 3.9% during fiscal year 2025. The current liabilities category increased by \$12.0 million. The change in current liabilities was largely due to an increase of \$9.5 million in compensated absences, attributable to a change in university leave programs during fiscal year 2024 that increased the amount earned annually for certain employee categories as well as added additional holiday time for administrative and professional faculty. There was also a rise of \$4.6 million in funds held in custody for others with smaller increases in the current portion of long-term debt, unearned revenue, and other postemployment benefits. Noncurrent liabilities fell by \$74.3 million. The largest decreases in this area were for long-term debt of \$42.4 million, due to normal debt payments, and a long-term lease payable decrease of \$18.9 million, due to the normal lease payments, as well as decreases in the actuarially determined pension liability (\$10.3 million) and other postemployment benefits (\$11.5 million). These declines were offset by increases in the following areas: accrued compensated absences of \$ 4.7 million, subscription-based IT arrangements liabilities of \$2.5 million, and other liabilities of \$1.7 million.

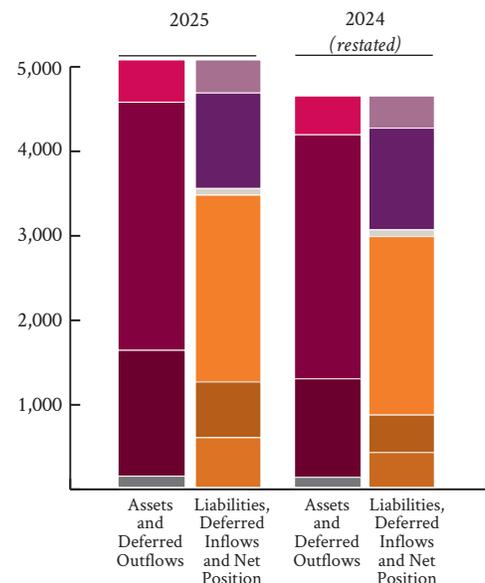
### Summary of Assets, Liabilities, and Net Position

#### Assets, Liabilities, and Net Position

For the years ended June 30, 2025 and 2024  
(all dollars in millions)

	2025	2024 (restated)	Change	
			Amount	Percent
Current assets	\$ 500.2	\$ 459.0	\$ 41.2	9.0 %
Capital assets, net*	2,936.6	2,887.9	48.7	1.7 %
Other assets	1,488.8	1,165.8	323.0	27.7 %
Total assets	4,925.6	4,512.7	412.9	9.1 %
Deferred outflow of resources	132.7	118.5	14.2	12.0 %
Current liabilities	391.9	379.9	12.0	3.2 %
Noncurrent liabilities	1,129.6	1,203.9	(74.3)	(6.2)%
Total liabilities	1,521.5	1,583.8	(62.3)	(3.9)%
Deferred inflow of resources	78.9	79.6	(0.7)	(0.9)%
Invested in capital assets, net	2,210.7	2,112.0	98.7	4.7 %
Restricted	659.4	443.8	215.6	48.6 %
Unrestricted	587.8	412.0	175.8	42.7 %
Total net position	\$ 3,457.9	\$ 2,967.8	\$ 490.1	16.5 %

\* includes long-term leases and SBITAs



## Summary of Capital Project Funding

### Funding for Authorized Current and Future Capital Projects

As of June 30, 2025

(all dollars in millions)

	State Funds <sup>(1)</sup>	Other Funds <sup>(2)</sup>	Future Debt Issuances Planned <sup>(3)</sup>	Total Funding	Cash Basis Project-To-Date Expenses
Current education and general	\$ 425.0	\$ 52.9	\$ 33.6	\$ 511.5	\$ 118.0
Current auxiliary enterprise	-	14.5	-	14.5	13.4
Total current	425.0	67.4	33.6	526.0	131.4
Future education and general	25.5	109.6	-	135.1	8.0
Future auxiliary enterprise	-	-	-	-	-
Total future	25.5	109.6	-	135.1	8.0
Total authorized	\$ 450.5	\$ 177.0	\$ 33.6	\$ 661.1	\$ 139.4

(1) Includes the general fund, capital appropriations, and the general obligation bonds of the Commonwealth of Virginia.

(2) Includes private gifts, auxiliary surpluses, student fees, and other customer revenues.

(3) Includes bonds and notes payable the university plans to issue in future years which will be repaid by the university.

The increase in total assets along with the increase in total liabilities is reflected in the year-over-year growth of the university's net position of \$490.1 million (16.5%). Net position in the category of net investment in capital assets increased by \$98.7 million, reflecting continued investment in new facilities and equipment supporting the university's mission. Unrestricted net position rose by \$175.4 million (42.5%) due to the prudent management of fiscal resources as well as the net change of \$39.3 million in VRS Pension and OPEB liabilities, and deferred inflows and outflows.

### Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the university's academic, research, and residential life functions is the development and renewal of its capital assets. The university continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serve to enrich high-quality instructional programs, residential lifestyles, and research activities.

Note 7 of the *Notes to Financial Statements* describes the university's significant investment in depreciable capital assets, with gross additions of \$569.3 million during fiscal year 2025. Major projects included the completion of the Upper Quad Hall North residence hall (\$73.0 million), Hitt Hall (\$69.7 million), the Corps Leadership and Military Science building (\$47.6 million), and Slusher Hall renovation (\$6.6 million). Ongoing investments in instructional, research, and computer equipment, as well as pooled assets, totaled \$96.5 million. Depreciation and amortization expense related to capital assets was \$192.8 million with net retirement of depreciable assets of \$3.4 million. The net decrease in nondepreciable capital assets (\$324.3 million) was primarily due to the completion of multiple construction projects during fiscal year 2025. The construction-in-progress category includes the construction of Mitchell Hall to replace Randolph Hall (\$39.6 million) and other ongoing capital improvements and renovations throughout the university (\$116.9 million). In addition, \$15.3 million was withheld as retainage payable on major projects under construction. This retainage amount will be moved to the building asset category once final payments are made to the construction contractors. Proceeds from the sale of commercial paper were used to provide temporary funding for some projects under construction. The majority of the temporary financing will be replaced with the issuance of long-term bonds and notes.

Total liabilities related to debt, long-term leases, and SBITAs experienced a net decrease of \$56.1 million during fiscal year 2025. This decrease was due to retirements and terminations (\$71.6 million) and the net effect of debt refundings during the current year (\$1.7 million). This decrease was offset by the addition of long-term leases payable (\$3.4 million), and SBITAs payable (\$14.1 million). See Notes 12, 13, 14, 15, and 16 of the *Notes to Financial Statements* for more details.

The educational and general (E&G) portion of the university's capital outlay program includes five projects currently under construction. These projects include construction of Mitchell Hall (\$359.1 million) and building envelope improvements (\$47.2 million). Future capital projects include the planning phase of a new building for the Pamplin College of Business (\$94.0 million) and improvements to the Center Woods complex (\$14.7 million). The Commonwealth of Virginia will provide partial funding for several of these E&G projects. In addition to funding received from the commonwealth, the projects may also be funded from a combination of private gifts, student fees, other customer revenues, and debt financing.

The auxiliary enterprises portion of the university's capital outlay program consisted solely of maintenance reserve projects at the end of fiscal year 2025. Since auxiliaries are required to be self-supporting, no state general funds or capital appropriations are provided for these projects. These projects are funded by a combination of private gifts, student fees, other customer revenues, and debt financing.

Virginia Tech had a total authorization of \$661.1 million in capital building projects as of June 30, 2025, requiring approximately \$33.6 million in additional debt financing. Capital projects in progress carried commitments to construction contractors, architects, and engineers totaling \$63.3 million at June 30, 2025. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. The majority of the financial commitment is attributed to the construction of Mitchell Hall to replace Randolph Hall (\$37.4 million) and the Virginia Tech-Carilion School of Medicine and Fralin Biomedical Institute expansion (\$12.2 million). These commitments represent only a portion of the university's capital projects currently under construction or authorized by the commonwealth.

The university's bond and commercial paper ratings shown in the table below reflect strong student demand, balanced operating performance, and adequate reserves to address unforeseen expenses.

	Bonds	Commercial Paper
Moody's Investor Service Inc.	Aa1	P-1
S&P Global Ratings	AA+	A-1+

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

Operating and non-operating activities creating changes in the university's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position*, found on page 21. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the university. Operating expenses are expenditures made to acquire or produce the goods and

services provided in return for the operating revenues, and to carry out the missions of the university. Salaries and fringe benefits for faculty and staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided. Included in this category are state appropriations and gifts which supplement the payment of operating expenses of the university and support of student scholarships. Therefore, the university, like most public institutions, expects to show an operating loss.

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

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

For the years ending June30, 2025 and 2024

(all dollars in millions)

	2025	2024 (restated)	Change	
			Amount	Percent
Operating revenues	\$ 1,639.9	\$ 1,537.9	\$ 102.0	6.6 %
Operating expenses	2,144.6	1,958.1	186.5	9.5 %
Operating loss	(504.7)	(420.2)	(84.5)	20.1 %
Non-operating revenues and expenses	689.4	611.6	77.8	12.7 %
Income (loss) before other revenues, expenses, gains or losses	184.7	191.4	(6.7)	(3.5)%
Other revenues, expenses, gains or losses	305.4	221.4	84.0	37.9 %
Increase in net position	490.1	412.8	77.3	18.7 %
Net position - beginning of year	2,967.8	2,555.0	412.8	16.2 %
Net position - end of year	\$ 3,457.9	\$ 2,967.8	\$ 490.1	16.5 %



Photo by Luke Hayes/Virginia Tech

## Operating Revenues

Total operating revenues increased by \$102.0 million or 6.6% from the prior fiscal year. The growth in operating revenues came mainly from two areas. Total sponsored grants and contracts, including federal appropriations, grew by \$54.9 million. Grants and contracts awarded by federal sponsors increased by \$48.8 million, state grants and contracts increased by \$4.0 million, and nongovernmental grants and contracts grew by \$2.0 million. Revenues from auxiliaries, such as athletics and dorm and dining programs, rose \$48.3 million. Student tuition decreased \$10.4 million due to the implementation of new NACUBO guidance on the calculation of student discounts and allowances. The new calculation method resulted in lower tuition and fees, net of discounts and allowances, as well as lower scholarship expense. Finally, other operating revenues rose by \$7.6 million. Overall, the university's operating revenues climbed from \$1,537.9 million in fiscal year 2024 to \$1,639.9 million in fiscal year 2025.

## Non-operating and Other Revenues and Expenses

Non-operating revenues and expenses totaled \$689.4 million, an increase of \$77.8 million from the previous year's total. The revenue increase in this category resulted primarily from growth in state appropriations of \$60.3 million, an increase of \$9.6 million gift revenue transferred from the Virginia Tech Foundation, a rise of investment income of \$4.1 million, as well as a rise in of \$6.7 million in federal financial aid. Additionally, there was a decrease of \$1.8 million in interest related to long-term debt, leases, and SBITAs. These increases in revenue were partially offset by a decline in other non-operating revenues of \$5.1 million largely due to a decrease in the special contributions from the commonwealth for the VRS pension and OPEB programs.

Total other revenues, expenses, gains, and losses grew by \$84.0 million compared to the prior year. The university received an increase in capital appropriation funding of \$151.1 million for capital projects and the maintenance reserve program. Capital grants and gifts declined \$65.7 million largely due to a decrease in capital projects being funded by the VCBA 21st Century Program.

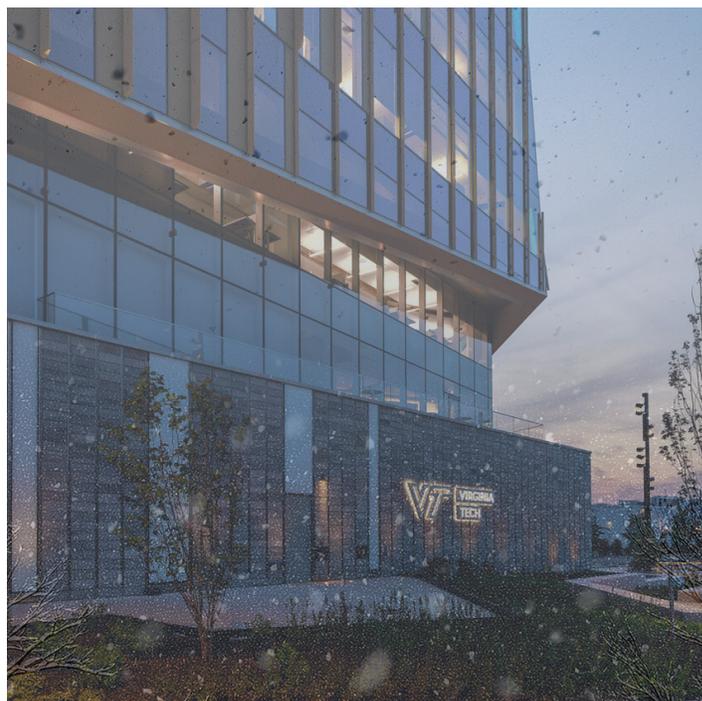


Photo by Craig Newcomb/Virginia Tech

Revenues from all sources (operating, non-operating, and other) for fiscal year 2025 totaled \$2,634.7 million, increasing by \$263.8 million from the prior year. Operating expenses totaled \$2,144.6 million for fiscal year 2025, reflecting a year-over-year increase of \$186.5 million. Total revenues less total operating expenses resulted in an increase to net position of \$490.1 million.

### Summary of Revenues

#### Increase (Decrease) in Revenue

For the years ending June 30, 2025 and 2024  
(all dollars in millions)

	2025	2024 (restated)	Change	
			Amount	Percent
<b>Operating revenue</b>				
Student tuition and fees, net	\$ 676.0	\$ 686.4	\$ (10.4)	(1.5)%
Grants and contracts <sup>(1)</sup>	503.8	448.9	54.9	12.2 %
Auxiliary enterprises	408.6	360.3	48.3	13.4 %
Other operating revenue <sup>(2)</sup>	51.5	42.3	9.2	21.7 %
<b>Total operating revenue</b>	<u>1,639.9</u>	<u>1,537.9</u>	<u>102.0</u>	<u>6.5 %</u>
<b>Non-operating revenue</b>				
State appropriations	463.5	403.1	60.4	15.0 %
Other non-operating revenue <sup>(3)</sup>	225.9	208.5	17.4	8.3 %
<b>Total non-operating revenue</b>	<u>689.4</u>	<u>611.6</u>	<u>77.8</u>	<u>12.7 %</u>
<b>Other revenue</b>				
Capital appropriations	266.5	115.5	151.0	130.7 %
Capital grants and gifts	40.0	105.6	(65.6)	(62.1)%
Gain (loss) on disposal of capital assets	(1.1)	0.3	(1.4)	(466.4)%
<b>Total other revenue</b>	<u>305.4</u>	<u>221.4</u>	<u>84.0</u>	<u>37.9 %</u>
<b>Total revenue</b>	<u>\$ 2,634.7</u>	<u>\$ 2,370.9</u>	<u>\$ 263.8</u>	<u>11.1 %</u>

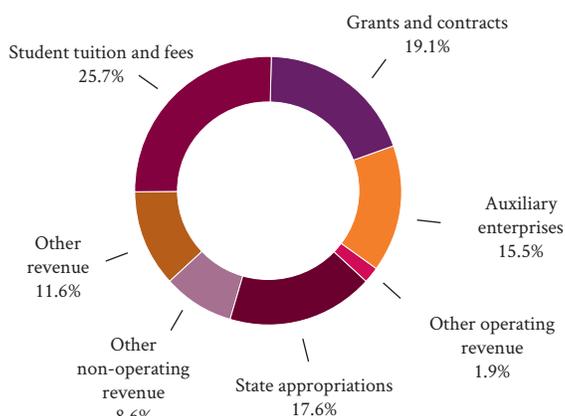
(1) Includes federal appropriations.

(2) Includes sales and services of educational activities.

(3) Includes gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, and other non-operating revenue.

#### Total Revenue by Source

For the year ending June 30, 2025



### Summary of Expenses by Natural Classification

#### Increase (Decrease) in Expenses by Natural Classification

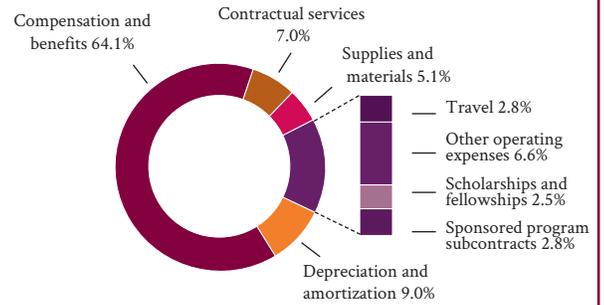
For the years ended June 30, 2025 and 2024  
(all dollars in thousands)

	2025	2024 (restated)	Change	
			Amount	Percent
Compensation and benefits	\$ 1,375.5	\$ 1,257.8	\$ 117.7	9.4 %
Contractual services	150.8	130.4	20.4	15.6 %
Supplies and materials	109.3	114.4	(5.1)	(4.5)%
Travel	60.5	55.6	4.9	8.8 %
Other operating expenses	142.1	105.9	36.2	34.2 %
Scholarships and fellowships*	53.3	65.9	(12.6)	(19.1)%
Sponsored program subcontracts	60.3	53.1	7.2	13.6 %
Depreciation and amortization	192.8	175.0	17.8	10.2 %
Total operating expenses	\$ 2,144.6	\$ 1,958.1	\$ 186.5	9.5 %

\*Includes loan administrative fees and collection costs.

#### Expenses by Natural Classification

For the year ended June 30, 2025



### Total Expenses

The university is committed to recruiting and retaining outstanding faculty and staff. The personnel compensation package is one way to successfully compete with peer institutions and nonacademic employers. The natural expense category, compensation and benefits, comprises \$1,375.5 million or 64.1% of the university's total operating expenses. This category increased by \$117.7 million (9.4%) over the previous year. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trend in the costs of fringe benefits. The benefits section is also affected by the changes in the actuarially calculated expenses for the OPEB and pension programs. Almost all of the natural expense categories saw increases as the university continues to grow and expand.

Operating expenses for fiscal year 2025 totaled \$2,144.6 million, an increase of \$186.5 million or 9.5% from fiscal year 2024. In the functional categories of expense, research experienced the largest increase (\$41.9 million) reflecting

the increase in sponsored program awards and the continued investment in university research centers. Instruction had the second-largest increase (\$39.7 million) reflecting the continued investment in providing the highest quality education for students of the university. Auxiliary enterprise functions grew by \$30.6 million, driven by increases in athletics as well as dorm and dining. Public service rose \$31.2 million, with one of the largest contributors to the increase being a USDA public service alliance grant.

In summary, the university's operating revenues increased by \$100.4 million or 6.5% over the preceding year, while operating expenses grew by \$186.5 million or 9.5%. This resulted in an operating loss for the current fiscal year of \$506.3 million in comparison to the operating loss of \$420.2 million generated during the previous year. State appropriations, investment earnings, and other net non-operating revenues were used to meet operating expenses not offset by operating revenues.

### Summary of Expenses by Function

#### Increase (Decrease) in Expenses by Function

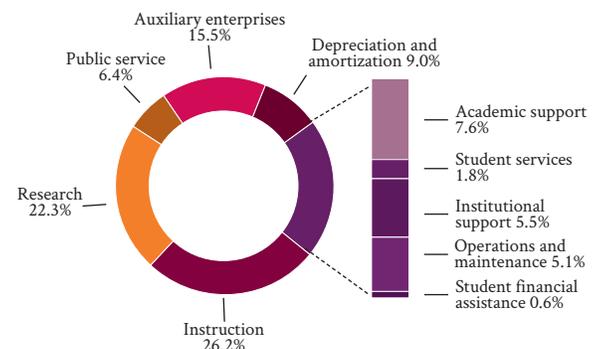
For the years ended June 30, 2025 and 2024  
(all dollars in millions)

	2025	2024 (restated)	Change	
			Amount	Percent
Instruction	\$ 563.0	\$ 523.3	\$ 39.7	7.6 %
Research	478.2	436.3	41.9	9.6 %
Public service	136.9	105.7	31.2	29.5 %
Auxiliary enterprises	332.0	301.4	30.6	10.2 %
Depreciation and amortization	192.8	175.0	17.8	10.2 %
Subtotal	1,702.9	1,541.7	161.2	10.5 %
Support, maintenance, and other				
Academic support	162.2	148.4	13.8	9.3 %
Student services*	39.2	35.2	4.0	11.4 %
Institutional support	117.3	103.3	14.0	13.6 %
Operations and maintenance	109.6	91.7	17.9	19.5 %
Student financial assistance	13.4	37.8	(24.4)	(64.6)%
Total support, maint., and other	441.7	416.4	25.3	6.1 %
Total operating expenses	\$ 2,144.6	\$ 1,958.1	\$ 186.5	9.5 %

\*Includes loan administrative fees and collection costs.

#### Expenses by Function

For the year ended June 30, 2025



## Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the university during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows to meet its obligations.

The statement is divided into five sections. The first section, cash flows from operating activities, deals with operating cash flows and shows net cash used by operating activities of the university. The cash flows from noncapital financing activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash flows from capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization) are included in cash flows from capital financing activities. Cash flows from investing activities reflect the cash flows generated from investments which include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* for fiscal year 2025 to net cash used by operating activities.

Net cash used by operating activities was \$357.1 million, a \$76.6 million increase from the prior year. Total cash inflows from operating activities

increased by \$57.3 million with the largest inflow increases from grants and contracts (\$32.6 million), auxiliary enterprise charges (\$26.8 million), and tuition and fees (\$6.3 million). Total cash outflows grew by \$133.8 million with the major increases in uses of cash being payments to employees and fringe benefits (\$86.9 million) and operating expenses (\$78.4 million) reflecting the rising cost of providing a high-quality education to the student body. Operating activity uses of cash significantly exceeded operating activity sources of cash due to the classification of state appropriations (\$455.8 million) and gifts (\$118.2 million) as noncapital financial activities.

Net cash flows provided by noncapital financing activities increased by \$71.6 million. This increase was due to a rise in state appropriations of \$52.6 million and an increase of \$12.0 million in gifts drawn from the foundation. Cash inflows from federal student financial aid (Pell) also increased by \$6.7 million as more funds were provided to students. There was also a slight increase in non-operating grants and contracts of \$0.3 million.

Cash used by capital financing activities decreased by \$61.3 million. Payments for principal and interest related to capital debt grew by \$4.7 million. Cash used for the acquisition and construction of capital assets decreased by \$155.8 million and gifts for capital assets decreased by \$85.8 million as the university finished construction on the academic building located in northern Virginia. These uses of cash were offset by increases in capital appropriations of \$12.1 million and an increase in payments on short-term financing of \$0.1 million. Additionally, the proceeds from the sale of capital assets declined by \$16.1 million.

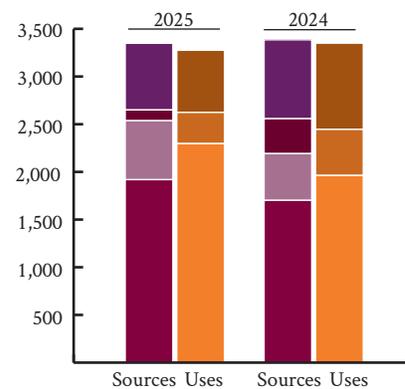
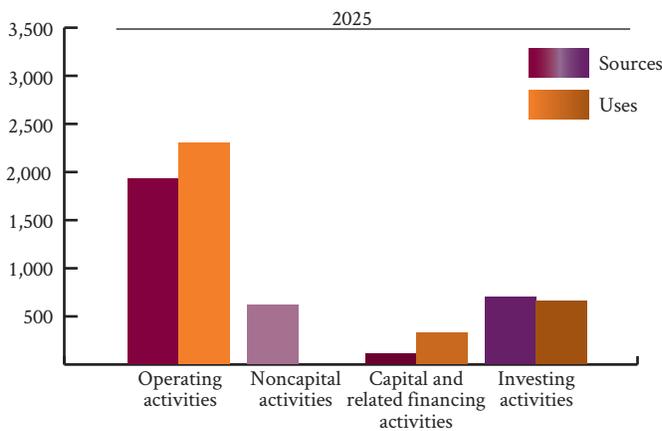
Net cash provided by investing activities decreased by \$5.4 million as the investment arena slowed as interest rates receded slightly.

### Summary of Cash Flows

#### Summary of Cash Flows

For the years ended June 30, 2025 and 2024  
(all dollars in thousands)

	2025	2024 (restated)	Change	
			Amount	Percent
Net cash used by operating activities	\$ (357.1)	\$ (280.5)	\$ (76.6)	27.3 %
Net cash provided by noncapital activities	608.1	536.5	71.6	13.3 %
Net cash provided (used) by capital and related financing activities	(228.2)	(289.5)	61.3	21.2 %
Net cash provided (used) by investing activities	36.3	41.7	(5.4)	(12.9)%
Net increase (decrease) in cash and cash equivalents	59.1	8.2	50.9	620.7 %
Cash and cash equivalents - beginning of year	364.7	356.5	8.2	2.3 %
Cash and cash equivalents - end of year	\$ 423.8	\$ 364.7	\$ 59.1	16.2 %



(The graphs above demonstrate the relationship between sources and uses of cash. The graph on the left shows activity for fiscal year 2025 only, grouped by related sources and uses of cash, while the graph on the right displays that same activity for fiscal years 2025 and 2024 in a stacked format.)

## Economic Outlook

Virginia Tech has maintained strong state and federal funding support, which has enabled the university to pursue its tripartite mission of discovery, learning, and engagement from a strong financial position.

As a public institution, the university is subject to many of the macro-economic conditions that impact the nation and the Commonwealth of Virginia. The fiscal strength of the Commonwealth of Virginia translated into a significant investment of resources into Virginia Tech for fiscal year 2025, signaling the state's continued interest in supporting higher education and economic growth. With actual state revenue collections outpacing the revised revenue forecast, the commonwealth finished fiscal year 2025 with a \$2.7 billion surplus over the original forecast. This surplus provided the commonwealth capacity to further enhance its reserves while providing funding to institutions of higher education to support the Virginia Military Survivors and Dependents Education Program.

In planning for fiscal year 2026, the university closely monitored the budget deliberations of the Virginia General Assembly. The total FY26 general fund allocation from the commonwealth is projected to be \$464.9 million, an increase of \$8.0 million from the FY25 adjusted budget - which supports 19 percent of the university's budget through general fund appropriations in FY26. The commonwealth provided significant one-time investments in FY25 targeted at improving access and affordability, enhancing financial aid, and expanding biotechnological research; however, a significant portion of support was provided on a one-time basis in FY25 due to economic uncertainty and was not continued to FY26. The university continues to identify opportunities to partner with the commonwealth to achieve joint goals.

In parallel, the university continuously explores cost containment measures and strategies for revenue enhancement, including increased philanthropy, industry partnerships, and enrollment to meet the needs of the university and support the state's needs. The Virginia Tech Board of Visitors maintains its authority to establish tuition and fee rates, and significant national, state, and institutional emphasis continues to focus on maintaining a slow rate of tuition growth.

Demand for a Virginia Tech education remains robust. The university received a record number of applications for the fall 2025 freshman class, with total fall 2025 undergraduate enrollment of 31,618 students, and plans for incremental growth of 1–1.5% annually through 2029. Tuition and fees now account for 42% of the university's total budget, and approximately 62% of the Educational and General (E&G) budget. Demand from both talented resident and nonresident students continues to increase. The university's efforts have also diversified the applicant pool with notable increases in interest from first-generation and under-served populations. As the largest producer of STEM-H graduates in the commonwealth, Virginia Tech continues to strengthen Virginia's workforce and knowledge-driven economy.

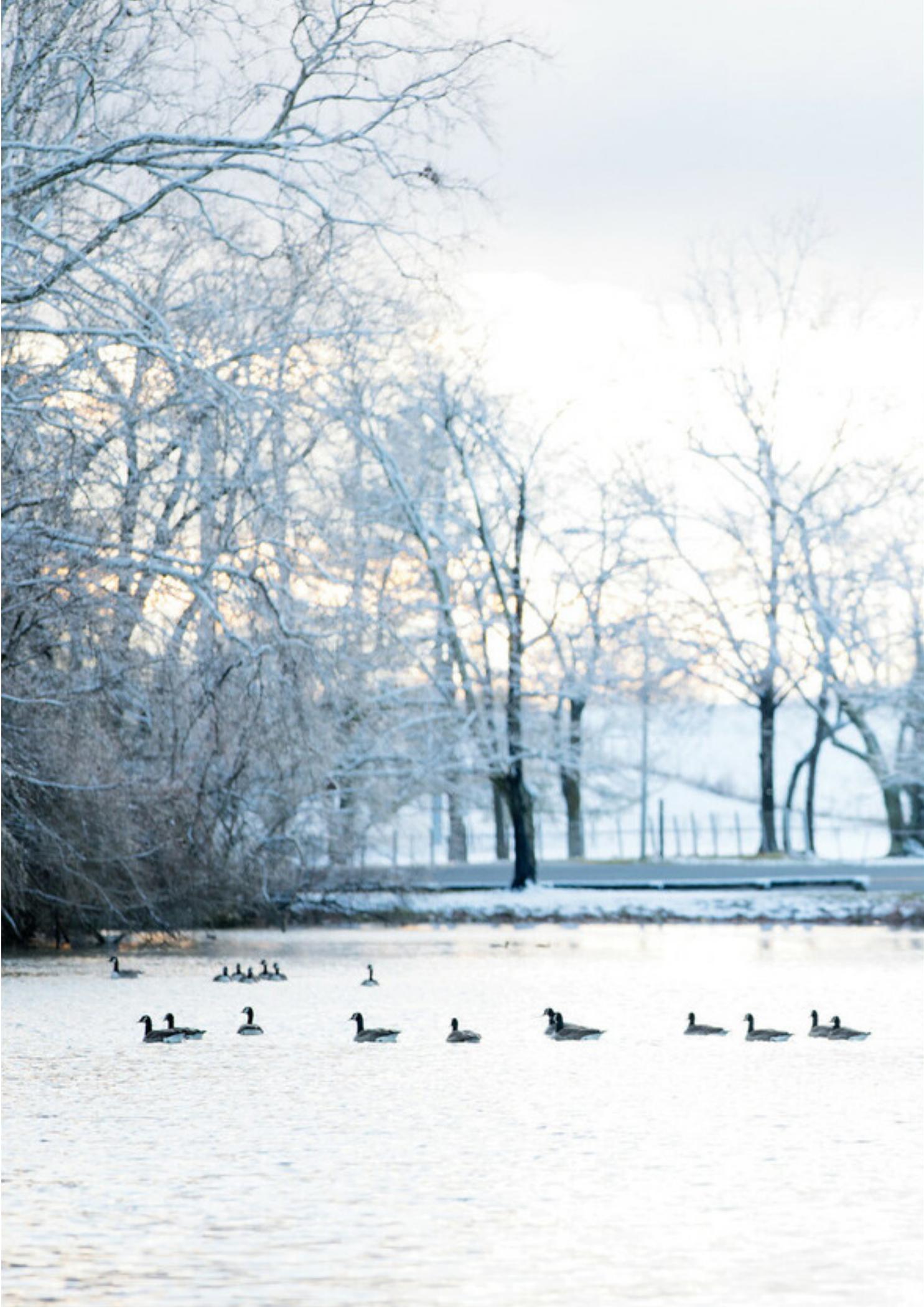
An additional major input to the university budget is federal support. University leadership monitors federal opportunities to support university program funding, including externally sponsored research, land-grant activities, and student financial aid. Active collaborations with other universities, industry, and foundations, as well as the federal government have facilitated the sharing of expertise across disciplinary boundaries. The university is closely monitoring and analyzing federal developments, including potential changes in the indirect cost recovery model and the recent government shutdown, to ensure continuity in research activities and compliance with federal guidelines.

While significant focus is placed on sustainable revenue sources, the university also continues to employ cost containment and innovative resource enhancement strategies to successfully advance the institution and its strategic priorities. In comparison to peer institutions, benchmarking demonstrates that Virginia Tech operates an administratively lean organization, directing a larger share of overall resources towards academic activities than peers. The university will continue to employ strategic planning processes to advance its core missions of instruction, research, and public service, and manage resources to achieve strategic priorities. Current priorities include facilitating student access, affordability, and success through the Virginia Tech Advantage program and becoming a top 100 global research university through the Virginia Tech Global Distinction program. Given the importance of the intercollegiate athletics program, the university is also working to position the program for the future.

Virginia Tech, along with all other public institutions of higher education in Virginia, continues to benefit from significant decentralized authority from the Commonwealth of Virginia. Restructuring provides flexibility and authority to the participating institutions with the potential for increased efficiencies and cost savings. The university works to leverage these authorities to drive efficiencies for cost savings and better meet the needs of the commonwealth.

The university invests its public funds in accordance with two sections of the *Code of Virginia: the Investment of Public Funds Act* and the *Uniform Prudent Management of Institutional Funds Act*. The university continually monitors the valuation of its investments which is overseen by the university's board of visitors. At the end of the fiscal year, the value of the university's investments held with the foundation totaled \$636.5 million, an increase of \$30.7 million over the preceding year.

Virginia Tech is well-positioned to navigate the evolving higher education environment. With strong financial stewardship, robust student demand, high customer satisfaction with auxiliary services, diversified revenue streams, and strategic planning, the university is poised to continue advancing its core missions and strategic priorities. The institution's financial health is affirmed by high-quality debt ratings from Moody's (Aa1) and S&P (upgraded to AA+ in December 2024), and its future remains bright as a leading public university in the commonwealth.



## Statement of Net Position

As of June 30, 2025, with comparative financial information as of June 30, 2024  
(all dollars in thousands)

	2025		2024 (restated)	
	Virginia Tech	Virginia Tech Foundation	Virginia Tech	Virginia Tech Foundation
<b>Assets</b>				
<i>Current assets</i>				
Cash and cash equivalents <sup>(Note 4)</sup>	\$ 291,055	\$ 78,473	\$ 294,542	\$ 72,236
Short-term investments <sup>(Notes 4, 27)</sup>	-	16,731	-	19,409
Accounts and contributions receivable, net <sup>(Notes 1, 5, 27)</sup>	145,375	66,491	117,504	83,307
Notes receivable, net <sup>(Notes 1, 6)</sup>	472	402	431	406
Due from Commonwealth of Virginia <sup>(Notes 10, 24)</sup>	23,203	-	15,525	-
Inventories	19,810	159	18,497	159
Prepaid expenses	20,262	850	12,529	767
Other assets	-	6,215	-	10,950
Total current assets	500,177	169,321	459,028	187,234
<i>Noncurrent assets</i>				
Cash and cash equivalents <sup>(Note 4)</sup>	132,779	43,367	70,123	56,693
Short-term investments <sup>(Note 4)</sup>	-	-	315	-
Due from Commonwealth of Virginia <sup>(Note 10)</sup>	317,525	-	107,182	-
Accounts and contributions receivable, net <sup>(Notes 1, 5, 27)</sup>	3,047	85,383	10,521	98,689
Notes receivable, net <sup>(Notes 1, 6)</sup>	7,976	7,092	8,046	7,317
Net investments in direct financing leases	-	144,438	-	150,636
Irrevocable trusts held by others, net	-	5,628	-	5,467
Long-term investments <sup>(Notes 4, 27)</sup>	1,015,154	2,265,814	958,198	2,101,533
Depreciable capital assets, net <sup>(Notes 7, 27)</sup>	2,707,684	226,598	2,334,598	236,366
Nondepreciable capital assets <sup>(Notes 7, 27)</sup>	228,953	176,444	553,301	171,619
Intangible assets, net	-	3,355	-	3,459
Other assets	12,296	9,362	11,397	7,284
Total noncurrent assets	4,425,414	2,967,481	4,053,681	2,839,063
Total assets	4,925,591	3,136,802	4,512,709	3,026,297
Deferred outflows of resources <sup>(Note 25)</sup>	132,721	-	118,484	-
<b>Liabilities</b>				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities <sup>(Note 8)</sup>	187,357	12,235	193,468	12,437
Accrued compensated absences <sup>(Notes 1, 17)</sup>	53,013	765	43,527	767
Unearned revenue <sup>(Notes 1, 9)</sup>	58,689	5,461	56,949	5,367
Funds held in custody for others	18,615	-	13,991	-
Commercial paper <sup>(Note 11)</sup>	5,067	-	5,986	-
Long-term subscription-based IT arrangements <sup>(Note 16)</sup>	8,296	-	6,499	-
Long-term leases payable <sup>(Note 15)</sup>	20,199	-	20,152	-
Long-term debt payable <sup>(Notes 12, 13, 27)</sup>	37,544	19,447	36,670	20,143
Other postemployment benefits liabilities <sup>(Notes 17, 21)</sup>	3,072	-	2,607	-
Other liabilities	-	2,009	-	1,743
Total current liabilities	391,852	39,917	379,849	40,457
<i>Noncurrent liabilities</i>				
Accrued compensated absences <sup>(Notes 1, 17)</sup>	29,163	77	24,484	77
Unearned revenue	-	13,190	-	13,141
Long-term subscription-based IT arrangements <sup>(Note 16)</sup>	15,212	-	12,740	-
Long-term leases payable <sup>(Note 15)</sup>	150,817	-	169,685	-
Long-term debt payable <sup>(Notes 12, 13, 27)</sup>	492,848	236,173	535,293	255,491
Liabilities under trust agreements	-	23,416	-	19,409
Agency deposits held in trust <sup>(Note 27)</sup>	-	719,255	-	694,421
Pension liability <sup>(Notes 17, 19)</sup>	305,752	-	316,090	-
Other postemployment benefits liabilities <sup>(Notes 17, 21)</sup>	128,453	-	139,945	-
Other liabilities	7,398	8,875	5,709	7,116
Total noncurrent liabilities	1,129,643	1,000,986	1,203,946	989,655
Total liabilities	1,521,495	1,040,903	1,583,795	1,030,112
Deferred inflows of resources <sup>(Note 25)</sup>	78,882	-	79,567	-
<b>Net position</b>				
Investment in capital assets	2,210,713	288,132	2,112,040	293,800
Restricted, nonexpendable	15,153	934,353	14,684	887,009
Restricted, expendable				
Scholarships, research, instruction, and other	215,769	616,523	192,702	610,569
Capital projects	331,166	-	134,914	-
Debt service and auxiliary operations	97,368	-	101,481	-
Unrestricted	587,766	256,891	412,010	204,807
Total net position	\$ 3,457,935	\$ 2,095,899	\$ 2,967,831	\$ 1,996,185

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

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

For the year ended June 30, 2025, with comparative financial information for the year ended June 30, 2024

(all dollars in thousands)

	2025		2024 (restated)	
	Virginia Tech	Virginia Tech Foundation	Virginia Tech	Virginia Tech Foundation
<b>Operating revenues</b>				
Student tuition and fees, net <sup>(Note 1)</sup>	\$ 676,002	\$ -	\$ 686,428	\$ -
Gifts and contributions	-	90,205	-	97,612
Federal appropriations	16,890	-	16,628	-
Federal grants and contracts	367,844	-	319,003	-
State grants and contracts	37,246	-	33,200	-
Local grants and contracts <sup>(Note 3)</sup>	16,812	-	17,076	-
Nongovernmental grants and contracts	65,005	-	63,000	-
Sales and services of educational activities	35,246	-	33,606	-
Auxiliary enterprise revenue, net <sup>(Note 1)</sup>	408,602	29,860	360,257	28,768
Other operating revenues	16,279	75,877	8,685	75,659
Total operating revenues	<u>1,639,926</u>	<u>195,942</u>	<u>1,537,883</u>	<u>202,039</u>
<b>Operating expenses</b>				
Instruction	563,022	7,910	523,291	2,290
Research	478,142	11,235	436,316	12,283
Public service	136,880	5,765	105,680	6,161
Academic support	162,209	43,139	148,404	45,008
Student services	39,229	-	35,151	-
Institutional support	117,323	93,113	103,325	68,124
Operation and maintenance of plant	109,622	20,472	91,716	19,301
Student financial assistance	13,361	39,225	37,839	44,839
Auxiliary enterprises	332,027	18,660	301,418	17,973
Depreciation and amortization <sup>(Note 7)</sup>	192,802	11,702	174,983	12,242
Other operating expenses	-	13,287	-	10,311
Total operating expenses	<u>2,144,617</u>	<u>264,508</u>	<u>1,958,123</u>	<u>238,532</u>
Operating loss	<u>(504,691)</u>	<u>(68,566)</u>	<u>(420,240)</u>	<u>(36,493)</u>
<b>Non-operating revenues (expenses)</b>				
State appropriations <sup>(Note 24)</sup>	463,494	-	403,155	-
Gifts	117,066	-	107,435	-
CARES Act stabilization revenue	-	-	1	-
Non-operating grants and contracts	586	-	263	-
Federal student financial aid (Pell)	33,504	-	26,820	-
Investment income, net	92,892	17,022	88,818	21,211
Net gain (loss) on investments	-	106,359	-	96,371
Interest expense on subscription-based IT arrangements	(708)	-	(521)	-
Interest expense on long-term leases	(6,340)	-	(6,871)	-
Interest expense on debt related to capital assets	(16,464)	(8,686)	(17,969)	(8,324)
Other non-operating revenue	5,327	-	10,457	-
Net non-operating revenues (expenses)	<u>689,357</u>	<u>114,695</u>	<u>611,588</u>	<u>109,258</u>
Income before other revenues, expenses, gains, or losses	<u>184,666</u>	<u>46,129</u>	<u>191,348</u>	<u>72,765</u>
Change in valuation of split interest agreements	-	2,588	-	4,133
Capital appropriations <sup>(Note 24)</sup>	266,588	-	115,470	-
Capital grants and gifts <sup>(Note 10)</sup>	39,957	15,593	105,664	22,139
Gain (loss) on disposal of capital assets	(1,107)	(1,861)	294	7,168
Additions to permanent endowments	-	45,143	-	58,546
Other revenues (expenses)	-	(7,878)	-	(5,608)
Total other revenues, expenses, gains, and losses	<u>305,438</u>	<u>53,585</u>	<u>221,428</u>	<u>86,378</u>
Increase in net position	490,104	99,714	412,776	159,143
Net position—beginning of year, as restated <sup>(Note 1)</sup>	<u>2,967,831</u>	<u>1,996,185</u>	<u>2,555,055</u>	<u>1,837,042</u>
Net position—end of year	<u>\$ 3,457,935</u>	<u>\$ 2,095,899</u>	<u>\$ 2,967,831</u>	<u>\$ 1,996,185</u>

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

## Statement of Cash Flows

For the year ended June 30, 2025 with comparative financial information for the year ended June 30, 2024

(all dollars in thousands)

	2025	2024 (restated)
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 677,335	\$ 683,642
Federal appropriations	16,884	17,235
Grants and contracts	472,474	439,902
Sales and services of education departments	35,246	33,606
Auxiliary enterprise charges	394,366	367,521
Other operating receipts	15,980	9,034
Payments for operating expenses	(572,820)	(494,410)
Payments to employees and fringe benefits	(1,387,930)	(1,300,987)
Payments for scholarships and fellowships	(13,361)	(37,839)
Loans issued to students	(861)	(5,157)
Collection of loans to students	1,019	1,503
Direct lending receipts	164,068	169,567
Direct lending disbursements	(164,033)	(169,597)
Scholarship and other miscellaneous custodial receipts	155,827	153,901
Scholarship and other miscellaneous custodial disbursements	(151,238)	(148,457)
Net cash used by operating activities	<u>(357,044)</u>	<u>(280,536)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	455,763	403,160
Non operating grants and contracts	586	263
Federal student financial aid (Pell)	33,504	26,820
Gifts for other than capital purposes	118,212	106,261
Other non-operating receipts	6	1
Net cash provided by noncapital financing activities	<u>608,071</u>	<u>536,505</u>
<b>Cash flows from capital financing activities</b>		
Capital appropriations	54,350	42,238
Gifts for capital assets	42,862	128,693
Proceeds from the sale of capital assets	804	16,864
Acquisition and construction of capital assets	(231,641)	(387,477)
Proceeds (payments) short-term financing	(919)	(827)
Principal paid on capital-related debt	(67,517)	(60,763)
Interest paid on capital-related debt	(26,141)	(28,229)
Net cash used by capital financing activities	<u>(228,202)</u>	<u>(289,501)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	667,992	660,524
Interest on investments	35,573	33,264
Purchases of investments	(667,221)	(652,085)
Net cash used by investing activities	<u>36,344</u>	<u>41,703</u>
<b>Net increase in cash and cash equivalents</b>	59,169	8,171
<b>Cash and cash equivalents - Beginning of year</b>	<u>364,665</u>	<u>356,494</u>
<b>Cash and cash equivalents - End of year</b>	<u>\$ 423,834</u>	<u>\$ 364,665</u>

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

## Statement of Cash Flows, continued

For the year ended June 30, 2025 with comparative financial information for the year ended June 30, 2024

(all dollars in thousands)

	2025	2024 (restated)
Reconciliation of net operating expenses to net cash used by operating activities		
Operating loss	\$ (504,691)	\$ (420,240)
Adjustments to reconcile net gain loss to net cash used by operating activities		
Depreciation expense	192,802	174,983
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Receivables, net	(28,969)	11,983
Inventories	(1,313)	1,368
Prepaid and other assets	(7,583)	(2,591)
Other postemployment benefits asset	(1,049)	(559)
Notes receivable, net	30	(2,312)
Deferred outflow for VRS pension	(15,168)	(26,854)
Deferred outflow for other postemployment benefits	54	1,701
Accounts payable and other liabilities	(983)	(5,393)
Accrued payroll	8,051	(7,239)
Accrued compensated absences	14,165	3,086
Unearned revenue	1,740	67
Pension liability	(5,695)	38,468
Other postemployment benefits liability	(11,027)	(160)
Federal loan contributions refundable	-	(1,342)
Deferred inflow for VRS pension	9,259	(31,472)
Deferred inflow for other postemployment benefits	(11,009)	(20,451)
Deferred inflow for long-term leases	(282)	1,007
Scholarship and other miscellaneous custodial accounts, net	4,624	5,414
Total adjustments	147,647	139,704
Net cash used by operating activities	\$ (357,044)	\$ (280,536)
Noncash investing, capital, and financing activities		
Change in accounts receivable related to non-operating income	\$ 8,601	\$ (1,618)
Capital assets acquired through in-kind donations as a component of capital gifts and grants income	\$ 6,371	\$ 5,854
Change in fair value of investments recognized as a component of investment income	\$ 34,395	\$ 27,358
Change in value of interest payable affecting interest paid	\$ (200)	\$ (493)
Capital assets acquired through the assumption of a liability	\$ 17,745	\$ 18,133
Change in interest receivable affecting interest income	\$ (93)	\$ 902
Loss on disposal of capital assets	\$ (1,911)	\$ (12,081)
Amortization of bond premium (discount) and gain (loss) on debt refunding	\$ (2,429)	\$ (2,375)
Retainage payable	\$ 15,260	\$ 18,261
Change in pension and OPEB liability recognized as a component of non-operating revenue	\$ 4,643	\$ 7,241

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



# Notes to Financial Statements

## Notes

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## 1. Summary of Significant Accounting Policies

### Reporting Entity

Virginia Polytechnic Institute and State University is a public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research and discovery, and outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve the quality of life.

The university includes all funds and entities over which the university exercises or can exercise oversight authority for financial reporting purposes.

Under Section 2100 of the GASB codification, Virginia Tech Foundation Inc. (VTF or the foundation) is included as a component unit of the university.

A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the commonwealth exercises or can exercise oversight authority. The university is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the commonwealth.

### Virginia Tech Foundation Inc.

The foundation is a legally separate, tax-exempt organization established in 1948 to receive, manage, and disburse private gifts in support of Virginia Tech programs. A twenty-to-thirty-five member board of directors and seven ex-officio positions govern the foundation. The rector of the Virginia Tech Board of Visitors, the president of the university, the president of the alumni association, the president of the athletic fund, the executive vice president and chief operating officer, the senior vice president for Advancement, and the executive vice president and provost serve as ex-officio members. Officers are elected by a vote of the membership of the foundation.

The foundation serves the university by generating significant funding from private sources and aggressively managing its assets to provide funding that supplements state appropriations. It provides additional operating support to colleges and departments, helps fund major building projects, and provides seed capital for new university initiatives. Although the university does not control the timing or the amount of receipts from the foundation, the majority of resources or income which the foundation holds and invests is restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university. It is discretely presented in the financial statements. The administrative offices of Virginia Tech Foundation Inc. are located at University Gateway Center, 902 Prices Fork Road, Blacksburg, Virginia 24061. Requests for financial statements should be made to the CEO of Virginia Tech Foundation, Inc.

During this fiscal year, the foundation distributed \$127,666,000 to the university for both restricted and unrestricted purposes.

### Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The university is required under this guidance to include *Management's Discussion and Analysis* and basic financial statements, including notes, in its financial statement presentation.

### Basis of Accounting

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

### Cash Equivalents

For purposes of the statements of net position and cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

## Short-term Investments

Short-term investments include securities with an original maturity over 90 days but less than or equal to one year at the time of purchase.

## Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, and GASB Statement 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 4). Changes in unrealized gain or loss on the carrying value of the investments are reported as a part of investment income in the *Statement of Revenues, Expenses, and Changes in Net Position*.

## Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal, state, and local governments, as well as nongovernmental sources, in connection with reimbursement of allowable expenses made according to the university's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. Accounts receivable include amounts owed from lessees for the present service capacity of university assets. Lease receivables are recognized when the net present value of future minimum lease payments is \$50,000 or greater. See Note 5 for a detailed list of accounts receivable amounts by major categories.

## Notes Receivable

Notes receivable consist of amounts due from the Health Professional Student Loan Program, other student loans, and loans to affiliated organizations. See Note 6 for a list of notes receivable amounts by major categories.

## Inventories

Inventories are stated at the lower of cost or market value (primarily first-in, first-out method) and consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

## Prepaid Expenses

Prepaid expenses are expenses for future fiscal years that were paid in advance of June 30, 2025. Payments of expenses that extend beyond fiscal year 2026 are classified as noncurrent assets. Prepaid expenses consist primarily of library serial subscriptions, information technology contracts, property leases, and insurance.

## Noncurrent Cash and Investments

Noncurrent cash and investments are reported as restricted because restrictions change the nature or normal understanding of the availability of the asset. These cash and investments include those restricted for the acquisition or construction of capital assets, those kept legally separate for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and other restricted investments to make debt service payments or purchase other noncurrent assets.

## Capital Assets

Capital assets consisting of land, buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress, equipment in process, and software in development are capitalized at actual cost as expenses are incurred. Library materials are valued using published average prices for library acquisitions, and livestock is stated at estimated market value. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Intangible right-to-use assets consisting of the right-to-use land, buildings, infrastructure, and equipment are stated at the net present value of future minimum lease payments at the commencement of the lease term. Intangible right-to-use assets are recognized when the net present value of future minimum lease payments is \$50,000 or greater. Upfits, tenant improvements, construction, and other renovations are capitalized at actual cost as expenses are incurred.

Subscription-based Information Technology Arrangements (SBITAs) are stated at the net present value of future minimum lease payments at the commencement of the subscription term. SBITA assets are recognized when the net present value of future minimum subscription payments is \$50,000 or greater. Implementation costs occurred in the initial implementation stage are capitalized at actual cost as expenses are incurred.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the sum of the acquisition and development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for fixed and movable equipment. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Amortization expense is combined with depreciation expense in the *Statement of Revenues, Expenses, and Changes in Net Position*. Livestock is not depreciated, as it tends to appreciate over the university's normal holding period.

Special collections are not capitalized due to the collections being: (1) held for public exhibition, education, or research in the furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for, and preserved; and (3) subject to university policy requiring the proceeds from the sales of collection items to be used to acquire other items for collections.

## Pensions

The Virginia Retirement System (VRS) State Employees Retirement Plan and the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan are single-employer pension plans that are treated like cost-sharing plans. For the purpose 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 plan and the VaLORS plan, and the additions to/deductions from the VRS plan's and the VaLORS plan's net fiduciary position have been determined on the same basis as VRS reported them. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable according to the benefit terms. Investments are reported at fair value.

## Other Postemployment Benefits

**Pre-Medicare Retiree Healthcare Plan** – Pre-Medicare Retiree Healthcare is a single-employer defined benefit plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28, *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resources Management. After retirement, Virginia Tech no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

**Group Life Insurance** – The Virginia Retirement System (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 under §51.1-500 et seq., *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 group life insurance benefit for employees of participating employers.

**State Employee Health Insurance Credit Program** – The Virginia Retirement System (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 under §51.1-1400 et seq., *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 credit toward the cost of health insurance coverage for retired state employees.

**Line of Duty Act Program** – The Virginia Retirement System (VRS) Line of Duty Act (LODA) program is a multiple-employer, cost-sharing plan. The LODA program was established under §9.1-400 et seq., *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 public safety officers. In addition, health insurance benefits are provided to eligible survivors and family members.

**VRS Disability Insurance Program** – The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program, VSDP) is a single-employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP program was established under §51.1-1100 et seq., *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The VSDP program 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 measuring the net liability of these OPEB programs, their expenses, deferred outflows and inflows of resources, information about their fiduciary net positions, and additions to or deductions from their net fiduciary positions have been determined on the same basis as reported by VRS. In addition, benefit payments for these programs are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for the granting of a specified number of days of leave with pay each year. The amount reflects leave that is attributable to past service, accumulates, and is more likely than not to be used or paid, as well as for leave that has been used but not yet paid. Certain leave types, including parental, military, and jury duty leave, are recognized only once the leave begins. Liabilities are measured based on the employee's pay rate as of the financial statement date and include additional compensation amounts that are directly and incrementally tied to leave payments. For governmental fund statements, expenditures are recognized only to the extent they are expected to be liquidated with current financial resources. The applicable share of employer-related taxes payable on the eventual termination payments is also included. The university's liability and expense for the amount of leave earned by employees, but not taken, as of June 30, 2025 is recorded in the *Statement of Net Position* and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position*.

## Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30, 2025, primarily composed of revenue for grants and contracts, prepaid athletic ticket sales, and prepaid student tuition and fees. Summer Session I tuition and fees received during the fiscal year are considered earned at the end of the refund period, approximately June 15th of each year. Tuition and fees received before year end for Summer Session II are unearned and recognized as revenue in the next fiscal year. Summer Session III is twelve weeks long and spans across fiscal years 2025 and 2026. The tuition and fees received for Summer Session III are considered half earned by June 30th, and half unearned and recognized as revenue in the next fiscal year. See Note 9 for a detailed list of unearned revenue amounts.

## Funds Held in Custody for Others

Funds held in custody for others represents funds held by the university on behalf of others as a result of agency relationships with various groups and organizations.

## Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of revenue bonds payable, notes payable, and finance purchase obligations with maturities greater than one year; (2) long-term lease obligations; (3) pension plan liabilities; (4) OPEB liabilities; and (5) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

## Net Position

The university's net position is classified as follows:

**Net investment in capital assets** – Net investment in capital assets represents the university's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**Restricted component of net position, expendable** – The expendable category of the restricted component of net position includes resources for which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Restricted component of net position, nonexpendable** – The nonexpendable category of the restricted component of net position is comprised of endowment and similar type funds where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested to produce present and future income to be expended or added to principal.

**Unrestricted component of net position** – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to educational departments and general operations of the university and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to apply the expense towards restricted resources before unrestricted resources.

## Public-Private and Public-Public Partnerships

A public-private partnership (PPP) is an arrangement in which the university contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as a building or other capital asset, for a period of time. The university's PPP arrangements include the operation of the Athletic Performance Center dining facilities, athletic concessions, and the university bookstore.

## Income Taxes

The university is considered an agency of the Commonwealth of Virginia and, as such, is exempt from federal income tax under Section 115(a) of the Internal Revenue Code.

## Classifications of Revenues and Expenses

The university has classified its revenues as either operating or non-operating revenues according to the following criteria:

**Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; (3) most federal, state, local and nongovernmental grants and contracts and federal appropriations; and (4) interest on institutional student loans.

**Non-operating revenues** – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* are included in this category.

**Operating and non-operating expenses** – Non-operating expenses include interest on debt related to the purchase of capital assets, and losses on disposal of capital assets. All other expenses are classified as operating expenses.

## Scholarship Allowance

Student tuition and fees, certain auxiliary revenues, and student financial assistance expenses are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship allowance is the difference between the stated charge for goods and services provided by the university and the amount paid by students and third parties making payments on the students' behalf. In April 2023, NACUBO issued AR 2023-01 *Public Institutions: Reporting Financial Aid as a Discount* to supersede AR 2000-05. The updated reporting framework standardizes the treatment of institutional scholarships, grants, and other financial aid as a reduction of tuition and fee revenue (contra-revenue) rather than as an expense. The new guidance also refines the methodologies used to estimate tuition discounts, thereby improving alignment with financial aid disbursements and enhancing consistency and transparency across public institutions. This change supports more accurate reporting of net tuition revenue and financial aid activity in the university's financial statements. The university adopted NACUBO AR 2023-01 in fiscal year 2025 with an implementation date of July 1, 2024. As a result, student tuition and fees (net of scholarship allowances) decreased due to an increase in the related allowance. Meanwhile, revenue from auxiliary enterprises (net of scholarship allowances) increased because the related allowance decreased, and student aid expenses decreased as well. This change in estimate provides a more accurate representation of institutional aid for financial reporting and has no impact on operating results or the change in net position for prior years. For the fiscal year ended June 30, 2025, the scholarship allowance for student tuition and fee revenue and auxiliary enterprise revenue totaled \$219,280,000 and \$34,194,000, respectively.

## Implementation of GASB Statement 101

In June 2022, GASB issued Statement 101, *Compensated Absences*. This statement establishes a unified approach for recognizing and measuring liabilities related to compensated absences such as vacation and sick leave. Under this statement, a liability is recognized for leave that is attributable to past service, accumulates, and is more likely than not to be used or paid, as well as for leave that has been used but not yet paid. Certain leave types, including parental, military, and jury duty leave, are recognized only once the leave begins. Liabilities are measured based on the employee's pay rate as of the financial statement date and include additional compensation amounts that are directly and incrementally tied to leave payments. The statement also simplifies disclosure requirements by allowing the reporting of net changes in compensated absences liabilities and removing the requirement to disclose which funds were used to settle them. This guidance is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The university adopted GASB Statement 101 in fiscal year 2025 with an implementation date of July 1, 2024 and fiscal year ending June 30, 2024 has been restated as follows (*all dollars in thousands*):

Net position June 30, 2024	\$	2,972,030
Accrued compensated absences		(4,199)
Adjusted net position June 30, 2024	\$	<u>2,967,831</u>

## Implementation of GASB Statement 102

In December 2023, GASB issued Statement 102, *Certain Risk Disclosures*. This statement aims to improve transparency regarding certain risks faced by state and local governments. Specifically, the statement requires disclosure of vulnerabilities arising from concentrations (lack of diversity in significant resource inflows or outflows) and constraints (external or internal limitations on a government's operations or finances). The university must assess and disclose when such factors could lead to a substantial impact, particularly if related events have occurred, are occurring, or are likely to occur within 12 months of the financial statement's issuance. Required disclosures include the nature of the concentration or constraint, associated events, and any mitigation actions taken. The statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The university adopted GASB Statement 102 in fiscal year 2025 with an implementation date of July 1, 2024. The university determined there were no concentrations and constraints that met the disclosure requirement of GASB Statement 102.

## 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 generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the university's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Prior reports can be found at [www.controller.vt.edu/financialreporting.html](http://www.controller.vt.edu/financialreporting.html).



Photo by Luke Hayes/Virginia Tech

## 2. Related Parties

In addition to the component unit discussed in Note 1, Virginia Tech also has related parties that were not considered significant. These financial statements do not include the assets, liabilities, and net position of the related parties that support university programs. The related parties of the university are: Virginia Tech Services Inc., Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Corps of Cadets Alumni Inc., Virginia Tech Applied Research Corporation, Virginia Tech Innovations Corporation, Virginia Tech India Research and Education Forum, and any of the subsidiaries of these corporations.

The organizations are related to the university by affiliation agreements. These agreements require an annual audit to be performed by independent auditors. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Exemption requirements are met by Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., and Virginia Tech Corp of Cadets Alumni Inc. They are therefore not required to have an annual audit. Virginia Tech Services Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Applied Research Corporation, Virginia Tech Innovations Corporation, and Virginia Tech India Research and Education Forum are required to have an annual audit. Auditors have examined the financial records of these organizations and a copy of their audit reports have been or will be provided to the university. See additional information on page 72.

## 3. Local Government Support

The university, through the operation of its Cooperative Extension Service, maintains offices in numerous cities and counties throughout the Commonwealth of Virginia. Personnel assigned to these locations receive a portion of their compensation from local governments. Also included in the expenses of these extension offices are unit support services, which include such items as rent, telephone, supplies, equipment, and extension program expenses. The estimated amount contributed by the various local governments totaled \$14,201,000 in 2025, and has been included in revenues and expenses of the accompanying financial statements. The university received other local government support of \$2,611,000 in 2025.

## 4. Cash, Cash Equivalents, and Investments

The following information is provided with respect to the university's cash, cash equivalents, and investments as of June 30, 2025. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

**Custodial credit risk (category 3 deposits and investments)** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university had no category 3 deposits or investments for 2025.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The university invests in accordance with its investment policy following the requirements of the *Virginia Investment Act of Public Funds Act*.

**Concentration of credit risk** – The risk of loss attributed to the magnitude of a government's investment in a single issuer is referred to as concentration of credit risk. GASB Statement 40 requires disclosure of any issuer with which more than five percent of total investments are held. The university does not have investments which meet the criteria for disclosure.

Additionally, the university's investment policy requires that each individual portfolio within all three tiers' allocations be diversified as specified in the contracts with each investment manager. The limitation shall not apply to securities of the U.S. Government, an agency thereof, U.S. Government sponsored enterprises, securities fully insured or fully guaranteed by the U.S. Government, or money market funds.

**Interest rate risk** – This is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The university's Investment Policy outlines three investment categories: Educational and General Funds, Working Capital, and Strategic Investments. Educational and General Funds, which are managed by external investment firms, are short-term investments and serve as the university's primary source of liquidity. Working Capital, also managed by external firms, is a longer-term investment and provides secondary liquidity. Strategic Investments, managed by the university's foundation, are long-term investments and are not considered part of the operating liquidity. Strategic Investments are long-duration investments and

not considered operating liquidity. The maximum maturity and duration limits are specified in the terms and conditions of the contract with each investment manager.

**Foreign currency risk** – This risk refers to the possibility that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The university had no foreign investments or deposits for 2025.

## Cash and Cash Equivalents

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the *Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia*. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit, and temporary investments with original maturities of 90 days or less, as well as cash equivalents with the Virginia State Non-Arbitrage Program (SNAP®). SNAP® offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, as well as record keeping, depository, and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79, *Certain External Investment Pools and Pool Participants*. SNAP® investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a net asset value (NAV) per share that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

## Investments

A categorization of university investments follows. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

### Summary of investments

As of June 30, 2025

(all dollars in thousands)

	Current Assets	Noncurrent Assets	Total
Cash and cash equivalents	\$ 291,055	132,779	\$ 423,834
Long-term investments	-	1,015,154	1,015,154
Cash and investments	<u>\$ 291,055</u>	<u>\$ 1,147,933</u>	1,438,988
Less cash			4,844
Total investments			<u>\$ 1,434,144</u>

The investment policy of the university is established by the board of visitors and monitored by the board's Finance and Resource Management Committee. Authorized investments are set forth in the *Investment of Public Funds Act, Section 2.2-4500 through 2.2-4516, et seq., Code of Virginia*. Authorized investments include: U.S. Treasury and agency securities, corporate debt securities, asset-backed securities, mortgage-backed securities, AAA rated obligations of foreign governments, banker's acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, commercial paper, and money market funds.

All gifts, local funds, and nongeneral fund reserves and balances that the university determines appropriate and permitted by law may be invested in accordance with the provisions of the *Virginia Uniform Prudent Management of Institutional Funds Act*. These investments include those in the *VTF Consolidated Endowment Program* which are further managed by the foundation's investment and spending policies.

At the end of fiscal year 2025, the university held \$15.2 million of nonexpendable restricted endowments which had net appreciation of \$115,000 and is reported on the *Statement of Net Position* in the following categories: Restricted expendable for research (\$86,000), Restricted expendable for instruction (\$5,000), and Unrestricted (\$24,000).

## 4. Cash, Cash Equivalents, and Investments (continued)

### Investments Measured at Fair Value including categorization of credit quality and interest rate risk

Investments held on June 30, 2025

(all dollars in thousands)

Investments by fair value level	Credit Rating	Less than 1 Year	1-5 Years	6/30/2025	Fair Value Measurement*	
					Level 1	Level 2
U.S. Treasury and agency securities <sup>(1)</sup>	N/A	\$ 262,872	\$ 79,634	\$ 342,506	\$ 342,506	\$ -
Debt securities						
Corporate bonds and notes	A1	2,115	24,404	26,519	-	26,519
Corporate bonds and notes	A2	1,264	21,030	22,294	-	22,294
Corporate bonds and notes	A3	1,804	21,598	23,402	-	23,402
Corporate bonds and notes	Aa2	-	279	279	-	279
Corporate bonds and notes	Aa3	2,517	9,371	11,888	-	11,888
Corporate bonds and notes	Aaa	1,781	2,489	4,270	-	4,270
Corporate bonds and notes	Baa1	-	3,153	3,153	-	3,153
Commercial paper	P-1	20,018	-	20,018	-	20,018
Repurchase agreements	N/A	13,912	-	13,912	-	13,912
Asset backed securities	Aaa	27,648	29,336	56,984	-	56,984
Asset backed securities <sup>(2)</sup>	AAA	22,696	24,125	46,821	-	46,821
Federal agency securities						
Unsecured bonds and notes	Aaa	69,332	-	69,332	-	69,332
Unsecured bonds and notes	Aa1	35,117	26,454	61,571	-	61,571
Mortgage backed securities	Aaa	5,516	29,549	35,065	-	35,065
Money market and mutual funds						
Money market funds	N/A	299	-	299	299	-
Mutual funds	N/A	5,990	-	5,990	5,990	-
Total investments by fair value level		<u>472,881</u>	<u>271,422</u>	<u>744,303</u>	<u>\$ 348,795</u>	<u>\$ 395,508</u>
<b>Investments measured at net asset value (NAV)</b>						
Deposits with VTF		5,669	-	5,669		
Dairymen's Equity without specific maturity		-	-	63		
Investments without specific maturities, held with VTF		-	-	636,479		
Total investments measured at NAV		<u>5,669</u>	<u>-</u>	<u>642,211</u>		
<b>Investments not measured at fair value</b>						
Money market funds	AAA-mf	43,005	-	43,005		
Virginia SNAP <sup>®</sup> funds <sup>(2)</sup>	AAAAm	4,625	-	4,625		
Total investments not measured at fair value		<u>47,630</u>	<u>-</u>	<u>47,630</u>		
Total investments		<u>\$ 526,180</u>	<u>\$ 271,422</u>	<u>\$ 1,434,144</u>		

\*Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(1) Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. Government.

(2) Rating provided by Standard & Poor's Financial Services. All other ratings provided by Moody's Investor Service.

### Investments Measured at Net Asset Value including commitment and redemption criteria

Investments held on June 30, 2025

(all dollars in thousands)

	Balance at 6/30/2025	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Deposits with VTF <sup>(a)</sup>	\$ 5,669	N/A	quarterly	90 days
Dairymen's Equity without specific maturity <sup>(b)</sup>	\$ 63	N/A	N/A	N/A
Investments without specific maturities, held with VTF <sup>(c)</sup>	\$ 636,479	N/A	quarterly	90 days

(a) The amount represents earnings that are to be transferred to the university or reinvested upon instruction.

(b) The amount represents the university's membership in the Dairymen's Farmer Cooperative.

(c) The amount represents university funds invested with the Virginia Tech Foundation (see Note 27).

## 5. Accounts Receivable

Accounts receivable as of June 30, 2025  
(all dollars in thousands)

### Current accounts receivable

Grants and contracts	\$ 95,796
Student tuition and fees	5,688
Accrued investment interest	3,872
Federal appropriations	37
Long-term leases receivable	118
Auxiliary enterprises and other operating activities	43,114
Total current receivables before allowance	148,625
Less allowance for doubtful accounts	3,250
Net current accounts receivable	<u>145,375</u>

### Noncurrent accounts receivable

Capital gifts, grants, and other receivables	379
Long-term leases receivable	1,870
Accrued investment interest	696
Build America Bond interest receivable	102
Total noncurrent receivables	3,047
Total receivables	<u>\$ 148,422</u>

### Long-term leases receivable

Leases receivable represent the university's contractual receipts for the right-to-use the present service capacity of its assets. These receivables are for cell tower leases on the Blacksburg main campus. The university's lease agreements for cell towers typically have an initial term of 10 years with five-year renewal options. The weighted average discount rate on the university's receivable leases is 3.61%.

The university leases indirectly to cell carriers through a ground lease with a subsidiary of the foundation and directly with cell carriers. The university's present receivable portfolio does not contain provisions for variable payments based on the university's future performance or usage of the underlying assets. Additionally, university's present receivable portfolio does not contain provisions for residual value guarantees. The university had no impairment losses on its lease receivable portfolio in fiscal year 2025.

### Future Lease Payments Receivable

For fiscal years subsequent to 2025  
(all dollars in thousands)

	Principal	Interest	Total
2026	\$ 118	\$ 69	\$ 187
2027	127	65	192
2028	135	61	196
2029	116	56	172
2030	110	53	163
2031-2035	640	204	844
2036-2040	267	117	384
2041-2045	260	70	330
2046-2050	215	17	232
Total future payments receivable	<u>\$ 1,988</u>	<u>\$ 712</u>	<u>\$ 2,700</u>

## 6. Notes Receivable

Notes receivable consists of the following as of June 30, 2025  
(all dollars in thousands)

### Current notes receivable

VTT LLC operating and equipment loan	\$ 287
Brookings student loan programs	123
Other short-term loans	80
Total current notes receivable	490
Less allowance for doubtful accounts	18
Net current notes receivable	<u>472</u>

### Noncurrent notes receivable

VTT LLC operating and equipment loan	3,979
VT ARC line of credit	2,591
Brookings student loan programs	748
Health professional student loan program	664
Other short-term loans	105
Total noncurrent notes receivable	8,087
Less allowance for doubtful accounts	111
Net noncurrent notes receivable	7,976
Total notes receivable	<u>\$ 8,448</u>



Photo by Ray Meese/Virginia Tech

## 7. Capital Assets

A summary of changes in capital assets for the year ending June 30, 2025  
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Depreciable capital assets</b>				
Buildings	\$ 2,601,901	\$ 438,110	\$ 1,933	\$ 3,038,078
Buildings - financed purchase	13,952	-	-	13,952
Moveable equipment	871,692	96,518	34,868	933,342
Capitalized software and other intangible assets	39,399	1,200	2,024	38,575
Fixed equipment	187,983	12,787	888	199,882
Fixed equipment - financed purchase	659	-	-	659
Infrastructure	152,258	2,506	45	154,719
Library books	79,875	392	71	80,196
Right-to-use intangible assets				
Land	4,442	-	93	4,349
Buildings	269,629	3,573	8,142	265,060
Equipment	73	-	-	73
Infrastructure	181	-	-	181
SBITA assets	38,057	14,172	4,994	47,235
Total depreciable capital assets, at cost	<u>4,260,101</u>	<u>569,258</u>	<u>53,058</u>	<u>4,776,301</u>
<b>Less accumulated depreciation and amortization</b>				
Buildings	901,469	73,376	1,931	972,914
Buildings - financed purchase	5,813	581	-	6,394
Moveable equipment	593,059	68,306	32,952	628,413
Capitalized software and other intangible assets	32,519	3,622	2,024	34,117
Fixed equipment	113,757	7,927	630	121,054
Fixed equipment - financed purchase	247	27	-	274
Infrastructure	116,227	3,251	46	119,432
Library books	75,429	954	71	76,312
Right-to-use intangible assets				
Land	849	231	93	987
Buildings	68,733	23,702	6,989	85,446
Equipment	30	24	-	54
Infrastructure	123	31	-	154
SBITA assets	17,248	10,770	4,952	23,066
Total accumulated depreciation and amortization	<u>1,925,503</u>	<u>192,802</u>	<u>49,688</u>	<u>2,068,617</u>
Total depreciable capital assets, net of accumulated depreciation and amortization	<u>2,334,598</u>	<u>376,456</u>	<u>3,370</u>	<u>2,707,684</u>
<b>Nondepreciable capital assets</b>				
Land	48,272	-	-	48,272
Livestock	532	151	-	683
Equipment in process	13,933	6,929	12,730	8,132
Construction in progress	490,485	122,393	441,063	171,815
Lease renovation in progress	28	-	28	-
SBITA in development	51	-	-	51
Total nondepreciable capital assets	<u>553,301</u>	<u>129,473</u>	<u>453,821</u>	<u>228,953</u>
Total capital assets, net of accumulated depreciation and amortization	<u>\$ 2,887,899</u>	<u>\$ 505,929</u>	<u>\$ 457,191</u>	<u>\$ 2,936,637</u>

## 8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025, consist of the following  
(all dollars in thousands)

Accounts payable	\$ 44,455
Accounts payable, capital projects	21,412
Accrued salaries and wages payable	106,230
Retainage payable	15,260
Total current accounts payable and accrued liabilities	<u>\$ 187,357</u>

Retainage payable represents funds held by the university as retainage on various construction contracts for work performed. Funds retained will be remitted as agreed upon satisfactory completion of the projects.

## 9. Unearned Revenue

Unearned revenue consists of the following at June 30, 2025  
(all dollars in thousands)

Grants and contracts	\$ 25,053
Prepaid tuition and fees	12,679
Prepaid athletic events	15,859
Other, primarily auxiliary enterprises	5,098
Total unearned revenue	<u>\$ 58,689</u>

## 10. Commonwealth Capital Reimbursement Programs and Capital Gifts

The commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2025, funding has been provided to the university from three programs (21<sup>st</sup> Century program, Central Maintenance Reserve program and the Equipment Trust Fund program) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the university and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities. The university also receives capital funding for equipment and facilities from private gifts, grants, and contracts.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes the amounts listed below for the year ended June 30, 2025, in "Capital Grants and Gifts" line item for equipment and facilities. Part of the funding for these programs is a receivable from the commonwealth at June 30, 2025 as shown in the subsequent paragraph (*all dollars in thousands*):

VCBA 21st Century program	\$	16,394
VCBA Equipment Trust Fund program		15,519
Private Gifts		6,021
Grants and contracts		2,023
	\$	<u>39,957</u>

The line items, "Due from the Commonwealth of Virginia", on the *Statement of Net Position* for the year ended June 30, 2025, include pending reimbursements from the following programs (*all dollars in thousands*):

	<u>Current</u>	<u>Noncurrent</u>
VCBA Equipment Trust Fund program	\$ 15,472	\$ -
Capital appropriations	-	316,915
VCBA 21st Century program	-	610
	<u>\$ 15,472</u>	<u>\$ 317,525</u>

## 11. Short-term Debt

In August of 2021, the Virginia Tech Board of Visitors authorized the university to issue its own commercial paper on a tax-exempt or taxable basis in an aggregate principal amount of up to \$175 million. J.P. Morgan is the university's dealer and BNY Investments is the issuing and paying agent. This short-term debt finances capital projects on an interim basis pending long-term bond financing.

At June 30, 2025, the amount outstanding was \$5,067,000. The days to maturity is 28 days with an interest rate of 4.84%. The change in short-term debt for this fiscal year is shown below (*all dollars in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Taxable	\$ 5,986	\$ 60,689	\$ 61,608	\$ 5,067

## 12. Summary of Long-term Indebtedness

### Bonds Payable

The university has issued two categories of bonds pursuant to Article X, Section 9, *Constitution of Virginia*.

Section 9(d) bonds are revenue bonds which are limited obligations of the university, payable exclusively from pledged general revenues, and which are not legal or moral debts of the Commonwealth of Virginia. Pledged general revenues include general fund appropriations, student tuition and fees, facilities and administrative (indirect) cost recoveries, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university has issued section 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues section 9(d) bonds with the proceeds used to purchase debt obligations (notes) of the university and other institutions of higher education. The notes are secured by pledged general revenues of the university.

Section 9(c) bonds are general obligation revenue bonds issued by the Commonwealth of Virginia on behalf of the university and secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Bond covenants related to some of these bonds, both 9(c) and 9(d), require the use of established groups of funds called systems. The Virginia Tech Foundation Inc. and investment firms BNY Investments and Merganser Capital Management hold these funds in trust for managing the net revenues and debt service of certain university auxiliaries. The revenue bonds issued by the Dormitory and Dining Hall System, the Athletic Facilities System, the University Services System (including Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Cultural and Community Centers, Student Organizations, and the VT Rescue Squad), and the Utility System (including Virginia Tech Electric Service) are secured by a pledge of each system's net revenues generated from student or customer fees, and are further secured by the pledged general revenues of the university.

### Notes Payable

Notes payable are debt obligations between VCBA and the university. VCBA issues bonds through the Pooled Bond Program and uses the proceeds to purchase debt obligations (notes) on behalf of the university. The notes are secured by the pledged general revenues of the university.

### Finance Purchase Obligation

The university has a finance purchase obligation with the Virginia Tech Foundation Inc. for the Kentland Farm dairy complex. Under the terms of the lease agreement, ownership of the property will be transferred to the university at the end of the lease. The university accounted for the financed purchases as additions to capital assets in the year of the agreement and recorded a corresponding finance purchase obligation in long-term debt, both of which are included in the *Statement of Net Position* as of June 30, 2025.

### Revolving Lines of Credit

The university has executed revolving lines of credit with Truist Bank (\$308,000,000), Wells Fargo Bank N.A. (\$35,000,000), and The First Bank and Trust Company (\$30,000,000). The agreement with Truist Bank includes a standby liquidity support agreement to provide a revolving line of credit as liquidity to support the university's commercial paper program with a maximum principal amount of \$175,000,000. As of June 30, 2025, the maximum principal amount available was \$373,000,000 and there were no advances outstanding on these revolving lines of credit.

**Long-term Debt Payable Activity**

As of June 30, 2025  
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	\$ 246,189	\$ 4,179	\$ 21,914	\$ 228,454	\$ 16,859
Section 9(d) revenue bonds	74,343	36,593	43,139	67,797	4,320
Notes payable	241,386	-	16,760	224,626	15,805
Finance purchase obligation	10,045	-	530	9,515	560
Total long-term debt payable	<u>\$ 571,963</u>	<u>40,772</u>	<u>82,343</u>	<u>\$ 530,392</u>	<u>\$ 37,544</u>
Less current year debt defeasance		40,772	42,467		
Total additions and retirements, net of current year defeasance		<u>\$ -</u>	<u>\$ 39,876</u>		

**Future Principal Commitments**

For fiscal years subsequent to 2025  
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligations	Total Long-term Debt Payable
2026	\$ 16,859	\$ 4,320	\$ 15,805	\$ 560	\$ 37,544
2027	17,524	4,470	15,495	585	38,074
2028	16,735	4,630	14,865	605	36,835
2029	15,840	4,790	15,200	640	36,470
2030	13,135	4,965	15,620	670	34,390
2031 - 2035	53,345	28,075	57,560	3,780	142,760
2036 - 2040	53,210	10,730	37,570	2,675	104,185
2041 - 2045	16,285	2,300	20,770	-	39,355
2046 - 2050	7,685	-	13,815	-	21,500
2051 - 2053	3,630	-	4,280	-	7,910
Unamortized premiums (discounts)	14,206	3,517	13,646	-	31,369
Total future principal requirements	<u>\$ 228,454</u>	<u>\$ 67,797</u>	<u>\$ 224,626</u>	<u>\$ 9,515</u>	<u>\$ 530,392</u>

**Future Interest Commitments**

For fiscal years subsequent to 2025  
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligation	Total Long-term Debt Payable
2026	\$ 8,051	\$ 2,224	\$ 7,666	\$ 414	\$ 18,355
2027	7,340	2,079	7,161	386	16,966
2028	6,572	1,924	6,637	366	15,499
2029	5,977	1,758	6,077	335	14,147
2030	5,339	1,582	5,489	303	12,713
2031 - 2035	20,142	4,891	20,451	1,089	46,573
2036 - 2040	11,505	943	11,103	244	23,795
2041 - 2045	4,265	29	5,539	-	9,833
2046 - 2050	2,074	-	1,957	-	4,031
2051 - 2053	274	-	261	-	535
Total future interest requirements	<u>\$ 71,539</u>	<u>\$ 15,430</u>	<u>\$ 72,341</u>	<u>\$ 3,137</u>	<u>\$ 162,447</u>

**Future Principal Commitments by System**

For fiscal years subsequent to 2025  
(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Finance Purchase Obligations	Total Long-term Debt Payable
Athletic system					
Principal	\$ -	\$ 31,780	\$ -	\$ -	\$ 31,780
Unamortized premiums (discounts)	-	36	-	-	36
Total for athletic system	-	31,816	-	-	31,816
Dormitory and dining hall system					
Principal	171,561	28,400	15,355	-	215,316
Unamortized premiums (discounts)	11,803	3,042	998	-	15,843
Total for dormitory and dining hall system	183,364	31,442	16,353	-	231,159
Electric service utility system					
Principal	-	2,365	-	-	2,365
Unamortized premiums (discounts)	-	253	-	-	253
Total for utility system	-	2,618	-	-	2,618
University services system					
Principal	-	1,735	74,505	-	76,240
Unamortized premiums (discounts)	-	186	4,762	-	4,948
Total for university services system	-	1,921	79,267	-	81,188
All systems					
Principal	171,561	64,280	89,860	-	325,701
Unamortized premiums (discounts)	11,803	3,517	5,760	-	21,080
Total for all systems	183,364	67,797	95,620	-	346,781
Other nonsystem debt					
Principal	42,687	-	121,120	9,515	173,322
Unamortized premiums (discounts)	2,403	-	7,886	-	10,289
Total for other nonsystem debt	45,090	-	129,006	9,515	183,611
Total future principal requirements	<u>\$ 228,454</u>	<u>\$ 67,797</u>	<u>\$ 224,626</u>	<u>\$ 9,515</u>	<u>\$ 530,392</u>

### 13. Detail of Long-term Indebtedness

As of June 30, 2025  
(all dollars in thousands)

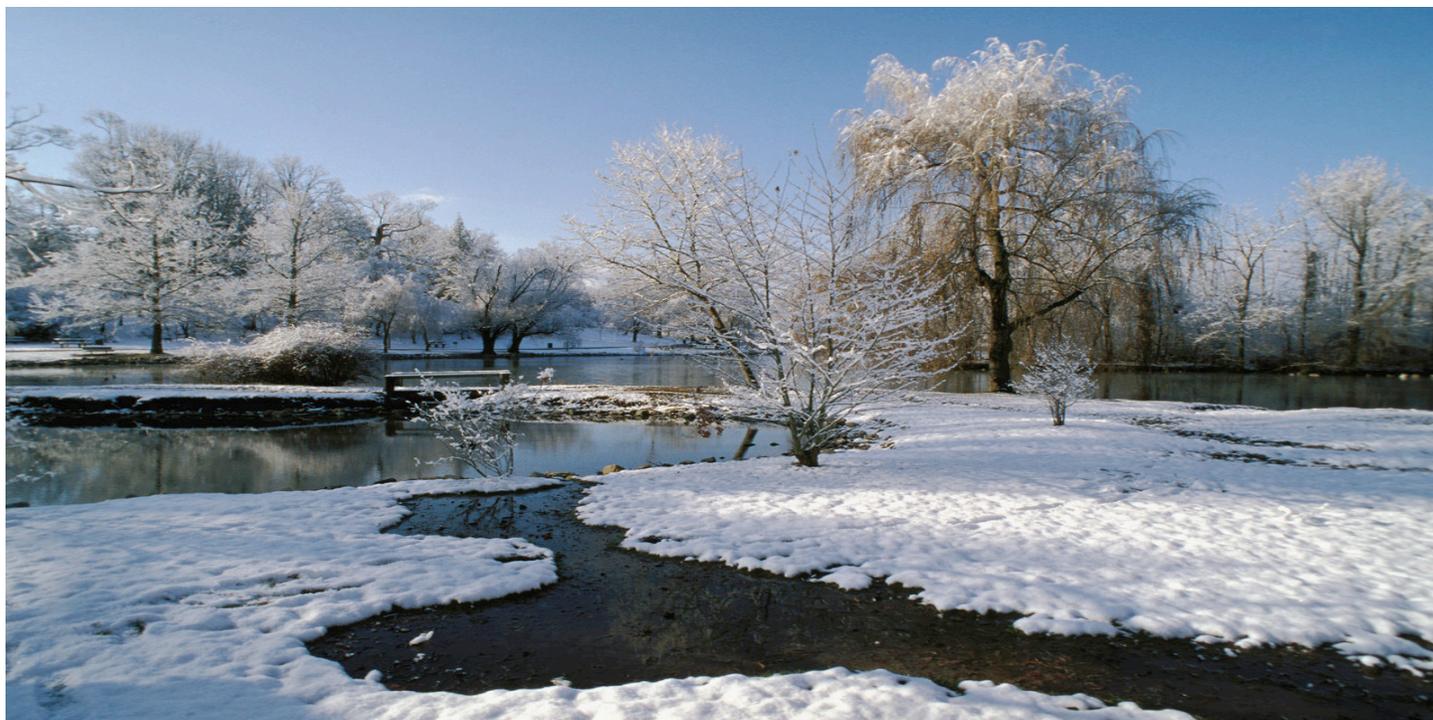
	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
<b>Bonds Payable</b>					
Revenue bonds - Section 9(d)					
Athletic system					
Series 2025, issued \$225 - refunding series 2015B	5.00%	2035	\$ 225	\$ 36	\$ 261
Series 2021, issued \$40	2.15%	2036	40	-	40
Series 2021, issued \$21,825 - refunding 2012B note payable	0.83% - 2.55%	2041	19,680	-	19,680
Series 2021, issued \$7,055 - refunding 2010B note payable	0.83% - 2.55%	2041	6,360	-	6,360
Series 2021, issued \$6,075 - refunding 2016A note payable	0.83% - 2.55%	2041	5,475	-	5,475
Total athletic system			<u>31,780</u>	<u>36</u>	<u>31,816</u>
Dormitory and dining hall system					
Series 2025, issued \$28,400 - refunding series 2015A	5.00%	2035	28,400	3,042	31,442
Electric service utility system					
Series 2025, issued \$2,365 - refunding series 2015D	5.00%	2035	2,365	253	2,618
University services system					
Recreational Sports auxiliary					
Series 2025, issued \$1,735 - refunding series 2015C	5.00%	2035	1,735	186	1,921
Total revenue bonds			<u>64,280</u>	<u>3,517</u>	<u>67,797</u>
General obligation revenue bonds - Section 9(c)					
Dormitory and dining hall system					
Series 2024B, issued \$2,836 - refunding series 2013B	5.00%	2027	1,930	71	2,001
Series 2024B, issued \$1,294 - refunding series 2013B	5.00%	2027	881	33	914
Series 2025B, issued \$3,690 - refunding series 2015B	5.00%	2028	3,690	161	3,851
Series 2016B, issued \$24,200 - partial refunding series 2009B	2.00% - 5.00%	2029	11,065	1,481	12,546
Series 2016B, issued \$2,310 - partial refunding series 2009B	2.00% - 5.00%	2029	1,055	141	1,196
Series 2010A, issued \$34,650	3.85% - 4.40%	2030	10,745	164	10,909
Series 2020B, issued \$13,070 - refunding series 2011A	0.70% - 1.41%	2031	9,065	27	9,092
Series 2020A, issued \$84,305	1.63% - 4.00%	2040	70,765	6,117	76,882
Series 2022A, issued \$40,100	4.13% - 5.00%	2042	38,670	2,225	40,895
Series 2022A, issued \$25,405	4.13% - 5.00%	2042	23,695	1,383	25,078
Total dormitory and dining hall system			<u>171,561</u>	<u>11,803</u>	<u>183,364</u>
Other nonsystem general obligation revenue bonds					
Parking facilities					
Series 2024B, issued \$94 - refunding series 2013B	5.00%	2026	47	1	48
Series 2025B, issued \$315 - refunding series 2015B	5.00%	2028	315	14	329
Series 2010A, issued \$745	3.85% - 4.40%	2030	225	3	228
Series 2016B, issued \$18,890 - partial refunding series 2009B	2.00% - 5.00%	2034	12,725	1,215	13,940
Series 2022A, issued \$29,375	4.13% - 5.00%	2052	29,375	1,170	30,545
Total other nonsystem general obligation revenue bonds			<u>42,687</u>	<u>2,403</u>	<u>45,090</u>
Total general obligation revenue bonds			<u>214,248</u>	<u>14,206</u>	<u>228,454</u>
Total bonds payable			<u>\$ 278,528</u>	<u>\$ 17,723</u>	<u>\$ 296,251</u>
<b>Notes Payable</b>					
Dormitory and dining hall system					
Series 2014B, issued \$340 - partial refunding series 2005	4.00%	2026	\$ 205	\$ 3	\$ 208
Series 2021B, issued \$795 - partial refunding series 2012A	0.77% - 0.94%	2028	430	-	430
Series 2010A, issued \$9,650	5.00% - 5.50%	2031	3,745	131	3,876
Series 2021A, issued \$980 - partial refunding series 2010A	2.00% - 3.00%	2033	980	75	1,055
Series 2018A, issued \$11,505	4.00% - 5.00%	2039	9,150	789	9,939
Series 2021B, issued \$845 - partial refunding series 2018A	2.50% - 2.60%	2041	845	-	845
Total dormitory and dining hall system			<u>15,355</u>	<u>998</u>	<u>16,353</u>
University services system					
Center for the Arts auxiliary					
Series 2010A, issued \$19,445	5.00% - 5.60%	2036	10,915	278	11,193
Series 2021A, issued \$1,530 - partial refunding series 2010A	2.00%	2038	1,530	43	1,573
Series 2021B, issued \$15,655 - refunding series 2011A	0.48% - 2.40%	2039	13,750	2	13,752
Health Services and Recreational Sports auxiliaries					
Series 2015B, issued \$800 - partial refunding series 2009A	3.00% - 5.00%	2029	400	41	441
Series 2016A, issued \$7,945 - partial refunding series 2009B	3.00% - 5.00%	2030	4,370	585	4,955
Series 2016A, issued \$2,780 - partial refunding series 2009B	3.00% - 5.00%	2030	1,530	205	1,735
Series 2021B, issued \$175 - partial refunding series 2015B	1.33% - 1.53%	2031	175	-	175
Series 2021B, issued \$1,510 - partial refunding series 2016A	1.53% - 1.71%	2032	1,510	-	1,510
Series 2021B, issued \$530 - partial refunding series 2016A	1.53% - 1.71%	2032	530	-	530
Series 2023A, issued \$40,715	4.00% - 5.00%	2048	39,795	3,608	43,403
Total university services system			<u>74,505</u>	<u>4,762</u>	<u>79,267</u>
Other nonsystem notes payable					
Academic Building One in Alexandria, VA					
Series 2023A, issued \$4,995	4.00% - 5.00%	2053	4,995	332	5,327
Boiler pollution controls					
Series 2016A, issued \$375 - partial refunding series 2006A	3.00%	2027	255	8	263
Series 2021B, issued \$235 - partial refunding series 2014B	0.94% - 1.13%	2029	235	-	235

### 13. Detail of Long-term Indebtedness (continued)

	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
Other nonsystem notes payable, continued					
Campus heating plant					
Series 2014B, issued \$1,790 - partial refunding series 2007A	4.00%	2026	265	29	294
Series 2016A, issued \$575 - partial refunding series 2007A	3.00% - 5.00%	2028	575	30	605
Series 2016A, issued \$3,625 - partial refunding series 2009B	3.00% - 5.00%	2030	1,995	267	2,262
Series 2021B, issued \$485 - partial refunding series 2014B	1.13% - 1.33%	2030	485	-	485
Series 2021B, issued \$690 - partial refunding series 2016A	1.53% - 1.71%	2032	690	-	690
Chiller plant					
Series 2021B, issued \$5,315 - refunding series 2011A	0.61% - 1.91%	2034	4,335	1	4,336
Corps Leadership and Military Sciences Building					
Series 2023A, issued \$28,600	4.00% - 5.00%	2053	27,685	2,609	30,294
Data and Decision Sciences Building					
Series 2023A, issued \$8,850	4.00% - 5.00%	2043	8,335	1,008	9,343
Goodwin Hall					
Series 2021B, issued \$8,320 - partial refunding series 2011A	0.61% - 1.71%	2032	6,490	2	6,492
Hitt Hall					
Series 2023A, issued \$11,065	4.00% - 5.00%	2043	10,705	1,290	11,995
Holden Hall					
Series 2019A, issued \$7,920	2.25% - 5.00%	2040	6,540	612	7,152
Holtzman Alumni Center and Skelton Conference Center					
Series 2021B, issued \$10,840 - refunding series 2012A	0.61% - 1.81%	2033	8,450	3	8,453
ICTAS II					
Series 2016A, issued \$8,345 - partial refunding series 2009B	3.00% - 5.00%	2030	4,585	614	5,199
Kelly Hall					
Series 2016A, issued \$3,180 - partial refunding series 2006A	3.00%	2027	2,150	63	2,213
Life Sciences I Facility					
Series 2014B, issued \$1,005 - partial refunding series 2005	4.00%	2026	615	10	625
Steger Hall					
Series 2021A, issued \$6,785 - refunding series 2010B	5.00%	2030	5,125	863	5,988
Veterinary medicine instruction addition					
Series 2021B, issued \$6,355 - partial refunding series 2012B	0.61% - 1.81%	2033	5,200	1	5,201
Virginia Tech Carilion biosciences addition					
Series 2017A and 2017B, issued \$24,630	2.75% - 3.30%	2038	18,305	109	18,414
Series 2018B, issued \$3,965	3.70% - 5.00%	2039	3,105	35	3,140
Total other nonsystem notes payable			121,120	7,886	129,006
Total notes payable			<u>\$ 210,980</u>	<u>\$ 13,646</u>	<u>\$ 224,626</u>

**Finance purchase obligation - Kentland Farm dairy complex**

\$ 9,515 \$ - \$ 9,515



Virginia Tech Photo

## 14. Long-term Debt Defeasance

### Current Year

During fiscal year 2025, the university issued \$36,185,000 of 9(d) revenue bonds to refund \$37,736,000 of 9(d) revenue bonds. The university and the Commonwealth of Virginia, on behalf of the university, also issued \$4,171,000 of 9(c) general obligations bonds to refund \$4,319,000 of 9(c) general obligation bonds. The resulting net gain of \$1,699,000 will be amortized over the life of the new debt. For financial reporting purposes, these bonds are considered an in-substance defeasance and have therefore been removed from the long-term debt payable presented in the *Statement of Net Position*. The assets in escrow have similarly been excluded. The details of each refunded debt issue are presented below.

#### Long-term Debt Defeasance

Debt issues refunded as of June 30, 2025

(all dollars in thousands)

	Debt Refunded	Refunding Debt Issued	Accounting Gain (Loss)	Present Value Rate	Reduction (Increase) in Debt Service	Reduction (Increase) in Debt Service Discounted at Present Value
Section 9(d) revenue bonds, Series 2025						
Series 2015A, issued \$51,425	\$ 31,145	\$ 28,400	\$ 2,745	2.86%	\$ 1,208	\$ 1,053
Series 2015B, issued \$510	260	225	35	2.86%	15	10
Series 2015C, issued \$3,280	1,905	1,735	170	2.86%	40	34
Series 2015D, issued \$4,390	2,600	2,365	235	2.86%	58	50
Premiums (discounts)	1,826	3,868	(2,042)			
Other accounting activity related to debt refunding	-	(408)	408			
Total for 9(d) revenue bonds	<u>37,736</u>	<u>36,185</u>	<u>1,551</u>		<u>1,321</u>	<u>1,147</u>
Section 9(c) general obligation revenue bonds, Series 2025B						
Series 2015B, issued \$10,671	3,832	3,690	142	3.91%	169	157
Series 2015B, issued \$921	324	315	9	3.91%	11	10
Premiums (discounts)	575	174	401			
Other accounting activity related to debt refunding	(412)	(8)	(404)			
Total for 9(c) general obligation revenue bonds	<u>4,319</u>	<u>4,171</u>	<u>148</u>		<u>180</u>	<u>167</u>
Total for all long-term debt	<u>\$ 42,055</u>	<u>40,356</u>	<u>\$ 1,699</u>		<u>\$ 1,501</u>	<u>\$ 1,314</u>
Debt issuance costs			416			
Total refunding debt issued		<u>\$ 40,772</u>				

### Prior Years

In prior fiscal years, the university excluded from its financial statements the assets in escrow and the debt payable which were defeased in-substance in accordance with GASB Statement 7, *Advance Refundings Resulting in the Defeasance of Debt*. For the year ending June 30, 2025, there were \$7,116,000 in bonds and notes outstanding considered defeased.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, reclassifies losses and gains on defeased debt to deferred outflows of resources or deferred inflows of resources, respectively. The tables below provide detail on the unamortized gains and losses included in the deferred outflows of resources and deferred inflows of resources by bond category for defeased outstanding debt from prior years.

#### Deferred Outflows for Debt Defeasance

As of June 30, 2025

(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	\$ 641	\$ -	\$ 559	\$ 82
Section 9(d) revenue bonds	471	4	82	393
Notes payable	1,318	-	240	1,078
Total deferred outflows for debt defeasance	<u>\$ 2,430</u>	<u>\$ 4</u>	<u>\$ 881</u>	<u>\$ 1,553</u>

#### Deferred Inflows for Debt Defeasance

As of June 30, 2025

(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	\$ 386	\$ 148	\$ 69	\$ 465
Section 9(d) revenue bonds	103	1,555	176	1,482
Notes payable	725	-	111	614
Total deferred inflows for debt defeasance	<u>\$ 1,214</u>	<u>\$ 1,703</u>	<u>\$ 356</u>	<u>\$ 2,561</u>

## 15. Long-term Leases Payable

Long-term leases represent the university's obligation to pay owners for the right to use the present service capacity of their assets. These obligations are primarily for leases of facilities, such as office space in the North End Center and Gilbert Place buildings, the North End Center parking garage, space in the Children's National Hospital, and various office and laboratory spaces in the Virginia Tech Corporate Research Center. The university's lease agreements for facilities typically range from 3-20 years, with renewal options equal to the base term appearing more frequently in the university's 3- to 5-year lease agreements. The university utilizes stated or implicit rates when determinable, otherwise the university uses its incremental borrowing rate to discount lease payments. The weighted-average remaining lease term on the university's leases is 13.6 years with a weighted-average discount rate of 3.57%.

The university's leases are primarily with the foundation and its subsidiaries. Several of the university's leases with the foundation operate on a nonprofit basis, in which the rent owed is trued up at regular intervals to ensure cost-only rent. These agreements make up the majority of the university's 20-year leases. The university's long-term lease portfolio does not contain provisions for variable payments based on the university's future performance or usage of the underlying assets. Additionally, university's long-term lease portfolio does not contain provisions for residual value guarantees. The university had no impairment losses on its long-term lease portfolio in fiscal year 2025. The university has two commitments totaling \$1.2 million commencing in fiscal year 2026.

### Long-Term Leases Payable Activity

As of June 30, 2025

(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Terminations	Ending Balance	Current Portion
Long-term leases payable						
Land	\$ 2,586	\$ -	\$ 205	\$ -	\$ 2,381	\$ 211
Building	187,165	3,096	20,755	901	168,605	19,958
Equipment	24	-	24	-	-	-
Infrastructure	62	-	32	-	30	30
Total long-term leases payable	<u>\$ 189,837</u>	<u>\$ 3,096</u>	<u>\$ 21,016</u>	<u>\$ 901</u>	<u>\$ 171,016</u>	<u>\$ 20,199</u>

### Future Principal Commitments

For fiscal years subsequent to 2025

(all dollars in thousands)

	Land	Building	Infrastructure	Total
2026	\$ 211	\$ 19,958	\$ 30	\$ 20,199
2027	187	18,408	-	18,595
2028	187	14,599	-	14,786
2029	196	13,270	-	13,466
2030	200	9,088	-	9,288
2031-2035	868	44,517	-	45,385
2036-2040	221	33,196	-	33,417
2041-2045	54	12,167	-	12,221
2046-2050	75	2,921	-	2,996
2051-2055	100	481	-	581
2056-2059	82	-	-	82
Total future principal requirements	<u>\$ 2,381</u>	<u>\$ 168,605</u>	<u>\$ 30</u>	<u>\$ 171,016</u>

### Future Interest Commitments

For fiscal years subsequent to 2025

(all dollars in thousands)

	Land	Building	Infrastructure	Total
2026	\$ 79	\$ 5,611	\$ 1	\$ 5,691
2027	73	4,912	-	4,985
2028	67	4,312	-	4,379
2029	61	3,852	-	3,913
2030	55	3,475	-	3,530
2031-2035	175	12,966	-	13,141
2036-2040	63	5,817	-	5,880
2041-2045	47	1,259	-	1,306
2046-2050	37	326	-	363
2051-2055	23	7	-	30
2056-2059	6	-	-	6
Total future interest requirements	<u>\$ 686</u>	<u>\$ 42,537</u>	<u>\$ 1</u>	<u>\$ 43,224</u>

## 16. Long-term Subscription-Based Information Technology Arrangements Payable

Subscription-based information technology arrangements (SBITAs) represent the university's obligation to pay vendors for access to their information technology. The university's SBITAs typically range from 2-7 years, with renewal options ranging from 1-3 years. The university utilizes stated or implicit rates when determinable, otherwise the university uses its incremental borrowing rate to discount lease payments. The weighted-average remaining term on the university's SBITAs is 3.7 years with a weighted-average discount rate of 2.97%.

Some contracts in the university's SBITA portfolio contain provisions for variable payments based upon usage of the underlying assets or additional licenses. The university paid \$0.1 million in variable payments during fiscal year 2025. The university had no impairment losses on its SBITA portfolio in fiscal year 2025. The university has \$0.1 million in commitments for SBITAs as of June 30 2025.

### Future Principal Commitments

As of June 30, 2025  
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Terminations	Ending Balance	Current Portion
Long-term SBITAs payable	\$ 19,239	\$ 14,147	\$ 9,832	\$ 46	\$ 23,508	\$ 8,296

### Future Principal Commitments

For fiscal years subsequent to 2025  
(all dollars in thousands)

2026	\$ 8,296
2027	5,976
2028	4,053
2029	3,732
2030	1,451
Total future principal payments	<u>\$ 23,508</u>

### Future Interest Commitments

For fiscal years subsequent to 2025  
(all dollars in thousands)

2026	\$ 873
2027	460
2028	285
2029	161
2030	45
Total future interest payments	<u>\$ 1,824</u>

## 17. Changes in Other Liabilities

A summary of the changes in other liabilities for the year ended June 30, 2025  
(all dollars in thousands)

	Beginning Balance (restated)	Net Change	Ending Balance	Current Portion
Accrued compensated absences	\$ 68,011	\$ 14,165	\$ 82,176	\$ 53,013
Federal student loan program contributions refundable	670	-	670	-
Net pension liability	316,090	(10,338)	305,752	-
Other postemployment benefits	142,552	(11,027)	131,525	3,072
Total other liabilities	<u>\$ 527,323</u>	<u>\$ (7,200)</u>	<u>\$ 520,123</u>	<u>\$ 56,085</u>

## 18. Capital Improvement Commitments

The amounts listed in the following tables represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. Outstanding contractual commitments for capital improvement projects at June 30, 2025 (all dollars in thousands):

### Capital Commitments by Project

Mitchell Hall construction	\$ 36,298
Virginia Tech Carilion School of Medicine and Fralin Biomedical Research Institute expansion	12,164
Building envelope improvements	5,126
Academic Building One in Alexandria	3,186
Pamplin College of Business new building construction	1,691
Eastern Shore AREC improvements	1,336
Livestock and poultry research facility, phase II construction	1,293
Other projects	2,108
Total	<u>\$ 63,202</u>

### Capital Commitments by Funding Source

Capital appropriations	\$ 40,131
University cost recoveries	12,177
Private gifts	10,000
VCBA 21st Century bonds to be paid by the commonwealth	617
Auxiliary enterprise funds	274
Other funds	3
Total	<u>\$ 63,202</u>

## 19. Pension Plans

### Plan Descriptions

All full-time, salaried, permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan (SERP) or the Virginia Law Officers' Retirement System (VaLORS) retirement plans upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program described in Note 20. These plans are single employer plans treated as cost-sharing plans for financial reporting purposes. These plans are administered by the Virginia Retirement System (VRS or '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 described below.

### Retirement Plan Provisions by Plan Structure

#### Plan 1

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.

#### Plan 2

Same as Plan 1.

#### Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit component is based on a member's age, service credit, and average final compensation at retirement using a formula.
- 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.
- 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.

### Eligible Members

#### Eligible Members – Plan 1

Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

#### Eligible Members – Plan 2

Employees are in Plan 2 if their membership date is on or after July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

#### Eligible Members – Hybrid Plan

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Full-time permanent, salaried state employees\*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

\*Some state employees are not eligible to participate in the Hybrid Retirement Plan. They include members of the Virginia Law Officers' Retirement System (VaLORS),

and employees eligible for an optional retirement plan (ORP) who have prior service under Plan 1 or Plan 2. These employees must select Plan 1 or Plan 2 (as applicable) or the ORP plan.

### Retirement Contributions

#### Retirement Contributions - Plan 1

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 pretax 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 payments.

#### Retirement Contributions - Plan 2

Same as Plan 1.

#### Retirement Contributions - Hybrid Plan

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.

### Service Credit

#### Service Credit - Plan 1

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.

#### Service Credit - Plan 2

Same as Plan 1.

#### Service Credit - Hybrid Plan

**Defined Benefit Component:** 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.

**Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

### Vesting

#### Vesting - Plan 1

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. Members are always 100% vested in the contributions that they make.

#### Vesting - Plan 2

Same as Plan 1.

#### Vesting - Hybrid Plan

**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. 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.

**Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer con-

tributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. 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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required, except as governed by law.

## Calculating the Benefit

### Calculating the Benefit - Plan 1

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor 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.

### Calculating the Benefit - Plan 2

See definition under Plan 1.

### Calculating the Benefit - Hybrid Plan

*Defined Benefit Component:* See definition under Plan 1.

*Defined Contribution Component:* 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.

## Average Final Compensation

### Average Final Compensation - Plan 1

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

### Average Final Compensation - Plan 2

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

### Average Final Compensation - Hybrid Plan

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

## Service Retirement Multiplier

### Service Retirement Multiplier - Plan 1

For SERP, the retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for nonhazardous duty members is 1.70%. The retirement multiplier for VaLORS employees is 1.70% or 2.00%.

### Service Retirement Multiplier - Plan 2

For SERP, same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013. The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to nonhazardous duty service and no supplement.

### Service Retirement Multiplier - Hybrid Plan

*Defined Benefit Component:* SERP - The retirement multiplier for the defined benefit component is 1.00%. 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. VaLORS - Not applicable.

*Defined Contribution Component:* Not applicable.

## Normal Retirement Age

### Normal Retirement Age - Plan 1

For SERP, age 65. For VaLORS, age 60.

### Normal Retirement Age - Plan 2

For SERP, normal Social Security retirement age. For VaLORS, same as Plan 1.

### Normal Retirement Age - Hybrid Plan

*Defined Benefit Component:* SERP - Same as Plan 2; VaLORS - Not applicable.

*Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## Earliest Unreduced Retirement Eligibility

### Earliest Unreduced Retirement Eligibility - Plan 1

For SERP, age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. For VaLORS, age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

### Earliest Unreduced Retirement Eligibility - Plan 2

For SERP, normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. For VaLORS, same as Plan 1.

### Earliest Unreduced Retirement Eligibility - Hybrid Plan

*Defined Benefit Component:* SERP - Same as Plan 2; VaLORS - Not applicable.

*Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## Earliest Reduced Retirement Eligibility

### Earliest Reduced Retirement Eligibility - Plan 1

For SERP, age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. For VaLORS, age 50 with at least five years of service credit.

### Earliest Reduced Retirement Eligibility - Plan 2

For SERP, age 60 with at least five years (60 months) of service credit. For VaLORS, same as Plan 1.

### Earliest Reduced Retirement Eligibility - Hybrid Plan

*Defined Benefit Component:* SERP - Same as Plan 2. For VaLORS - Not applicable.

*Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

## Cost-of-Living Adjustment (COLA) in Retirement

### Cost-of-Living Adjustment (COLA) in Retirement - Plan 1

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%.

#### Eligibility

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.

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.

#### Exceptions to COLA Effective Dates

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- 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.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

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.

### Cost-of-Living Adjustment (COLA) in Retirement - Plan 2

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%. Eligibility rules and exceptions are the same as Plan 1.

### Cost-of-Living Adjustment (COLA) in Retirement - Hybrid Plan

*Defined Benefit Component:* The COLA is the same as Plan 2. The eligibility rules and exceptions are the same as Plan 1 and Plan 2.

*Defined Contribution Component:* Not applicable.

## 19. Pension Plans (continued)

### Disability Coverage

#### Disability Coverage - Plan 1

For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

#### Disability Coverage - Plan 2

For 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. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

#### Disability Coverage - Hybrid Plan

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. 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.

### Purchase of Prior Service

#### Purchase of Prior Service - Plan 1

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 creditable service 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.

#### Purchase of Prior Service - Plan 2

Same as Plan 1.

#### Purchase of Prior Service - Hybrid Plan

*Defined Benefit Component:* Same as Plan 1, with the exception that Hybrid Retirement Plan members are ineligible for ported service.

*Defined Contribution Component:* Not applicable.

### 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 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2025 was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rate which were based on an actuarially determined rates from an actuarial valuation as of June 30, 2023. The actuarially determined rates, when combined with employee contributions, were 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 Virginia Tech to the VRS State Employee Retirement Plan were \$48,395,000 and \$48,281,000 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions from Virginia Tech to the VaLORS Retirement Plan were \$851,000 and \$801,000 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$1,664,000 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$2,190,000 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$123,058,000 for the year ended June 30, 2025.

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

At June 30, 2025, Virginia Tech reported a liability of \$300,240,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$5,512,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. Virginia Tech's proportion of the Net Pension Liability was based on Virginia Tech's actuarially determined employer contributions to the pension plans for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, Virginia Tech's proportion of the VRS State Employee Retirement Plan was 6.096% as compared to 6.143% at June 30, 2023. At June 30, 2024, Virginia Tech's proportion of the VaLORS Retirement Plan was 0.827% as compared to 0.815% at June 30, 2023.

For the year ended June 30, 2025, Virginia Tech recognized pension expense of \$29,028,000 for the VRS State Employee Retirement Plan and \$1,205,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2023 and June 30, 2024, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2023 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, Virginia Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*all dollars in thousands*):

	SERP		VaLORS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 49,249	\$ 1,656	\$ 320	\$ -
Net difference between projected and actual earnings on pension plan investments	-	39,465	-	430
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,309	30	-
Employer contributions subsequent to the measurement date	48,395	-	850	-
Total	<u>\$ 97,644</u>	<u>\$ 44,430</u>	<u>\$ 1,200</u>	<u>\$ 430</u>

A total of \$49,246,000 (\$48,395,000 for SERP and \$851,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Virginia Tech's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows (all dollars in thousands):

Year ended June 30,	SERP	VaLORS
2026	\$ (11,505)	\$ (29)
2027	\$ 28,422	\$ 126
2028	\$ (3,729)	\$ (84)
2029	\$ (8,369)	\$ (92)
2030	\$ -	\$ -

## Actuarial Assumptions

### VRS State Employee Retirement Plan (SERP)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

### Mortality rates (SERP)

Pre-Retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years
Post-Retirement:	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females
Post-Disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females
Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on the VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

### VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

### Mortality rates (VaLORS)

Pre-Retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
Post-Retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
Post-Disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
Beneficiaries and Survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

## 19. Pension Plans (continued)

### Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement 67, less that plan's fiduciary net position. As of June 30, 2024, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (all dollars in thousands):

	SERP	VaLORS
Total Pension Liability	\$ 29,769,365	\$ 2,743,541
Plan Fiduciary Net Position	24,843,784	2,076,732
Employers' Net Pension Liability	<u>\$ 4,925,581</u>	<u>\$ 666,809</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.45%	75.70%

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 net pension liability is disclosed in accordance with the requirements of GASB Statement 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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00 %	6.70 %	2.14 %
Fixed Income	16.00 %	5.40 %	0.86 %
Credit Strategies	16.00 %	8.10 %	1.30 %
Real Assets	15.00 %	7.20 %	1.08 %
Private Equity	15.00 %	8.70 %	1.31 %
PIP - Private Investment Partnership	1.00 %	8.00 %	0.08 %
Diversifying Strategies	6.00 %	5.80 %	0.35 %
Cash	2.00 %	3.00 %	0.06 %
Leverage	(3.00)%	3.50 %	(0.11)%
Total	<u>100.00 %</u>		<u>7.07 %</u>

\*Expected arithmetic nominal return

7.07 %

\* The above allocation provides a one-year return of 7.07%. 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 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14% including expected inflation of 2.50%.

### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2024, the rate contributed by Virginia Tech 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 102% of the actuarially determined contribution rate. From July 1, 2024, on, all agencies are assumed to continue to contribute 100% 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.

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

The following presents Virginia Tech's proportionate share of the VRS State Employee Retirement Plan (SERP) and the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what Virginia Tech's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate (all dollars in thousands):

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Tech's proportionate share of the VRS SERP Net Pension Liability	\$ 511,776	\$ 300,240	\$ 123,830
Virginia Tech's proportionate share of the VaLORS Net Pension Liability	\$ 8,475	\$ 5,512	\$ 3,112

### 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 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [www.varetire.org/pdf/publications/2024-annual-report.pdf](http://www.varetire.org/pdf/publications/2024-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 (SERP) and the VaLORS Retirement Plan at June 30, 2025, was approximately \$2.9 million for legally required contributions into the plans.

## 20. Defined Contribution 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 plan. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association of America – College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contribution, plus net investment gains or losses. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent contribution and the employee's 5.0 percent contribution plus net investment gains or losses. Individual contracts issued under the plan provide for full and immediate vesting of both the university's and the employees' contributions. Total pension costs under this plan were approximately \$44,793,000 for the year ended June 30, 2025. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$496,464,000 for this fiscal year.

### Deferred Compensation Plan

Employees of the university are employees of the Commonwealth of Virginia. State employees may participate in the commonwealth's deferred compensation plan. Participating employees can contribute to the plan each pay period with the com-

monwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the commonwealth's budget. The deferred compensation plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The university expense for matching contributions to this plan, which is an amount assessed by the commonwealth, was approximately \$2,633,000 for the fiscal year 2025.

### Federal Pension Plans

Certain Cooperative Extension Service (CES) professional employees are participants in the Federal Employee Retirement System (FERS). The FERS is a defined benefit plan in which benefits are based upon the highest base pay over any three consecutive years and the years of creditable service. The costs under this plan were approximately \$71,000 for the year ended June 30, 2025. Contributions to FERS were calculated using the base salary amount of approximately \$384,000 for the fiscal year 2025.

In addition, the university contributed \$19,000 in employer contributions to the Thrift Savings Plan for the year ended June 30, 2025. The Thrift Savings Plan is a defined contribution plan in which the university matches employee contributions within certain limitations.



Photo by Chase Parker/Virginia Tech

## 21. Other Postemployment Benefits

The university participates in postemployment benefit programs that are sponsored by the commonwealth. The Department of Human Resource Management (DHRM) administers the Pre-Medicare Retiree Healthcare program. The Virginia Retirement System (VRS or 'the System') administers the Virginia Sickness and Disability program, Group Life Insurance program, Retiree Health Insurance Credit program, and Line of Duty Act program. Specific information for each of these Other Postemployment Benefit (OPEB) programs is described below:

### Plan Descriptions

#### Pre-Medicare Retiree Healthcare (PMRH) program

All full-time and part-time permanent salaried Virginia Tech employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are eligible to participate in the commonwealth's healthcare program upon employment. Retirees who are not yet eligible for Medicare health benefits may continue to participate in this program by meeting certain eligibility requirements.

#### Virginia Sickness and Disability (VSDP) program

All full-time and part-time permanent salaried Virginia Tech employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by VSDP upon employment. The VSDP program also covers Virginia Tech employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement.

#### Group Life Insurance (GLI) program

All full-time, salaried permanent employees of Virginia Tech are automatically covered by the GLI program upon employment. (Note: 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 Virginia Tech directly for the premiums. Virginia Tech deducts these premiums from members' paychecks and pays the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI program postemployment benefit.)

#### Retiree Health Insurance Credit (HIC) program

All full-time, salaried, permanent employees of Virginia Tech are automatically covered by the HIC program. Members earn one month of service credit toward the benefit for each month they are employed and for which Virginia Tech 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.

#### Line of Duty Act (LODA) program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA program. As required by statute, the VRS is responsible for managing the assets of the program. Virginia Tech's contributions are determined by the system's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

### Plan Provisions

#### PMRH program

##### Eligible employees

For a VRS retiree to participate in the Pre-Medicare Retiree Healthcare (PMRH) program, the participant must:

- be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- be receiving (not deferring) the benefit immediately upon retirement\*, and
- have his or her last employer before retirement be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) as an active employee in the State Health Benefits Program until his or her retirement date (not including extended coverage), and
- have submitted within 31 days of his or her retirement date an enrollment form to his or her benefits administrator to enroll.

(\* A retirement contribution or leave without pay status for retirement was reported in the month immediately prior to retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.)

For an Optional Retirement Plan (ORP) retiree to participate in the PMRH program, the participant must:

- be a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- have his or her last employer before termination be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) in the State Employee Health Benefits Program for active employees at the time of termination, and
- meet the age and service requirements for an immediate retirement benefit under the non-ORP VRS plan that would have been applicable had ORP coverage not been selected, and
- enroll in the State Retiree Health Benefits Program no later than 31 days from the date that coverage (or eligibility for coverage) was lost due to termination of employment.

(This applies to ORP terminations effective January 1, 2017 or later. For those who terminated employment prior to January 1, eligibility should be determined based on the policy in place at the time of their termination.)

#### VSDP program

##### Eligible employees

The Virginia Sickness and Disability Program (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. Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried Virginia Tech 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).
- 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.
- Virginia Tech faculty members who elect the VRS defined benefit plan.

### Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible retirees:

- Long-Term Disability (LTD) - 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 by the Virginia Disability Insurance Program (VSDP) OPEB plan.
- Income Replacement Adjustment - The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- Long-Term Care Plan - The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

### Cost-of-Living Adjustment (COLA)

During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the board.

Plan 1 employees vested as of 1/1/2013 - 100% of the VRS Plan 1 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%).

Plan 1 employees non-vested as of 1/1/2013, 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%).

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.

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 4.00%

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.

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 4.00%

## GLI program

### Eligible employees

The GLI program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 member contributions and accrued interest.

### Benefit amounts

The benefits payable under the GLI program have several components:

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: accidental dismemberment benefit, seat belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option.

### Reduction in benefit amounts

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.

### Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at \$8,000 by statute. The amount increases annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$9,532 effective June 30, 2025.

## Retiree HIC program

### Eligible Employees

The HIC program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and the Judicial Retirement System (JRS) who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

### Benefit amounts

The HIC program provides the following benefits for eligible employees:

- At Retirement - For employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement - For employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. For state police officers with a non-work-related disability who retire on disability or go on long-term disability under VSDP, the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. 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 Virginia Line of Duty Act (LODA). However, they may receive the credit for premiums paid for other qualified health plans.

### HIC program notes

The monthly HIC benefit cannot exceed the individual's premium amount. Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for HIC as a retiree.

## LODA program

### Eligible Employees

The eligible employees of the LODA program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

### Benefit Amounts

LODA provides death and health insurance benefits for eligible individuals.

Death benefits - The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006 or after.
- \$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.
- 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.

Health insurance benefits - The LODA program provides health insurance benefits. 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.

## 21. Other Postemployment Benefits (continued)

### Contributions

#### PMRH program

Virginia Tech does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, Virginia Tech effectively subsidizes the costs of the participating retirees' healthcare through payment of Virginia Tech's portion of the premiums for active employees. Benefit payments are recognized when due and payable in accordance with the benefit terms. PMRH is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Virginia Department of Human Resource Management. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits for this program.

#### VSDP program

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 VSDP for the year ended June 30, 2025 was 0.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 Virginia Tech were \$1,056,000 and \$1,117,000 for the years ended June 30, 2025, and June 30, 2024, respectively.

#### GLI program

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). 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, 2025, was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 Virginia Tech were \$4,035,000 and \$4,141,000 for the years ended June 30, 2025, and June 30, 2024, respectively.

#### Retiree HIC program

The contribution requirement 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, 2025, was 1.12% of covered employee compensation for employees in the Retiree HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 Virginia Tech to the Retiree HIC program were \$9,550,000 and \$8,912,000 for the years ended June 30, 2025, and June 30, 2024, respectively. In June 2024, the commonwealth made a special contribution of approximately \$52.8 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the *2022 Acts of Assembly*, Special Session I, as amended by Chapter 1 of the *2024 Acts of Assembly*, Special Session I, and is classified as a special employer contribution.

#### LODA program

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, 2025, was \$1,015.00 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024 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 Virginia Tech were \$53,000 and \$42,000 for the years ended June 30, 2025, and June 30, 2024, respectively.

### Liabilities (Assets), Expenses, and Deferred Inflows/Outflows of Resources

At June 30, 2025, Virginia Tech reported the following net liabilities (assets) for its proportionate share of these programs:

PMRH	\$ 33,362,000
VSDP	\$ (11,793,000)
GLI	\$ 34,702,000
HIC	\$ 62,378,000
LODA	\$ 1,083,000

These liabilities (assets) were measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate each net liability (asset) was determined by an actuarial valuation as of that date. Virginia Tech's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. For VSDP, GLI, HIC and LODA programs, Virginia Tech's proportionate share of each liability (asset) was based on Virginia Tech's actuarially determined employer contributions to each plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2024, Virginia Tech's proportionate share was:

PMRH	9.36% as compared to 9.25% at June 30, 2023
VSDP	3.44% as compared to 3.52% at June 30, 2023
GLI	3.11% as compared to 3.07% at June 30, 2023
HIC	8.79% as compared to 8.79% at June 30, 2023
LODA	0.28% as compared to 0.24% at June 30, 2023

For the year ended June 30, 2024, Virginia Tech recognized the following expenses for these programs:

PMRH	\$ (8,030,000)
VSDP	\$ 309,000
GLI	\$ 1,315,000
HIC	\$ 5,896,000
LODA	\$ 149,000

Since there was a change in proportionate share between measurement dates, a portion of these expenses was related to deferred amounts from changes in proportion.

At June 30, 2025, Virginia Tech reported deferred outflows/inflows of resources related to these programs from the following sources (all dollars in thousands):

Program	Source	Deferred Outflow		Deferred Inflow	
PMRH	Difference between expected and actual experience	\$	669	\$	4,016
	Change in assumptions		654		11,740
	Changes in proportion		3,353		268
	Amounts associated with transactions subsequent to measurement date		3,035		-
	Total PMRH	\$	7,711	\$	16,024
VSDP	Difference between expected and actual experience	\$	545	\$	1,340
	Net difference between projected and actual earnings on investments		-		581
	Change in assumptions		16		40
	Changes in proportion		547		28
	VT contributions subsequent to measurement date		1,056		-
Total VSDP	\$	2,164	\$	1,989	
GLI	Difference between expected and actual experience	\$	5,473	\$	848
	Net difference between projected and actual earnings on investments		-		2,925
	Change in assumptions		198		1,720
	Changes in proportion		884		28
	VT contributions subsequent to measurement date		4,035		-
Total GLI	\$	10,590	\$	5,521	
HIC	Difference between expected and actual experience	\$	-	\$	4,933
	Net difference between projected and actual earnings on investments		-		211
	Change in assumptions		1,005		-
	Changes in proportion		817		99
	VT contributions subsequent to measurement date		9,550		-
Total HIC	\$	11,372	\$	5,243	
LODA	Difference between expected and actual experience	\$	38	\$	265
	Net difference between projected and actual earnings on investments		-		4
	Change in assumptions		200		218
	Changes in proportion		197		54
	VT contributions subsequent to measurement date		53		-
Total LODA	\$	488	\$	541	

The following amounts reported as deferred outflows of resources related to each program, resulting from Virginia Tech's contributions subsequent to the measurement date, will be recognized as a reduction of each program's net liability (asset) in the fiscal year ending June 30, 2025 (all dollars in thousands):

PMRH	\$	3,035
VSDP	\$	1,056
GLI	\$	4,035
HIC	\$	9,550
LODA	\$	53

Other amounts reported as deferred outflows/inflows of resources related to the OPEB programs will be recognized in each program's expense in future reporting periods as follows (all dollars in thousands):

Year ended June 30:	PMRH	VSDP	GLI	HIC	LODA
2026	\$ (6,200)	\$ (661)	\$ (1,203)	\$ (1,075)	\$ (5)
2027	\$ (3,655)	\$ (37)	\$ 853	\$ (687)	\$ (2)
2028	\$ (1,679)	\$ (110)	\$ 272	\$ (878)	\$ (5)
2029	\$ 131	\$ (62)	\$ 494	\$ (599)	\$ (17)
2030	\$ 54	\$ 49	\$ 619	\$ (183)	\$ (25)
Thereafter	\$ -	\$ (59)	\$ -	\$ -	\$ (52)

## Actuarial Assumptions

### PMRH program actuarial assumptions

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2024. The Department of Human Resource Management selected the economic, demographic, and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.50 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2024 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.93%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical and Rx: 7.50% to 4.50%, Dental: 4.00%
Year of Ultimate Trend	2034

### Mortality rates

- Pre-Retirement: Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years.
- Post-Retirement: Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females.

## 21. Other Postemployment Benefits *(continued)*

- Post-Disability: Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years.
- Beneficiaries and Survivors: Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2024.

### Changes of Assumptions

There were not any changes in assumptions since the June 30, 2022, measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage - rate remained at 20 percent
- Retiree Participation - rate remained at 35 percent

The trend rates were updated based on economic conditions as of June 30, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

There were no plan changes in the valuation since the prior year.

## VSDP, GLI, HIC, and LODA program actuarial assumptions

### VSDP, GLI, and HIC

The total liability for these programs was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50 percent
Salary increases, including inflation	
General state employees	3.50 percent – 5.35 percent
Teachers (GLI only)	3.50 percent – 5.95 percent
SPORS employees	3.50 percent – 4.75 percent
VaLORS employees	3.50 percent – 4.75 percent
JRS employees (GLI and HIC only)	4.00 percent
Locality – General employees (GLI only)	3.50 percent – 5.35 percent
Locality – Hazardous Duty employees (GLI only)	3.50 percent – 4.75 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expenses, including inflation

### LODA

The total liability for these programs was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation	2.50 percent
Salary increases, including inflation	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption	
Under age 65	7.25 percent – 4.25 percent
Ages 65 and older	6.50 percent – 4.25 percent
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2034
Ages 65 and older	Fiscal year ended 2034
Investment rate of return	3.97 percent, including inflation*

\* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

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

- Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.
- Post-Disability: Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change (Discount rate does not apply to LODA).

*Mortality rates – Teachers (GLI)*

- Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.
- Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.
- Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through age 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Discount Rate	No change.

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

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. (VSDP and LODA only: Increased disability life expectancy.)
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change (Discount rate does not apply to LODA.)

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

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. (VSDP and LODA only: Increased disability life expectancy.)
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change (Discount rate does not apply to LODA.)

## 21. Other Postemployment Benefits *(continued)*

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

- Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Decreased rates for ages 60-66 and 70-72.
Withdrawal Rates	No change.
Disability Rates	No change.
Salary Scale	Reduce increases across all ages by 0.50%.
Discount Rate	No change.

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

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

### *Mortality rates – Non-Largest Ten Locality Employers - General Employees (GLI)*

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

### *Mortality rates – Largest Ten Locality Employers with Hazardous Duty Employees (GLI)*

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

*Mortality rates – Non-Largest Ten Locality Employers with Hazardous Duty Employees (GLI)*

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.
Discount Rate	No change.

*Mortality rates – Largest Ten Locality Employers with Public Safety Employees (LODA)*

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates.
Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.

*Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees (LODA)*

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only, to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty.

## 21. Other Postemployment Benefits (continued)

Disability Rates	No change.
Salary Scale	No change.
Line of Duty Disability	No change.

### Net OPEB Asset/Liability

The net OPEB asset/liability (NOA or NOL) for VSDP, GLI, HIC and LODA represents each program's total OPEB asset/liability determined in accordance with GASB Statement 74, less the associated fiduciary net position. As of June 30, 2024, NOA/NOL amounts for each program are as follows (all dollars in thousands):

	VSDP	GLI	HIC	LODA
Total OPEB Liability	\$ 339,007	\$ 4,196,055	\$ 1,094,073	\$ 398,395
Plan Fiduciary Net Position	692,870	3,080,133	384,820	4,841
Employers' Net OPEB Liability (Asset)	\$ (353,863)	\$ 1,115,922	\$ 709,253	\$ 393,554
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	204.38 %	73.41 %	35.17 %	1.22 %

The total OPEB liability is calculated by VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement 74 in VRS's notes to the financial statements and required supplementary information.

### Long-Term Expected Rate of Return

#### VSDP, GLI, HIC programs

The long-term expected rate of return on the VRS 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 the VRS 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	Weighted Average Long-term Expected Rate of Return
Public Equity	32.00 %	6.70 %	2.14 %
Fixed Income	16.00 %	5.40 %	0.86 %
Credit Strategies	16.00 %	8.10 %	1.30 %
Real Assets	15.00 %	7.20 %	1.08 %
Private Equity	15.00 %	8.70 %	1.31 %
PIP - Private Investment Partnership	1.00 %	8.00 %	0.08 %
Diversifying Strategies	6.00 %	5.80 %	0.35 %
Cash	2.00 %	3.00 %	0.06 %
Leverage	(3.00)%	3.50 %	(0.11)%
Total	100.00 %		7.07 %
Expected arithmetic nominal return*			7.07 %

\* The above allocation provides a one-year return of 7.07%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

#### LODA program

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.97% 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 Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

### Discount Rate

#### PMRH program

The discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024. Retiree participation rate remained at 35% based on a blend of recent experience and the prior year assumptions. There were no plan changes in the valuation since the prior year.

#### VSDP, GLI, HIC programs

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by Virginia Tech for each of these programs will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB fiduciary net position for these programs 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 for each of these programs.

#### LODA program

The discount rate used to measure the total OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and they will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by Virginia Tech to the LODA OPEB program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly.

## Sensitivity of Virginia Tech’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents Virginia Tech’s proportionate share of the net OPEB liability for PMRH using the discount rate of 3.93%; VSDP, GLI, and HIC using the discount rate of 6.75%; and LODA using the discount rate of 3.97%. As well, Virginia Tech’s proportionate share of the net OPEB liability (asset) is presented as it 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 (*all dollars in thousands*):

### Virginia Tech’s Proportionate Share of Net OPEB Liability (Asset)

	1.00 % Decrease		Current Discount Rate		1.00% Increase	
PMRH	\$	2.93 % 35,393	\$	3.93 % 33,362	\$	4.93 % 31,472
VSDP	\$	5.75 % (11,346)	\$	6.75 % (11,793)	\$	7.75 % (12,924)
GLI	\$	53,966	\$	34,702	\$	19,139
HIC	\$	71,506	\$	62,378	\$	54,543
LODA	\$	2.97 % 1,201	\$	3.97 % 1,083	\$	4.97 % 982

## Sensitivity of Virginia Tech’s Proportionate Share of the Net PMRH OPEB and LODA OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Pre-Medicare Retiree Healthcare and Line of Duty Act programs contain provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents Virginia Tech’s proportionate share of the net OPEB liability for these programs using health care trend rate of 7.50% decreasing to 4.50% for PMRH and 7.25% decreasing to 4.25% for LODA. As well, Virginia Tech’s proportionate share of the net OPEB liability is presented as it 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 (*all dollars in thousands*):

### Virginia Tech’s Proportionate Share of Net OPEB Liability

	1.00% Decrease		Current Health Care Trend Rate		1.00% Increase	
PMRH	\$	6.50% decreasing to 3.50% 30,322	\$	7.50% decreasing to 4.50% 33,362	\$	8.50% decreasing to 5.50% 36,890
LODA	\$	6.25% decreasing to 3.25% 923	\$	7.25% decreasing to 4.25% 1,083	\$	8.25% decreasing to 5.25% 1,280

## Fiduciary Net Position

Detailed information about Fiduciary Net Position for each of these programs is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [www.varetire.org/pdf/publications/2024-annual-report.pdf](http://www.varetire.org/pdf/publications/2024-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 VSDP, GLI, and HIC OPEB programs

The amount payable outstanding at June 30, 2025 to each of these OPEB programs was as follows:

VSDP	\$	7,000
GLI	\$	617,000
HIC	\$	327,000



Photo by Olivia Coleman/Virginia Tech

## 22. Grants, Contracts, and Other Contingencies

The university has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the outlay of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the university.

In addition, the university is required to comply with various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2025, the university estimates that no material liabilities will result from such audits or questions.

## 23. Federal Direct Lending Program

The university participates in the Federal Direct Lending Program. Under this program, the university receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs, and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student.

These loan proceeds are treated as student payments, with the university acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2025, cash provided by the program totaled \$164,068,000 and cash used by the program totaled \$164,033,000.

## 24. Appropriations

The Appropriation Act specifies that unexpended general fund appropriations remaining on the last day of the current year, ending on June 30, 2025, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2025, except as may be specifically provided otherwise by the Virginia General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants. As of June 30, 2025 the university had \$7,731,000 in appropriations receivable included in the current portion of the Due from the Commonwealth of Virginia on the *Statement of Net Position*.

Adjustments made to the university's original appropriation during this fiscal year are as follows (all dollars in thousands):

### Original legislative appropriation (per Chapter 2 of the 2022 Special Session)

Education and general programs	\$ 351,057
Student financial assistance	38,913
Commonwealth Research Initiative and Federal Action Contingency Trust	10,389
Unique military activities	3,974
Total appropriation	<u>404,333</u>

### Adjustments

Education and general programs	14,855
Tech talent investment program	11,842
Virginia military survivors and dependents	8,555
VTCSOM one-time growth support	6,500
Access and affordability	6,383
Patient research center	6,000
Pell Initiative Grant program	1,944
Military dependent stipend	1,065
Other adjustments	2,017
Total adjustments	<u>59,161</u>
Total adjusted appropriation	<u>\$ 463,494</u>

## Capital appropriations

Capital project general fund appropriations were recognized by the university from the commonwealth for the year ended June 30, 2025. During the year \$266,588,000 in capital appropriations have been allocated as follows (all dollars in thousands):

Replace Randolph Hall	\$ 231,040
Education and general maintenance reserve projects	24,551
Tech Talent Investment Program, College of Engineering	3,319
Tech Talent Investment Program	2,197
Derring Hall exterior	1,624
Improve Eastern Shore AREC	1,515
Tech Talent Investment Program, general support	1,250
Tech Talent Investment Program, Innovation Campus	1,227
Relocate Hampton Roads AREC	(135)
Total capital appropriations	<u>\$ 266,588</u>

## 25. Deferred Outflows and Inflows of Resources

### Deferred outflows of resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position, similar to assets.

#### Summary of deferred outflows of resources on June 30, 2025

(all dollars in thousands)

Deferred loss on long-term debt defeasance (Note 14)	\$ 1,553
Deferred outflow for VRS pension (Note 19)	98,844
Deferred outflow for other postemployment benefits (Note 21)	32,324
	<u>\$ 132,721</u>

### Deferred inflows of resources

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position, similar to liabilities.

#### Summary of deferred inflows of resources on June 30, 2025

(all dollars in thousands)

Deferred gain on long-term debt defeasance (Note 14)	\$ 2,561
Deferred inflow for long-term leases	2,143
Deferred inflow for VRS pension (Note 19)	44,860
Deferred inflow for other postemployment benefits (Note 21)	29,318
	<u>\$ 78,882</u>

## 26. Expenses by Natural Classification within Functional Classification

The university's operating expenses by functional classification for the year ended June 30, 2025  
(all dollars in thousands)

	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Other Operating Expenses	Sponsored Program Contracts	Scholarships and Fellowships	Total
Instruction	\$ 502,046	\$ 22,906	\$ 14,968	\$ 9,841	\$ 8,627	\$ 909	\$ 3,725	\$ 563,022
Research	314,831	36,206	15,973	23,335	4,972	50,453	32,372	478,142
Public service	87,286	14,329	6,781	3,306	17,930	6,492	756	136,880
Academic support	123,787	17,694	2,678	13,238	2,153	1,535	1,124	162,209
Student services*	28,304	5,272	1,967	2,080	581	788	237	39,229
Institutional support	115,468	324	80	24	184	81	1,162	117,323
Operations and maintenance	48,671	11,591	281	149	48,838	-	92	109,622
Student financial assistance	-	-	-	-	-	-	13,361	13,361
Auxiliary enterprises	155,120	42,484	17,753	57,323	58,794	28	525	332,027
Subtotal before other costs	\$ 1,375,513	\$ 150,806	\$ 60,481	\$ 109,296	\$ 142,079	\$ 60,286	\$ 53,354	1,951,815
Depreciation and amortization								192,802
Total operating expenses								\$ 2,144,617

\*Includes loan administrative fees and collection costs.



Photo by Peter Means/Virginia Tech

## 27. Notes to Component Unit Statements

The Virginia Tech Foundation component unit statements found on pages 20 and 21 and subsequent notes comply with the Governmental Accounting Standards Board (GASB) format. Virginia Tech Foundation Inc. follows the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format. *All dollar amounts are stated in thousands.*

### Contributions Receivable - Virginia Tech Foundation Inc.

The following summarizes unconditional promises to give at June 30, 2025 (*all dollars in thousands*):

Receivable in less than one year	\$	65,783
Receivable in one to five years		62,275
Receivable in more than five years		45,171
Total contributions receivable, gross		173,229
Less allowance for uncollectible contributions		4,457
Less discount to reduce estimated future cash flows to fair value		21,147
Contributions receivable, at fair value	\$	<u>147,625</u>

The discount rates ranged from 4.72% to 7.00% at June 30, 2025. As of June 30, 2025 the foundation is unaware of any significant conditional promises to give.

### Investments - Virginia Tech Foundation Inc.

The overall investment objective of the foundation is to invest its endowed funds in a manner that provides returns adequate to meet spending policy objectives in support of designated endowed programs while maintaining the purchasing power of the endowment. The foundation invests a portion of its operating funds in the endowment to provide support for a portion of its annual operating activities. Investment activities are overseen by the board's Investment Committee and are authorized by the board's Executive Committee. The investment program is managed in accordance with its investment policy statement, which is reviewed annually by the board.

The foundation's primary approach towards investing involves the use of third-party investment managers to execute transactions on behalf of the foundation. However, the foundation may also invest directly in securities without restriction. The range of investment strategies utilized is not limited and includes both hedged and unhedged strategies across both public and private markets. Strategies currently employed include long-only equities, long/short hedge funds, fixed income, private credit, private equity, venture capital, real estate, and real assets. In the case of private securities, investments require the estimation of fair value by investment managers. Inputs into such valuations include fundamental factors as well as market comparable transactions. These values may differ significantly from the true value of such investments had readily available markets existed.

As of June 30, 2025, long-term investments included investment assets held in internally managed trust funds with a carrying values totaling \$63,350. At June 30, 2025, unspent bond proceeds of \$6,210, invested in U.S. government treasuries, were included in short-term investments. These proceeds are restricted for investment in land and building development.

The foundation is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding deferred giving arrangements liability discounted to present value. As of June 30, 2025, the foundation had recorded annuity obligations of \$6,547. As of June 30, 2025, the foundation had separately invested cash reserves of \$12,498 and had met its minimum reserve requirement under Maryland state law.

The following summarizes changes in relationships between cost and fair value of investments during 2025 (*all dollars in thousands*):

	Fair value	Cost	Net gains
June 30, 2025	\$ 2,282,545	\$ 1,962,398	\$ 320,147
June 30, 2024	2,120,942	1,901,929	219,013
Unrealized net gain for the year, including net gain on agency deposits held in trust of \$32,073			101,134
Realized net gain for the year, including net gain on agency deposits held in trust of \$24,079			59,516
Total net gain for the year, including net gain on agency deposits held in trust of \$56,152			<u>\$ 160,650</u>

### Fair Value Hierarchy - Virginia Tech Foundation Inc.

Accounting Standards Codification (ASC) Topic 820 establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

**Level 1** – Inputs that use quoted prices (unadjusted) in active markets for identical assets or liabilities that the foundation has the ability to access.

**Level 2** – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The fair values of the foundation's corporate debt securities and state, county and municipal securities are obtained from a third-party pricing service provider. The fair values provided by the pricing service provider are estimated using pricing models, where the inputs to those models are based on observable market inputs including credit spreads and broker-dealer quotes, among other inputs. The foundation classifies the prices obtained from the pricing services within Level 2 of the fair value hierarchy because the underlying inputs are directly observable from active markets. However, the pricing models used do entail a certain amount of subjectivity and, therefore, differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

**Level 3** – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The assets that were measured at fair value on a recurring basis at June 30, 2025 are presented in the first table on the next page.

The second table on the next page summarizes the foundation's investments in entities that calculate net asset value as a practical expedient to estimate fair value as of June 30, 2025, as well as liquidity and funding commitments.

**Assets measured at fair value - Virginia Tech Foundation Inc.**

At June 30, 2025

(all dollars in thousands)

	Total at June 30, 2025	Fair value measurements at reporting date using				NAV*
		Level 1	Level 2	Level 3		
Contributions receivable	\$ 147,625	\$ -	\$ -	\$ 147,625	\$ -	
Short-term investments						
Corporate debt securities	4,241	4,241	-	-	-	
U.S. government treasuries	7,014	7,014	-	-	-	
U.S. government agencies	5,476	5,476	-	-	-	
Total short-term investments	16,731	16,731	-	-	-	
Long-term investments						
Cash and cash equivalents	38,892	38,892	-	-	-	
U.S. government treasuries	19,403	18,708	695	-	-	
U.S. government agencies	10,481	10,481	-	-	-	
Hedge funds	365,429	-	-	-	365,429	
Private real estate	261,567	-	-	-	261,567	
Private credit	55,253	-	-	-	55,253	
Private equity	194,013	-	-	-	194,013	
Public equity	1,164,368	390,509	-	-	773,859	
Corporate bonds	15,201	15,201	-	-	-	
Corporate debt securities	87,081	82,335	4,358	388	-	
Mortgage receivable	21,541	21,541	-	-	-	
Foreign securities	21,371	21,371	-	-	-	
Real estate	6,807	-	-	6,807	-	
Global stock	4,407	4,407	-	-	-	
Total long-term investments	2,265,814	603,445	5,053	7,195	1,650,121	
Irrevocable trusts held by others	5,628	-	-	5,628	-	
Total	\$ 2,435,798	\$ 620,176	\$ 5,053	\$ 160,448	\$ 1,650,121	

\* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value 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.

**Assets Measured using NAV Estimate - Virginia Tech Foundation Inc.**

At June 30, 2025

(all dollars in thousands)

	Fair Value	Uncalled Commitments	Remaining life	Redemption Frequency	Trade to settlement terms	Redemption Notice Period
Public equity funds <sup>(1)</sup>	\$ 773,859	\$ -	N/A	Daily to Every 3 years	1-30 days	45-180 days
Hedge funds <sup>(2)</sup>	365,429	35,601	N/A	Monthly to Quarterly	5-30 days	30-90 days
Private credit funds <sup>(3)</sup>	55,253	26,365	1-10 years	N/A	N/A	N/A
Private equity funds <sup>(4)</sup>	194,013	79,830	1-10 years	N/A	N/A	N/A
Private real assets funds <sup>(5)</sup>	261,567	53,603	1-10 years	N/A	N/A	N/A
Total	\$ 1,650,121	\$ 195,399				

(1) The amount represents investments in funds that invest in publicly traded equity securities and can be liquidated over various intervals. The net asset value of each fund, which represents the fair value of the underlying investments, is used as a practical expedient under fair value guidance. The managers invest primarily in long equity securities, although some managers are allowed to short equity securities. In all cases the objective is for managers to achieve a return in excess of an appropriate equity market benchmark, such as the MSCI ACWI.

(2) The amount represents investments in funds that invest in hedged strategies, such as long/short, event-driven and global macro. There are no restrictions on the types of securities and financial instruments these managers are allowed to invest in. The net asset value of each fund, which represents the fair value of the underlying investments, is used as a practical expedient under fair value guidance. Fund managers seek to achieve returns in excess of broad market benchmarks over a full market cycle while exhibiting low correlation with such benchmarks, thus providing diversification.

(3) The amount represents investments in funds that invest in credit-related securities that are privately negotiated. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

(4) The amount represents investments in funds that invest in the equity of private companies. Investments may take the form of direct equity, preferred equity, convertible equity, or any other "equity-like" structure that reflects entity ownership. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. Private Equity consists of managers investing in equity at a variety of stages, including venture capital, growth equity, or those companies bought out in take-private transactions. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

(5) The amount represents investments in funds that invest in the equity, and occasionally debt, of private real assets, including real estate, natural resources, and infrastructure. These investments are made under a drawdown commitment structure, where capital is called by the manager when needed. The fair values of investments have been estimated using the net asset value related to each limited partner's ownership interest in the fund as a practical expedient under fair value guidance. These investments cannot be redeemed, with all liquidity decisions under manager control. It is estimated that the underlying assets of the fund will be liquidated over a time period ranging from 1-10 years.

## 27. Notes to Component Unit Statements (continued)

### Land, Buildings, and Equipment - Virginia Tech Foundation Inc.

The following is a summary of land, buildings, and equipment at cost, less accumulated depreciation for the year ending June 30, 2025 (all dollars in thousands):

#### Depreciable capital assets

Buildings	\$ 343,157
Equipment and other	53,894
Land improvements	28,290
Total depreciable capital assets, at cost	425,341
Less accumulated depreciation	198,743
Total depreciable capital assets, net	<u>226,598</u>

#### Nondepreciable capital assets

Land	150,940
Vintage and other collection items	7,356
Livestock	701
Construction in progress	17,447
Total nondepreciable capital assets	176,444
Total capital assets, net	<u>\$ 403,042</u>

As of June 30, 2025, outstanding contractual commitments for projects under construction approximated \$10,649.

### Long-term Debt Payable - Virginia Tech Foundation Inc.

#### Notes payable

The following is a summary of outstanding notes payable at June 30, 2025 (all dollars in thousands):

Unsecured note payable issued on May 31, 2024 at a fixed rate of 5.90%. Note matures June 1, 2039	\$ 10,622
Unamortized issuance costs	(93)
Unsecured note payable upon the sale of the hotel and repayment of all debt of the hotel and the Hotel Roanoke Foundation	1,775
Total notes payable	<u>\$ 12,304</u>

The aggregate annual maturities of notes payable for each of the five years and thereafter subsequent to June 30, 2025, are (all dollars in thousands):

Year ending June 30,	
2026	\$ 509
2027	539
2028	571
2029	605
2030	640
2031 -2035	3,814
2036 -2039	3,944
Upon the sale of the hotel and repayment of all debt of the hotel and Hotel Roanoke Foundation	1,775
Total notes payable	<u>\$ 12,397</u>

#### Bonds payable

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017A) and Taxable Revenue and Refunding Bonds (Series 2017B) dated May 17, 2017. Proceeds were used to refinance all or a portion of the outstanding Series 2009A, Series 2010A, Series 2010B, and Series 2011A bonds, refinance a VTREF note payable, and renovate a facility used in support of the university. The Series 2017A and 2017B bonds, which bear a weighted average fixed interest rate of 2.93% and 3.43%, respectively, have annual serial and sinking fund maturities beginning June 1, 2018 and concluding June 1, 2039 in varying amounts ranging from \$580 to \$4,670.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017C) dated May 17, 2017. Proceeds were used to refinance all of the outstanding Series 2005 bonds and the remaining portion of the Series 2009A bonds. The Series 2017C bonds, which bear a variable interest rate calculated as 65% of one-month LIBOR plus 0.407%, have annual serial maturities beginning June 1, 2018 and concluding June 1, 2027 in varying amounts ranging from \$1,340 to \$3,380.

The foundation is obligated under a promissory note with Union Bank and Trust (Series 2017D) dated December 19, 2017. Proceeds were used to finance the construction of several facilities to be used in support of the university. The promissory note, which bears a fixed interest rate of 3.7%, has annual serial maturities beginning October 1, 2019 and concluding October 1, 2037 in varying amounts ranging from \$115 to \$825. At June 30, 2025, unspent bond proceeds of \$4, were included in restricted cash and cash equivalents.

During the year ended June 30, 2017, the foundation used the proceeds from the Series 2017 bond issuances to refinance all of its Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds Series 2005 and Industrial Development Authority of Montgomery County, Virginia Revenue Bonds Series 2009A bonds in the amounts of \$12,065 and \$16,495, respectively. The foundation also partially refunded \$44,190 of its Series 2010A, \$5,620 of its Series 2010B, and \$14,515 of its Series 2011A bonds as well. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's component unit financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue Bonds (Series 2019A) and Taxable Revenue and Refunding Bonds (Series 2019B) dated November 5, 2019. Proceeds were used to finance costs related to the acquisition, construction, and equipping of certain facilities; fund capitalized interest; refinance all or a portion of the outstanding Series 2010B and Series 2011B bonds; and pay certain costs of issuance. The Series 2019A and 2019B bonds, which bear a weighted average fixed interest rate of 2.54% and 3.06%, respectively, have annual serial and sinking fund maturities beginning June 1, 2020 and concluding June 1, 2044 in varying amounts ranging from \$60 to \$7,615. At June 30, 2025 unspent bond proceeds related to the Series 2019B bonds of \$1735 are included in restricted cash and cash equivalents and short-term investments.

The foundation refunded the remaining \$4,355 of its Series 2010B and partially refunded \$27,515 of its Series 2011B bonds. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's component unit financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Taxable Revenue and Refunding Bonds (Series 2020A) dated July 7, 2020. Proceeds were used to finance costs related to the acquisition, construction, and equipping of certain facilities; refinance all or a portion of the outstanding Series 2011A, Series 2013A, and Series 2013B bonds; and pay certain costs of issuance. The Series 2020A bonds, which bear a weighted average fixed interest rate of 2.24%, have annual serial maturities beginning June 1, 2021 and concluding June 1, 2038 in varying amounts ranging from \$565 to \$4,625.

The foundation refunded the remaining \$29,150 of its Series 2011A, partially refunded \$13,170 of its Series 2013A, and partially refunded \$6,575 of its 2013B bonds. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's component unit financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue Bond (Series 2022) and Taxable Loan dated October 26, 2022. Proceeds will be used to finance costs related to acquisition, construction, and equipping of certain facilities and refinance the outstanding Series 2012B bonds. The Series 2022 bonds, which bear a weighted average fixed interest rate of 3.42%, have annual serial maturities beginning June 1, 2023 and concluding June 1, 2039 in varying amounts ranging from \$131 to \$427. The taxable loan, which bears a weighted average fixed interest rate of 4.34%, has annual serial maturities beginning June 1, 2023 and concluding June 1, 2033 in varying amounts ranging from \$198 to \$497.

Principal amounts outstanding for bonds payable and the related unamortized premium amounts where applicable at June 30 are as follows (all dollars in thousands):

Bond series	
Series 2017A	\$ 26,730
Series 2017B	27,995
Series 2017C	2,740
Series 2017D	8,720
Series 2019A	43,915
Series 2019B	75,465
Series 2020A	42,480
Series 2022	4,853
Taxable loan	3,448
Unamortized premium on Series 2017A	986
Unamortized premium on Series 2019A	8,414
Unamortized discount on Series 2019B	(685)
Unamortized bond issuance cost	(1,745)
Total bonds payable	<u>\$ 243,316</u>

The aggregate annual maturities of bonds payable for each of the five years and thereafter subsequent to June 30, 2025, are as follows (all dollars in thousands):

Year ending June 30,	
2026	\$ 18,938
2027	19,578
2028	18,439
2029	18,406
2030	17,899
2031 - 2035	86,551
2036 - 2040	58,934
2041 - 2044	6,316
Total	<u>\$ 245,061</u>

Total interest expense incurred in the aggregate related to notes payable and bonds payable during the year ended June 30, 2025 totaled \$8,753.

### Agency Deposits Held in Trust - Virginia Tech Foundation Inc.

Under an agreement between the university and the foundation, the foundation serves as agent in connection with the investment, management, and administration of a donor estate fund. Under a similar agreement, the foundation also serves as agent for the investment and management of other university nongeneral funds to assist the university in its goal of achieving enhanced earnings. In addition, the foundation serves as agent and maintains investments for the Virginia Tech Alumni Association Inc., Virginia Tech Services Inc., and certain other associations.

The following is a summary of agency deposits held in trust at June 30, 2025 (all dollars in thousands):

University - Pratt Estate	\$ 48,954
University - other	593,251
Virginia Tech Alumni Association Inc.	5,174
Virginia Tech Services Inc	6,415
Other	65,461
Total agency deposits held in trust	<u>\$ 719,255</u>

### Leases - Virginia Tech Foundation Inc.

#### Operating leases – Foundation as lessor

The foundation rents facilities to unrelated third parties, as well as various university departments and other university-related entities. For the year ended June 30, 2025, rental income of \$30,861 and \$812 was earned from the university and Virginia Tech Applied Research Corporation, respectively. In addition, the foundation provides facilities for the use of various university departments at no charge or below market rates to the university. The fair value rental for this property in excess of actual rental income received totaled \$15,112 and is included in other operating revenues and other operating expenses in the Virginia Tech Foundation Statement of Revenues, Expenses and Changes in Net Position found on page 21.

Future minimum lease payments receivable under facility leases as of June 30, 2025 are as follows (all dollars in thousands):

Year ending June 30,	Related Parties	Other	Total
2026	\$ 15,918	\$ 11,670	\$ 27,588
2027	13,172	7,722	20,894
2028	10,970	6,225	17,195
2029	9,622	5,368	14,990
2030	2,917	4,892	7,809
Thereafter	18,156	16,601	34,757
Total	<u>\$ 70,755</u>	<u>\$ 52,478</u>	<u>\$ 123,233</u>

#### Direct financing leases-Foundation as lessor

The foundation records its net investment in direct financing leases as the minimum future lease payments receivable plus the estimated residual value of leased assets, net of unearned lease income and allowance for credit losses. Unearned lease income is the amount by which the total lease receivable plus the estimated residual value exceeds the cost of the asset. The foundation considers current information and events regarding the lessee's ability to pay their obligations, historical experience, and reasonable and supportable forecasts in estimating the allowance for credit losses related to the foundation's direct financing leases. Based on management's assessment, it was determined an allowance for credit losses at June 30, 2025 would be immaterial.

The following table presents the foundation's leases with the university as of June 30, 2025 (all dollars in thousands):

Lease Commencement Date	Leased Property	Annual Payments	Lease Termination Date
2009	Building	\$ 2,188	2029
2013	Building/parking garage	\$ 3,498	2036
2014	Building	\$ 95	2044
2015	Building	\$ 914	2038
2016	Land	\$ 35	2026
2017	Land	\$ 104	2037
2019	Building	\$ 294	2039
2019	Building	\$ 1,205	2039
2020	Building	\$ 183	2040
2020	Building	\$ 167	2027
2022	Building	\$ 5,508	2043
2023	Building	\$ 2,281	2043

Future minimum lease payments receivable under these leases as of June 30, 2025 are as follows (all dollars in thousands):

Year ending June 30,	Related Parties	Other	Total
2026	\$ 15,007	\$ -	\$ 15,007
2027	16,270	-	16,270
2028	16,451	-	16,451
2029	14,265	-	14,265
2030	14,083	-	14,083
Thereafter	141,949	1,610	143,559
Net minimum future lease receipts	218,025	1,610	219,635
Less unearned income	68,041	941	68,982
Net investment in direct financing leases	<u>\$ 149,984</u>	<u>\$ 669</u>	<u>\$ 150,653</u>

#### Leases – Foundation as lessee

The foundation leases various buildings. The terms of these leases range from 1 to 5 years for operating leases and from 1 to 6 years for finance leases, expiring on various dates from 2026 to 2031. Annual payments under these agreements range from \$1 to \$168 for finance leases and \$2 to \$27 for operating leases. Rent expense under these leases amounted to \$232 for finance leases and \$250 for operating leases for the year ended June 30, 2025.

The foundation leases various tracts of land. The terms of these leases range from 1 to 8 years for operating leases and from 69 to 73 years for finance leases, expiring at various dates from 2032 to 2098. Annual payments under these agreements range from \$1 to \$88 for finance leases and \$35 for operating leases. Rent expense under these leases amounted to \$59 for finance leases and \$35 for operating leases for the year ended June 30, 2025.

The foundation's lease contracts may include options to extend or terminate the lease. The foundation exercises judgment to determine the term of those leases when such options are present and include such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

The foundation includes contract lease components in its determination of lease payments, while nonlease components of the contracts, such as taxes, insurance, and common area maintenance, are expensed as incurred. At commencement, right-of-use assets and lease liabilities are measured at the present value of future lease payments over the lease term. The foundation uses its incremental borrowing rate based on information available at the time of lease commencement to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Short-term leases with an initial term of 12 months or fewer are expensed as incurred. The foundation's short-term leases have month-to-month terms.

At June 30, 2025 right-of-use assets were \$429 for operating leases and \$1,693 for finance leases and lease liabilities were \$426 for operating leases and \$1,801 for finance leases. Right-of-use assets and right-of-use liabilities are reflected in the foundation's Statement of Net Position found on page 20 as nondepreciable and depreciable capital assets, net and unearned revenue and other liabilities, respectively.

The weighted average remaining lease term was 58 months for operating leases and 571 months for finance leases and the weighted average discount rate was 1.89% for operating leases and 3.84% for finance leases as of June 30, 2025.

## 27. Notes to Component Unit Statements

(continued)

The foundation's future payments due under operating leases reconciled to the lease liability are as follows (all dollars in thousands):

Year ending June 30,	Operating Leases	Finance Leases	Total
2026	\$ 157	\$ 302	\$ 459
2027	77	220	297
2028	64	137	201
2029	37	138	175
2030	37	256	293
Thereafter	70	3,865	3,935
Total undiscounted lease payments	442	4,918	5,360
Less present value discount	16	3,117	3,133
Total lease liability	\$ 426	\$ 1,801	\$ 2,227

For the year ended June 30, 2025, cash paid for lease liabilities totaled \$492 for operating leases and \$297 for finance leases.

## 28. Joint Venture

The Hotel Roanoke Conference Center Commission was created by a joint resolution of the university and the City of Roanoke. The purpose of the commission is to establish and operate a publicly owned conference center in Roanoke adjacent to the renovated Hotel Roanoke. The powers of the commission are vested in commissioners. Each participating governing body appoints three commissioners for a total of six commissioners. The commission has authority to issue debt, and such debt is the responsibility of the commission. The intention of the commission is to be self-supporting through its user fees. The university and the City of Roanoke equally share in any operating deficit or additional funding needed for capital expenditures. The university made contributions of \$80,000 using private funds to the commission for the fiscal year ended June 30, 2025. The administrative offices for the Hotel Roanoke Conference Center Commission are located at 110 Shenandoah Avenue, Roanoke, Virginia, 24016.

## 29. Jointly Governed Organizations

### NRV Regional Water Authority

Created by a concurrent resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority operates and maintains the water supply system for the university and the other participating governing bodies. A five-member board governs the authority with one member appointed by each governing body and one at-large member appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$1,760,000 to the authority for the purchase of water for the fiscal year ended June 30, 2025.

### Blacksburg-VPI Sanitation Authority

Created by a concurrent resolution of the university and the town of Blacksburg, the authority operates and maintains the wastewater treatment system for the participating governing bodies. Each participating governing body appoints one member of the five-member board of directors. Three at-large members are appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$1,335,000 to the authority for the purchase of sewer services for the fiscal year ended June 30, 2025.

### Montgomery Regional Solid Waste Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority represents its members in solid waste and recycling issues as well as operating a recycling facility. The authority is governed by its board which is comprised of representatives from each of the four jurisdictions served. Each governing body provides collection of solid waste and recyclables from within its jurisdiction, and delivers the collected materials to the authority for disposal of the waste and processing and marketing of the recyclables. All indebtedness is the obligation of the authority and payable from its revenues. The university paid \$405,000 to the authority for disposal fees for the fiscal year ended June 30, 2025.

### Virginia Tech Montgomery Regional Airport Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority serves to develop a regional airport based on the mission of servicing corporate executive markets and other general

aviation markets; obtaining grants, loans and other funding for airport improvements and other activities; and promoting and assisting regional economic development. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. All indebtedness is the obligation of the authority and payable from its revenues. The university's funding commitment for fiscal year 2025 was \$60,000, all of which Virginia Tech paid to the authority.

### New River Valley Emergency Communications Regional Authority

Created by a joint resolution of the university, towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority provides 911 dispatch and emergency communication services to the people of each jurisdiction and campus. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. The university paid \$3,706,000 to the authority for the fiscal year ended June 30, 2025.

### New River Valley Passenger Rail Station Authority

Created by a joint resolution of the university; Radford University; towns of Blacksburg, Christiansburg, and Pulaski; the city of Radford; and the counties of Floyd, Giles, Montgomery, and Pulaski, this authority enables the members to share the costs of developing, owning, and operating a regional rail station. The authority is governed by its board, which consists of twenty members. Each participating governing body appoints two members of the board. The university paid \$38,500 to the authority for the fiscal year ended June 30, 2025.

## 30. Risk Management and Employee Healthcare Plans

The university is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The university participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, as well as air and watercraft plans. The university pays premiums to the Commonwealth of Virginia for the aforementioned insurance coverage. In addition, the university contracts with private insurers to provide additional fidelity bonding coverage, automobile physical damage coverage, and overseas liability coverage. Information relating to the commonwealth's insurance plans is available in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*.

## 31. Pending Litigation

The university has been named as a defendant in a number of lawsuits. The final outcome of the lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the university may be exposed will not have a material effect upon the university's financial position.

## 32. Subsequent Event

In November 2025, the Virginia Tech Board of Visitors approved two resolutions impacting university-affiliated entities. First, the board authorized the dissolution of Virginia Tech Services, Inc. (VTSI), a 501(c)(3) nonstock corporation historically supporting university retail operations. Upon dissolution, VTSI will transfer approximately \$10.2 million in assets—including cash, investments, and receivables—to the university or the Virginia Tech Foundation, with all liabilities resolved prior to the transfer. Second, the board approved a strategic restructuring of VTT, LLC (d/b/a Global Center for Automotive Performance Simulation), transitioning its operations and assets to the Virginia Tech Transportation Institute (VTTI). This includes an asset exchange of tire testing machinery to relieve up to \$4.4 million in university loan obligations, assumption of a \$775,000 loan from the Virginia Tech Foundation, and execution of a long-term lease with a net present value of approximately \$2 million. These actions are intended to streamline operations, resolve legacy liabilities, and enhance research capacity aligned with institutional priorities.



*Photo by Luke Hayes/Virginia Tech*

# Required Supplementary Information

## Required Supplementary Information for Pension Plans

### Schedule of Virginia Tech's Share of Net Pension Liability (SERP)\*

For the measurement dates of June 30, 2024-2015

(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Covered employee payroll	Proportionate share of net pension liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2024	6.10%	\$ 300,240	\$ 336,824	89.14%	83.45%
2023	6.14%	\$ 310,820	\$ 306,250	101.49%	82.19%
2022	6.17%	\$ 280,125	\$ 283,379	98.85%	83.26%
2021	6.28%	\$ 227,619	\$ 271,869	83.72%	86.44%
2020	6.35%	\$ 460,400	\$ 283,418	162.45%	72.15%
2019	6.42%	\$ 405,894	\$ 270,954	149.80%	75.13%
2018	6.46%	\$ 349,811	\$ 270,309	129.41%	77.39%
2017	6.55%	\$ 381,766	\$ 262,376	145.50%	75.33%
2016	6.58%	\$ 433,375	\$ 263,416	164.52%	71.29%
2015	6.52%	\$ 398,980	\$ 246,888	161.60%	72.81%

### Schedule of Virginia Tech's Share of Net Pension Liability (VaLORS)\*

For the measurement dates of June 30, 2024-2015

(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Covered employee payroll	Proportionate share of net pension liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2024	0.83%	\$ 5,512	\$ 3,290	167.54%	75.70%
2023	0.81%	\$ 5,270	\$ 3,007	175.26%	74.91%
2022	0.75%	\$ 4,738	\$ 2,535	186.90%	74.41%
2021	0.66%	\$ 3,435	\$ 2,296	149.61%	78.18%
2020	0.64%	\$ 5,024	\$ 2,367	212.25%	65.74%
2019	0.66%	\$ 4,557	\$ 2,293	198.74%	68.31%
2018	0.66%	\$ 4,144	\$ 2,294	180.65%	69.56%
2017	0.67%	\$ 4,397	\$ 2,315	189.94%	67.22%
2016	0.67%	\$ 5,201	\$ 2,328	223.41%	61.01%
2015	0.66%	\$ 4,716	\$ 2,247	209.88%	62.64%

\*The amounts presented have a measurement date of the previous fiscal year end.

### Schedule of Virginia Tech's Pension Contributions (SERP)

For the years ended June 30, 2025 - 2016

(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 48,395	\$ 48,395	\$ -	\$ 355,782	13.60%
2024	\$ 48,281	\$ 48,281	\$ -	\$ 336,824	14.33%
2023	\$ 44,415	\$ 44,415	\$ -	\$ 306,250	14.50%
2022	\$ 41,085	\$ 41,085	\$ -	\$ 283,379	14.50%
2021	\$ 39,309	\$ 39,309	\$ -	\$ 271,869	14.46%
2020	\$ 37,758	\$ 37,758	\$ -	\$ 283,418	13.32%
2019	\$ 36,003	\$ 36,003	\$ -	\$ 270,954	13.29%
2018	\$ 36,466	\$ 36,466	\$ -	\$ 270,309	13.49%
2017	\$ 35,348	\$ 35,348	\$ -	\$ 262,376	13.47%
2016	\$ 36,931	\$ 36,931	\$ -	\$ 263,416	14.00%

### Schedule of Virginia Tech's Pension Contributions (VaLORS)

For the years ended June 30, 2025 - 2016

(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 851	\$ 851	\$ -	\$ 3,499	24.32%
2024	\$ 801	\$ 801	\$ -	\$ 3,290	24.35%
2023	\$ 746	\$ 746	\$ -	\$ 3,007	24.81%
2022	\$ 557	\$ 557	\$ -	\$ 2,535	21.97%
2021	\$ 512	\$ 512	\$ -	\$ 2,296	22.30%
2020	\$ 503	\$ 503	\$ -	\$ 2,367	21.25%
2019	\$ 496	\$ 496	\$ -	\$ 2,293	21.63%
2018	\$ 483	\$ 483	\$ -	\$ 2,294	21.05%
2017	\$ 487	\$ 487	\$ -	\$ 2,315	21.04%
2016	\$ 439	\$ 439	\$ -	\$ 2,328	18.86%

## Notes to Required Supplementary Information for Pension Plans

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

### *VRS – State Employee Retirement Plan (SERP)*

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

### *VaLORS Retirement Plan*

Mortality Rates	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

## Required Supplementary Information for Other Postemployment Benefit Plans

### Schedule of Virginia Tech's Share of OPEB Liability (Asset)

For the years ended June 30, 2024-2017

(all dollars in thousands)

	Year	PMRH	VSDP	GLI	HIC	LODA
Employer's proportion of the collective total OPEB liability (asset)	2024	9.36%	3.44%	3.11%	8.79%	0.28%
	2023	9.25%	3.52%	3.07%	8.79%	0.24%
	2022	9.12%	3.58%	3.06%	8.77%	0.25%
	2021	9.02%	3.69%	3.03%	8.66%	0.25%
	2020	8.93%	3.72%	3.03%	8.63%	0.23%
	2019	8.72%	3.79%	2.99%	8.59%	0.24%
	2018	8.53%	3.81%	2.95%	8.32%	0.23%
	2017	8.34%	3.79%	2.87%	8.19%	0.25%
Employer's proportionate share of the collective total OPEB liability (asset)	2024	\$ 33,362	\$ (11,793)	\$ 34,702	\$ 62,378	\$ 1,083
	2023	\$ 32,558	\$ (11,134)	\$ 36,765	\$ 72,261	\$ 968
	2022	\$ 33,126	\$ (10,575)	\$ 36,809	\$ 71,844	\$ 933
	2021	\$ 40,472	\$ (12,709)	\$ 35,260	\$ 73,126	\$ 1,103
	2020	\$ 50,797	\$ (8,213)	\$ 50,486	\$ 79,244	\$ 957
	2019	\$ 59,214	\$ (7,438)	\$ 48,635	\$ 79,327	\$ 868
	2018	\$ 85,746	\$ (8,583)	\$ 44,770	\$ 75,868	\$ 735
	2017	\$ 108,278	\$ (7,790)	\$ 43,235	\$ 74,567	\$ 663
Employer's covered payroll (where applicable)	2024		\$ 194,558	\$ 798,455	\$ 797,971	
	2023		\$ 178,588	\$ 722,110	\$ 721,504	
	2022		\$ 164,921	\$ 664,979	\$ 664,536	
	2021		\$ 159,351	\$ 625,278	\$ 623,963	
	2020		\$ 161,260	\$ 622,611	\$ 621,914	
	2019		\$ 153,447	\$ 585,890	\$ 585,614	
	2018		\$ 147,739	\$ 553,929	\$ 558,853	
	2017		\$ 142,553	\$ 526,681	\$ 531,560	
Proportionate share of the collective total OPEB liability (asset) as a percentage of employer's covered payroll	2024		6.06%	4.35%	7.82%	
	2023		6.23%	5.09%	10.02%	
	2022		6.41%	5.54%	10.81%	
	2021		7.98%	5.64%	11.72%	
	2020		5.09%	8.11%	12.74%	
	2019		4.85%	8.30%	13.55%	
	2018		5.81%	8.08%	13.58%	
	2017		5.46%	8.21%	14.03%	
Covered-employee payroll (where applicable)	2024	\$ 820,007				N/A*
	2023	\$ 751,554				N/A*
	2022	\$ 689,890				N/A*
	2021	\$ 643,930				N/A*
	2020	\$ 642,357				N/A*
	2019	\$ 601,489				N/A*
	2018	\$ 575,313				N/A*
	2017	\$ 548,609				N/A*
Proportionate share of the collective total OPEB liability (asset) as a percentage of covered-employee payroll	2024	4.07%				N/A*
	2023	4.33%				N/A*
	2022	4.80%				N/A*
	2021	6.29%				N/A*
	2020	7.91%				N/A*
	2019	9.84%				N/A*
	2018	14.90%				N/A*
	2017	19.74%				N/A*
Plan Fiduciary Net Position as a percentage of the total OPEB liability (asset)	2024	N/A	204.38%	73.41%	35.17%	1.22%
	2023	N/A	199.05%	69.30%	25.46%	1.31%
	2022	N/A	195.90%	67.21%	21.52%	1.87%
	2021	N/A	229.01%	67.45%	19.75%	1.68%
	2020	N/A	181.88%	52.64%	12.02%	1.02%
	2019	N/A	167.18%	52.00%	10.56%	0.79%
	2018	N/A	194.74%	51.22%	9.51%	0.60%
	2017	N/A	186.63%	48.86%	8.03%	1.30%

\*The contributions for the Line of Duty Act Program (LODA) are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.

This schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only eight years are available. Additional years will be included as they become available.

**Schedule of Virginia Tech's Share of OPEB Contributions**

For the years ended June 30, 2025-2018

(all dollars in thousands)

	Year	VSDP	GLI	HIC	LODA*
Contractually required contribution	2025	\$ 1,056	\$ 4,035	\$ 9,550	\$ 53
	2024	\$ 1,117	\$ 4,141	\$ 8,912	\$ 42
	2023	\$ 1,088	\$ 3,740	\$ 8,047	\$ 42
	2022	\$ 998	\$ 3,584	\$ 7,429	\$ 32
	2021	\$ 971	\$ 3,397	\$ 7,050	\$ 34
	2020	\$ 968	\$ 3,231	\$ 7,262	\$ 31
	2019	\$ 950	\$ 3,039	\$ 6,836	\$ 32
	2018	\$ 977	\$ 2,880	\$ 6,653	\$ 25
Contributions in relation to contractually required contribution	2025	\$ 1,056	\$ 4,035	\$ 9,550	\$ 53
	2024	\$ 1,117	\$ 4,141	\$ 8,912	\$ 42
	2023	\$ 1,088	\$ 3,740	\$ 8,047	\$ 42
	2022	\$ 998	\$ 3,584	\$ 7,429	\$ 32
	2021	\$ 971	\$ 3,397	\$ 7,050	\$ 34
	2020	\$ 968	\$ 3,231	\$ 7,262	\$ 31
	2019	\$ 950	\$ 3,039	\$ 6,836	\$ 32
	2018	\$ 977	\$ 2,880	\$ 6,653	\$ 25
Contribution deficiency (excess)	2025	\$ -	\$ -	\$ -	\$ -
	2024	\$ -	\$ -	\$ -	\$ -
	2023	\$ -	\$ -	\$ -	\$ -
	2022	\$ -	\$ -	\$ -	\$ -
	2021	\$ -	\$ -	\$ -	\$ -
	2020	\$ -	\$ -	\$ -	\$ -
	2019	\$ -	\$ -	\$ -	\$ -
	2018	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll (where applicable)	2025	\$ 208,861	\$ 851,555	\$ 851,022	\$ 3,926
	2024	\$ 194,558	\$ 798,455	\$ 797,971	\$ 3,680
	2023	\$ 178,588	\$ 722,110	\$ 721,504	\$ 3,272
	2022	\$ 164,921	\$ 664,979	\$ 664,536	\$ 2,734
	2021	\$ 159,351	\$ 625,278	\$ 623,963	\$ 2,455
	2020	\$ 161,260	\$ 622,611	\$ 621,914	\$ 2,419
	2019	\$ 153,447	\$ 585,890	\$ 585,614	\$ 2,297
	2018	\$ 147,739	\$ 553,929	\$ 558,853	\$ 2,843
Contributions as a percentage of employer's covered payroll	2025	0.51%	0.47%	1.12%	1.35%
	2024	0.57%	0.52%	1.12%	1.14%
	2023	0.61%	0.52%	1.12%	1.28%
	2022	0.61%	0.54%	1.12%	1.17%
	2021	0.61%	0.54%	1.13%	1.38%
	2020	0.60%	0.52%	1.17%	1.28%
	2019	0.62%	0.52%	1.17%	1.39%
	2018	0.66%	0.52%	1.19%	0.88%

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

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only eight years are available. Additional years will be included as they become available.

# Notes to Required Supplementary Information for OPEB Plans

## PMRH program

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – There were not any changes in assumptions since the June 30, 2022, measurement date. The following remained constant since the prior measurement date:

Spousal Coverage – rate remained at 20%

Retiree participation – rate remained at 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

## VSDP, GLI, HIC, and LODA programs

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

### General State Employees (VSDP, GLI, HIC, LODA)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change (Discount rate does not apply to LODA)

### Teachers (GLI)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

### SPORS Employees (VSDP, GLI, HIC, LODA)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. Increased disability life expectancy for VSDP and LODA.
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change (Discount rate does not apply to LODA)

### VaLORS Employees (VSDP, GLI, HIC, LODA)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. Increased disability life expectancy for VSDP and LODA.
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change (Discount rate does not apply to LODA)

### JRS (GLI, HIC)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

*Largest Ten Locality Employers – General Employees (GLI)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Non-Largest Ten Locality Employers – General Employees (GLI)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Largest Ten Locality Employers – Hazardous Duty Employees (GLI)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

*Largest Ten Locality Employers with Public Safety Employees (LODA)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

*Non-Largest Ten Locality Employers with Public Safety Employees (LODA)*

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

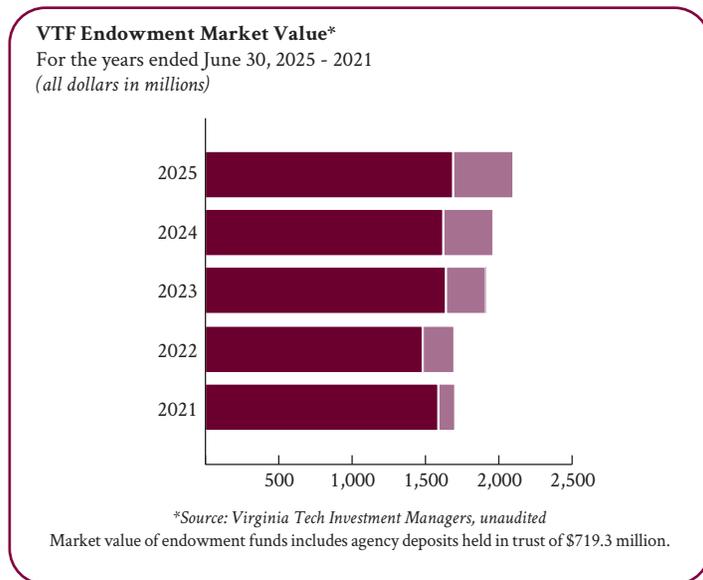
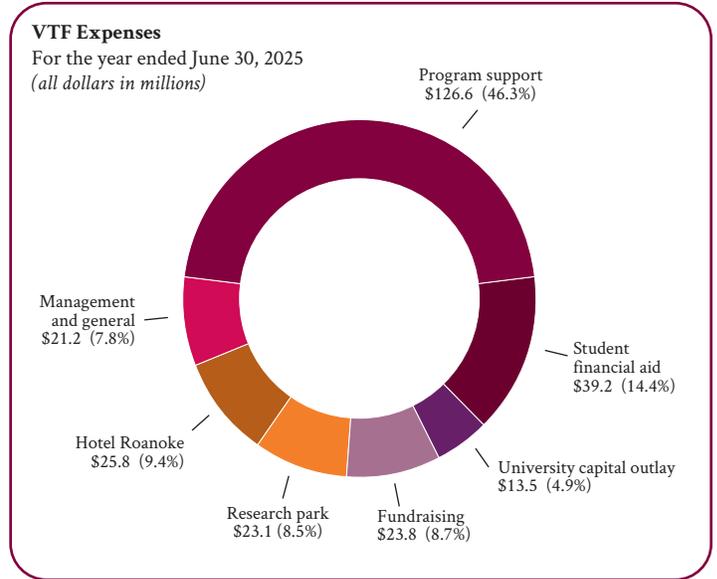
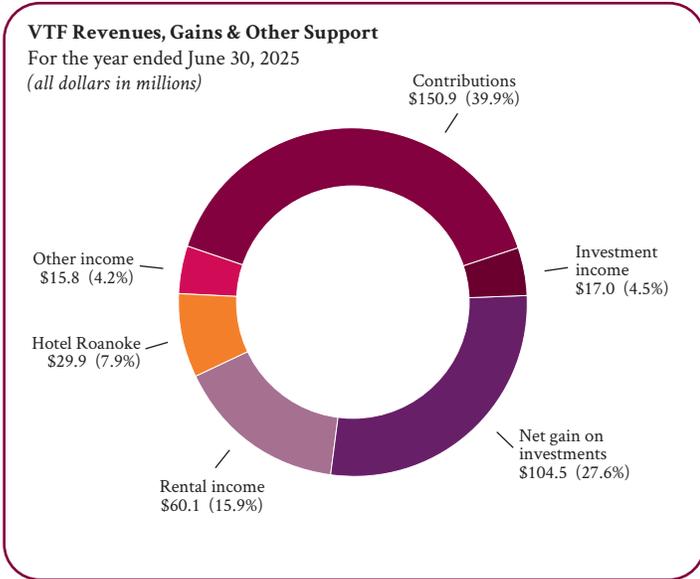
# Optional Supplementary Information

## Virginia Tech Foundation Inc.

The purpose of Virginia Tech Foundation Inc. is to receive, invest, and manage private funds given for the support of programs at Virginia Tech and to foster and promote the growth, progress, and general welfare of the university. The information presented on this page is categorized as presented in the foundation’s audited financial statements that follow the Financial Accounting Standards Board (FASB) presentation requirements

During the current fiscal year, the foundation recognized \$150.9 million in contributions for support of the university. Investment income of \$17.0 million along with net gain on investments of \$104.5 million resulted in a \$125.1 million net gain on investment activity. Property rental and hotel operating income totaled \$90.0 million. Other income accounted for \$15.8 million.

Total income of \$378.2 million was offset by \$273.2 million in expenses that supported the university and its programs. Direct support to various university programs aggregated \$179.3 million, which included \$39.2 million in scholarship support to students and faculty and \$13.5 million towards university capital projects. Additional expenses such as fundraising, management and general, research center, hotel operating, golf course, and other costs totaled \$93.9 million. Total net position increased by \$99.7 million over the previous year and includes the increase in the valuation of split-interest agreements offset by income tax expense.



## Affiliated Corporations Financial Highlights

For the years ended June 30, 2025 - 2021

(all dollars in thousands)

	2025	2024	2023	2022	2021
<b>Assets</b>					
Virginia Tech Foundation Inc.	\$ 3,136,802	\$ 3,026,297	\$ 2,838,340	\$ 2,667,802	\$ 2,687,603
Virginia Tech Innovation Corporation	8,720	9,974	10,326	11,311	9,145
Virginia Tech Services Inc.	10,469	12,869	11,449	8,677	7,380
Virginia Tech Applied Research Corporation	13,069	13,555	10,609	5,827	4,610
Virginia Tech Intellectual Properties Inc.	3,906	4,046	3,574	2,752	2,102
Total Assets	<u>\$ 3,172,966</u>	<u>\$ 3,066,741</u>	<u>\$ 2,874,298</u>	<u>\$ 2,696,369</u>	<u>\$ 2,710,840</u>
<b>Revenues</b>					
Virginia Tech Foundation Inc.	\$ 378,199	\$ 407,475	\$ 336,472	\$ 248,744	\$ 465,260
Virginia Tech Innovation Corporation	7,665	8,404	6,156	7,020	4,731
Virginia Tech Services Inc.	3,428	4,853	4,374	3,938	2,533
Virginia Tech Applied Research Corporation	20,321	21,135	20,840	18,949	13,419
Virginia Tech Intellectual Properties Inc.	4,041	4,605	3,912	3,075	2,502
Total Revenues	<u>\$ 413,654</u>	<u>\$ 446,472</u>	<u>\$ 371,754</u>	<u>\$ 281,726</u>	<u>\$ 488,445</u>
<b>Expenses</b>					
Virginia Tech Foundation Inc.	\$ 273,195	\$ 246,857	\$ 220,582	\$ 242,232	\$ 155,779
Virginia Tech Innovation Corporation	8,620	8,635	7,437	6,767	5,347
Virginia Tech Services Inc.	2,371	2,887	2,881	3,130	2,433
Virginia Tech Applied Research Corporation	21,957	20,033	19,421	17,930	13,262
Virginia Tech Intellectual Properties Inc.	3,927	3,953	3,437	2,888	2,138
Total Expenses	<u>\$ 310,070</u>	<u>\$ 282,365</u>	<u>\$ 253,758</u>	<u>\$ 272,947</u>	<u>\$ 178,959</u>

The organizations included above are related to the university by affiliation agreements. These agreements, approved by the Virginia Tech Board of Visitors, require an annual audit to be performed by independent auditors. These auditors have examined the financial records of the organizations presented in the table above and copies of their audit reports have been provided to the university. Values presented in this table are based solely upon these audit reports and do not include any consolidation entries to alter these amounts. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Virginia Tech Athletic Fund Inc., Virginia Tech Corps of Cadets Alumni Inc., and Virginia Tech Alumni Association meet exemption requirements and are not presented separately in this table. Additionally, Virginia Tech India Research and Education Forum (VTIREF) is not presented in this table due to the immateriality of its financial figures in comparison with the organizations included. See Note 32 for additional information.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

November 17, 2025

The Honorable Glenn Youngkin, Governor of Virginia  
Joint Legislative Audit and Review Commission  
Board of Visitors, Virginia Polytechnic Institute and State University  
Timothy D. Sands, President, Virginia Polytechnic Institute and State University

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of **Virginia Polytechnic Institute and State University** (Virginia Tech) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements and have issued our report thereon dated November 17, 2025. Our report includes a reference to another auditor who audited the financial statements of the component unit of Virginia Tech, as described in our report on Virginia Tech's financial statements. The other auditor did not audit the financial statements of the component unit of Virginia Tech in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component unit of Virginia Tech.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Virginia Tech's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Tech's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control titled "Improve Change Management Procedures and Process" and "Improve Security Awareness Training," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Virginia Tech's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations" in the findings titled "Improve Change Management Procedures and Process" and "Improve Security Awareness Training."

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on November 29, 2025. Government Auditing Standards require the auditor to perform limited procedures on Virginia Tech's response to the findings identified in our audit, which is included in the accompanying section titled "University Response." Virginia Tech's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Status of Prior Finding**

We did not perform audit work on the audit finding included in our report dated November 18, 2024, titled "Properly Complete Federal Verification Prior to Disbursing Title IV Aid" because Virginia Tech did not implement corrective action during our audit period. We will follow up on this finding during the fiscal year 2026 audit.

### **Purpose of this Report**

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

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

MBR/vks

## AUDIT SUMMARY

We have audited the basic financial statements of Virginia Polytechnic Institute and State University (Virginia Tech) as of and for the year ended June 30, 2025, and issued our report thereon, dated November 17, 2025. Our report, included in Virginia Tech's *Annual Financial Report*, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at Virginia Tech's website at [www.vt.edu](http://www.vt.edu). Our audit found:

- the financial statements are presented fairly, in all material respects; and
- two matters involving internal control and its operation requiring management's attention, that also represent instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; however, we do not consider them to be material weaknesses.

We did not perform audit work on the prior audit finding titled "Properly Complete Federal Verification Prior to Disbursing Title IV Aid" as noted in the Findings Summary included in the Appendix because Virginia Tech did not implement corrective action during our audit period. Corrective action has been ongoing since the 2024 audit. We will follow up on this finding during the fiscal year 2026 audit.

In the section titled "Internal Control and Compliance Findings and Recommendations," we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Change Management Procedures and Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Virginia Polytechnic Institute and State University (Virginia Tech) does not have a formal change management policy or process to manage changes for all components of its information technology (IT) environment. Virginia Tech has a formal change management procedure and process for changes managed by the Enterprise Solutions and Enabling Technologies unit, but this procedure and process do not apply to changes managed by the Network Infrastructure & Services (NI&S) unit. As a result, Virginia Tech does not consistently implement and systematically record certain necessary elements in its change management process for NI&S changes, including a risk and security impact analysis, tests and acceptance of tests, and verification that system documentation is reviewed and revised after a change to reflect the changes to the IT environment.

The International Organization for Standardization and the International Electrotechnical Commission Standard ISO/IEC 27002 (ISO Standard) requires that changes to information systems should be subject to change management procedures and that procedures should be defined, approved by management, published, communicated to relevant personnel, and reviewed at planned intervals. Without a formal change management procedure and process for changes managed by the NI&S unit, Virginia Tech cannot appropriately track, review, approve, and maintain a record of NI&S changes. As a result, Virginia Tech is at a higher risk for unauthorized changes to be implemented to its production environment that may negatively affect the confidentiality, integrity, and availability of its IT systems and data.

Virginia Tech does not have a formal and consistent change management procedure and process across all departments within the Division of IT due to an oversight. In August 2025, Virginia Tech created a working group to establish consistent processes and procedures across all IT departments, including NI&S.

Virginia Tech should develop and document a formal change management process for all components of its IT environment that aligns with the requirements of the ISO Standard to consistently implement and systematically record changes across all departments of the Division of IT. By implementing these controls for the change management process, Virginia Tech will reduce the risk of unauthorized changes in the environment and will help improve the confidentiality, integrity, and availability of mission critical and sensitive systems.

### **Improve Security Awareness Training**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

Virginia Tech does not meet certain requirements in the ISO Standard for security awareness training (SAT). Specifically, Virginia Tech does not have an adequate process to assign SAT to new hires or to ensure that all users complete the SAT annually. An established SAT program is essential to protect Virginia Tech's IT systems and data by ensuring that employees understand their roles and responsibilities in securing sensitive information. Our review of Virginia Tech's SAT program identified the following weaknesses:

- 1,575 of 10,517 employees (15%) assigned SAT did not complete the annual training. Virginia Tech's IT Minimum Security Standard requires all employees and contractors to complete general information security awareness training annually. Additionally, the ISO Standard requires that personnel of the organization and relevant interested parties should receive appropriate information security awareness, education, and training and regular updates of the organization's information security policy, topic-specific policies, and procedures, as relevant for their job function.
- 717 of 1,202 employees (60%) hired in fiscal year 2025 did not complete their new hire SAT. Virginia Tech's IT Minimum Security Standard requires new employees to complete Cyber Security Onboarding for New Hires within 90 days of being hired. Additionally, the ISO Standard requires that initial awareness, education and training be provided to new personnel and to those who transfer to new positions or roles with substantially different information security requirements.

Without ensuring that all users take SAT annually and during onboarding, Virginia Tech increases the risk that users will be more susceptible to malicious attempts to compromise sensitive data, such as ransomware, phishing, and social engineering. Although users who have not completed the training receive email notifications informing them of the training deadline and reminding them to complete the training, Virginia Tech does not use an enforcement measure that forces users to complete the new hire or annual SAT such as disabling a user's account or limiting access until training is complete. Additionally, new employees who are hired directly into departments, such as emergency wage hires or adjunct faculty, are not automatically enrolled in SAT.

Virginia Tech should improve their SAT process to include an enforcement measure to ensure that all employees complete SAT during onboarding before accessing computer resources and annually thereafter. Improving the SAT program will help protect Virginia Tech from malicious attempts to compromise the confidentiality, integrity, and availability of sensitive data.

## FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Improve Change Management Procedures and Process	Ongoing	2025
Improve Security Awareness Training	Ongoing	2025
Properly Complete Federal Verification Prior to Disbursing Title IV Aid**	Ongoing	2024

\* A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end.

\*\* The prior audit finding was not included in the scope of our audit. Per inquiry with management, we determined that corrective action was ongoing as of June 30, 2025.

## UNIVERSITY RESPONSE



**University Controller (MC 0312)**  
North End Center, Suite 3300, Virginia Tech  
300 Turner Street NW  
Blacksburg, Virginia 24061  
P: (540) 231-6418 F: (540) 231-7221  
[www.controller.vt.edu](http://www.controller.vt.edu)

January 20, 2026

Staci Henshaw, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2025 audit by the Auditor of Public Accounts (APA) and Virginia Tech concurs with the audit findings. The following contains the APA's findings and management's response to the findings.

### Improve Change Management Procedures and Process

#### University Response

Virginia Tech established a working group in fall 2025 to develop an operational change management standard for the Division of Information Technology. The working group is surveying existing practices, constraints, and requirements and will establish formal division-wide IT change management standards and processes by March 2026. A phased implementation of standards and processes will be conducted across the Division with completion by June 2027.

Responsible Person: Kyle Johnson, Associate Vice President for Governance Planning and Strategy

Completion Date: June 2027

### Improve Security Awareness Training

#### University Response

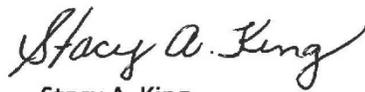
Management has determined that the current 97% compliance status with annual IT security awareness training significantly reduces the university's exposure to IT risk related to human-drive incidents. Divisions of Information Technology and Human Resources will establish enforcement

mechanisms requiring security awareness training within 90 days of hire and annually thereafter. Procedures to assign required training will be refined to ensure all appropriate classes of employees are included in the assignment and reflected in the 'dashboard' for supervisor monitoring.

Responsible Person: David Raymond, Associate Vice President for Security and Identity

Completion Date: June 30, 2026

Sincerely,



Stacy A. King  
Interim AVP for Finance & University Controller

# Administrative Officers

As of June 30, 2025

## Virginia Tech Board of Visitors

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[www.controller.vt.edu/financialreporting.html](http://www.controller.vt.edu/financialreporting.html)*