EASTERN VIRGINIA MEDICAL SCHOOL
AND AFFILIATED ORGANIZATION

Consolidated Financial Statements

June 30, 2024

(With Independent Auditors' Reports Thereon and Reports Required by *Government Auditing Standards*)

EASTERN VIRGINIA MEDICAL SCHOOL
AND AFFILIATED ORGANIZATION

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KPMG LLP
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Independent Auditors' Report

The Board of Visitors
Eastern Virginia Medical School:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eastern Virginia Medical School and Affiliated Organization (EVMS), which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of EVMS as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of Eastern Virginia Medical School Foundation (EVMS Foundation), for which EVMS records a beneficial interest, which statements reflect total assets constituting 27.99 percent of consolidated total assets as of June 30, 2024, and total changes in net assets constituting 44.88 percent of consolidated total changes in net assets for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EVMS Foundation, is based solely on the report of the other auditors.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of EVMS 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 opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EVMS' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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KPMG International Limited, a private English company limited by guarantee.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 consolidated 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 consolidated 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 consolidated 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 EVMS' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EVMS' 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.

Report on Summarized Comparative Information

We have previously audited EVMS' 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024 on our consideration of EVMS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EVMS' 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 EVMS' internal control over financial reporting and compliance.

KPMG LLP

Virginia Beach, Virginia
November 25, 2024

EASTERN VIRGINIA MEDICAL SCHOOL
AND AFFILIATED ORGANIZATION

Consolidated Balance Sheet

June 30, 2024
(With summarized financial information as of June 30, 2023)

Assets	2024	2023
Current assets:		
Cash and cash equivalents	$ 165,409,841	165,386,095
Restricted cash and investments	7,248,215	9,695,571
Operating investments	22,368,917	23,651,063
Accounts receivable, net	32,067,463	28,978,312
Accounts receivable from affiliate	1,235,491	449,276
Current portion of notes receivable from students	275,400	357,300
Prepaid expenses and other current assets	2,563,438	2,500,582
Total current assets	231,168,765	231,018,199
Property, plant, and equipment, net	208,598,609	212,947,208
Other long-term assets:		
Operating investments	17,146,581	13,346,811
Notes receivable from students	2,284,906	2,125,592
Interest in net assets of affiliate	184,150,167	174,978,576
Right-of-use operating lease assets	10,299,543	6,587,916
Other long-term assets	4,165,058	4,100,745
Total other long-term assets	218,046,255	201,139,640
Total assets	$ 657,813,629	645,105,047
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 3,372,663	3,286,516
Accounts payable	4,201,630	8,247,201
Current portion of accrued compensation	11,727,950	10,654,410
Deferred income	8,180,936	12,019,443
Current portion of operating lease liabilities	1,873,472	1,742,368
Accrued expenses and other current liabilities	11,446,319	11,326,807
Total current liabilities	40,802,970	47,276,745
Long-term debt, excluding current portion and net of bond issuance costs	38,779,296	42,094,693
Other long-term liabilities:		
Grant deposits	2,750,505	1,556,435
Refundable federal student loans	1,639,957	1,795,728
Assets held for affiliate	1,011,257	996,514
Operating lease liabilities, net current portion	8,410,578	4,894,595
Accrued compensation, net of current portion	4,641,192	4,202,221
Other long-term liabilities	5,081,992	8,027,011
Total other long-term liabilities	23,535,481	21,472,504
Total liabilities	103,117,747	110,843,942
Net assets:		
Net assets without donor restrictions:		
Operating	75,296	10,734,049
EVMS reserves	85,975,368	75,860,719
Department reserves	133,869,287	119,949,977
Net investment in plant	54,458,033	50,860,320
Sponsored research	1,595,097	1,027,987
Parking facility reserves	686,157	831,147
Total net assets without donor restrictions	276,659,238	259,264,199
Net assets with donor restrictions:		
Revolving student loans	839,866	816,125
Program restricted	984,509	854,165
Net investment in plant	92,062,102	98,348,040
Interest in net assets of affiliate	184,150,167	174,978,576
Total net assets with donor restrictions	278,036,644	274,996,906
Total net assets	554,695,882	534,261,105
Commitments and contingencies		
Total liabilities and net assets	$ 657,813,629	645,105,047

See accompanying notes to consolidated financial statements.

EASTERN VIRGINIA MEDICAL SCHOOL
AND AFFILIATED ORGANIZATION

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2024
(With summarized financial information for the year ended June 30, 2023)

	Net assets without donor restrictions	Net assets with donor restrictions	Total	2023
Operating revenues and support:				
Tuition and fees	$ 44,241,524	—	44,241,524	46,574,971
State appropriations	39,338,704	—	39,338,704	37,448,903
Municipal subsidies	1,710,661	—	1,710,661	1,546,437
Federal grants and contracts	31,980,033	—	31,980,033	26,112,452
State grants and contracts	2,477,472	—	2,477,472	1,507,469
Private grants, contracts, and gifts	4,583,352	—	4,583,352	4,673,875
EVMS Foundation support	9,339,128	—	9,339,128	9,114,946
Patient care services	64,428,954	—	64,428,954	61,353,987
Contractual services of graduate school residents	50,107,440	—	50,107,440	46,974,323
Contractual services	36,799,801	—	36,799,801	35,233,305
Sales and services of auxiliary enterprises	7,706,189	—	7,706,189	6,587,933
Gain (Loss) on disposal of fixed assets	(12,178)	—	(12,178)	2,639,740
Other sources	30,893,519	649,692	31,543,211	19,812,084
Interest and investment income	7,669,864	11,270	7,681,134	4,090,847
Released from restriction	6,792,815	(6,792,815)	—	—
Total operating revenues and support	338,057,278	(6,131,853)	331,925,425	303,671,272
Operating expenses:				
Undergraduate instruction	76,125,429	—	76,125,429	67,063,532
Graduate instruction	39,107,837	—	39,107,837	36,036,094
Research	34,287,284	—	34,287,284	29,155,786
Patient services	81,165,547	—	81,165,547	65,730,402
Academic support	11,784,210	—	11,784,210	10,491,798
Institutional support	40,725,227	—	40,725,227	31,177,612
Auxiliary services	28,675,761	—	28,675,761	28,030,565
Patient services support	10,043,837	—	10,043,837	8,992,285
Total operating expenses	321,915,132	—	321,915,132	276,678,074
Changes in net assets from operations	16,142,146	(6,131,853)	10,010,293	26,993,198
Nonoperating items:				
Unrealized gains from investments, net	1,283,523		1,283,523	24,604
Change in interest of net assets of affiliate	—	9,171,591	9,171,591	10,622,642
Change in fair value of interest rate swaps	(30,630)		(30,630)	835,760
Changes in net assets	17,395,039	3,039,738	20,434,777	38,476,204
Net assets at beginning of year	259,264,199	274,996,906	534,261,105	495,784,901
Net assets released from restriction for capital	—	—	—	—
Net assets at end of year	$ 276,659,238	278,036,644	554,695,882	534,261,105

See accompanying notes to consolidated financial statements.

EASTERN VIRGINIA MEDICAL SCHOOL
AND AFFILIATED ORGANIZATION

Consolidated Statement of Cash Flows

Year ended June 30, 2024
(With summarized financial information for the year ended June 30, 2023)

		2024	2023
Cash flows from operating activities:			
Changes in net assets	$	20,434,777	38,476,204
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Depreciation and amortization		14,241,245	13,322,902
Change in fair value of interest rate swaps		30,630	(835,760)
Net realized and unrealized gains on investments		(1,283,573)	(24,604)
Change in interest of net assets of affiliate		(9,171,591)	(10,622,642)
Net loss (gains) on sale of property, plant, and equipment		12,178	(2,639,740)
Provision for bad debts		380,963	84,048
Amortization of bond issuance costs		26,635	26,635
Restricted contributions for property, plant, and equipment		(2,472,836)	(1,551,612)
Changes in:			
Accounts receivable, net		(3,089,151)	1,635,593
Accounts receivable from affiliate		(786,215)	1,117,173
Prepaid expenses and other current assets		(62,856)	365,065
Other long-term assets		(2,400)	(2,400)
Accounts payable		(4,045,569)	(1,753,456)
Accrued compensation		1,512,511	(3,097,474)
Deferred income		(3,838,507)	6,326,655
Accrued expenses and other current liabilities		119,513	400,169
Grant deposits		1,194,069	154,261
Right-of-use operating lease assets and liabilities		(64,539)	49,047
Assets held for affiliate		14,743	16,178
Other long-term liabilities		(2,945,019)	801,929
Net cash provided by operating activities		10,205,008	42,248,171
Cash flows from investing activities:			
Purchases of restricted investments		(5,701,516)	(896,062)
Proceeds from sales and maturities of restricted investments		8,121,082	472,437
Purchases of operating investments		(27,526,397)	(24,768,178)
Proceeds from sales and maturities of operating investments		26,292,346	24,108,585
Purchases of property, plant, and equipment		(9,904,824)	(19,026,207)
Proceeds from sale of property, plant, and equipment		—	3,200,677
Disbursements for notes receivable from students		(836,162)	(318,633)
Collections of notes receivable from students		377,785	436,100
Change in cash surrender value of life insurance		(61,913)	157,039
Net cash used in investing activities		(9,239,599)	(16,634,242)
Cash flows from financing activities:			
Restricted contributions for property, plant, and equipment		2,472,836	1,551,612
Proceeds from long-term borrowings		—	10,808,915
Principal payments on bonds		(3,286,516)	(2,943,503)
Refundable federal student loans		(155,771)	(232,132)
Net cash (used in) provided by financing activities		(969,451)	9,184,892
Net increase in cash, cash equivalents, and restricted cash		(4,042)	34,798,821
Cash, cash equivalents, and restricted cash at beginning of year		170,384,164	135,585,343
Cash, cash equivalents, and restricted cash at end of year	$	170,380,122	170,384,164
Supplemental disclosures of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	1,373,519	1,171,418
Purchases of property, plant, and equipment included in accounts payable		385,901	2,316,517

See accompanying notes to consolidated financial statements.

(1) EVMS and Affiliated Organization

The Eastern Virginia Medical School (EVMS or the School) was created in 1964 by enabling legislation of the General Assembly of Virginia to identify, document, and evaluate needs, problems, and resources relating to health and medical care within its service area and to plan, develop, and implement programs to meet such needs on both an immediate and long-range basis. EVMS may plan, design, construct, remove, enlarge, equip, maintain, and operate medical educational institutions and medical and paramedical facilities, together with related and supporting facilities, and do all things necessary and convenient to carry out any of its purposes. EVMS has been classified as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC). As such, EVMS is exempt from federal and state income taxation, and contributions to it are tax deductible.

EVMS Medical Group (EVMS MG) is a nonmember organization incorporated under the Virginia Nonstock Corporation Act. Prior to July 1, 1989, EVMS MG was an operating division of EVMS. Effective July 1, 1989, EVMS MG began operations as a not-for-profit foundation through the approval of EVMS MG's Articles of Incorporation and Bylaws by the EVMS Board of Visitors. EVMS MG bylaws cannot be altered or amended without the approval of the EVMS Board of Visitors. EVMS MG has been classified as an organization described in Section 501(c)(3) of the IRC and is exempt from federal and state income taxation. The accounts of EVMS MG are included in the accompanying consolidated financial statements.

The Eastern Virginia Medical School Foundation (EVMS Foundation) is a nonprofit organization established to provide financial support to EVMS. The EVMS Foundation qualifies as a charitable foundation and is exempt from federal and state income taxation under Section 501(c)(3) of the IRC. As such, contributions to it are tax deductible. The accounts of EVMS Foundation are not included in the accompanying consolidated financial statements of EVMS. Amounts received from the EVMS Foundation are reported as EVMS Foundation support in the accompanying consolidated statement of activities and changes in net assets. EVMS' beneficial interest in the net assets of EVMS Foundation of $184,150,167 and $174,978,576 as of June 30, 2024 and 2023, respectively, is presented as interest in net assets of affiliate within net assets with donor restrictions. Once the funds have met their donor-imposed restrictions and are remitted to EVMS, they are reported as net assets without donor restrictions. Changes in the interest of the net assets of EVMS Foundation are included in nonoperating items with donor restrictions on the accompanying consolidated statement of activities. During the years ended June 30, 2024 and 2023, income from the EVMS Foundation of $9,339,128 and $9,114,946, respectively, is presented in operating revenues and support on the accompanying consolidated statement of activities and changes in net assets.

During the 2023 Virginia legislative session, legislation was approved to integrate EVMS with Old Dominion University (ODU) and create a health science center. On July 1, 2024, EVMS integrated with ODU. Upon integration the schools and divisions of EVMS and academic units of ODU related to health sciences became the Macon and Joan Brock Virginia Health Sciences at Old Dominion University.

(Continued)

EVMS has defined its mission as a community-based academic institution dedicated to medical and health education, research, and patient care.

(a) Education

Undergraduate Education – Opened in 1973, EVMS offers a Doctor of Medicine (M.D.) degree. In 2012, the Association of American Medical Colleges' Liaison Committee on Medical Education awarded EVMS continued full accreditation of the educational program leading to the M.D. degree. Renewal of this accreditation was completed in February 2021 giving EVMS full accreditation of the medical education program for an eight-year term.

In 2009, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) awarded EVMS a continuation of accreditation for a 10-year period. EVMS received notice on January 12, 2022 that the SACSCOC Board of Trustees reaffirmed accreditation through 2030.

EVMS also offers several health professions programs, including master's degrees in art therapy, public health, physician assistant, clinical embryology, lab animal science, medical master's, surgical assistant, and biomedical sciences, and doctoral degrees in health sciences, medical and professional education, reproductive clinical sciences, clinical psychology, and biomedical sciences in conjunction with other local universities.

Graduate Medical Education (GME) – Founded in 1974, GME offers residency and fellowship programs at numerous healthcare facilities in EVMS' service area. Programs are accredited by the Accreditation Council of Graduate Medical Education or the American Psychological Association or are approved by specialty boards.

(b) Research

EVMS conducts numerous research projects in various areas, including proteomics, cancer, reproductive medicine, systemic diseases, and infectious diseases. EVMS-sponsored research is supported by various federal and state agencies, pharmaceutical companies, and private foundations.

(c) Patient Care

Clinical care is provided through the following affiliates:

EVMS MG – EVMS MG was formed exclusively for charitable, scientific, and educational purposes and to further the mission and goals of EVMS. EVMS MG is organized and shall at all times operate to fulfill its corporate purpose by supporting clinical practice and research in conjunction with providing faculty the opportunity to teach in a physician group practice setting within the academic environment of EVMS. EVMS MG also provides education and training to EVMS students and residents. EVMS MG incorporates the professional practice units of the EVMS faculty in all departments except pediatrics. The practice units are staffed solely by faculty members of EVMS who provide professional patient care at EVMS facilities or through agreements with other area hospitals.

EVMS Pediatrics, formerly Pediatric Faculty Associates, Inc. (PFA) – PFA was established through an affiliation agreement between EVMS, Children's Hospital of the King's Daughters (CHKD), and Children's Health System, Inc. During fiscal year 1998, PFA underwent significant organizational and structural changes. A majority of the full-time faculty members in the pediatric specialties established a for-profit professional limited liability company, Children's Specialty Group, PLLC (CSG). On June 30, 2008, the PFA corporate status was dissolved. All assets and liabilities were transferred to EVMS and reported as EVMS Pediatrics.

EVMS Pediatrics, along with CSG, incorporates the professional practice units of the EVMS faculty in the pediatric specialties. They provide professional patient care at EVMS or CHKD facilities or through agreements with other area hospitals on a contractual basis.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

EVMS' consolidated financial statements have been prepared on the accrual basis of accounting. All intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared to focus on EVMS as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are classified based on the existence or absence of donor-imposed restrictions and are segregated into two net asset groups as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions are those net assets that are the result of revenues and income minus expenses and are grouped by operating, EVMS reserves, department reserves, net investment in plant, sponsored research, and the parking facility reserves. Designated net assets are reported on the balance sheet as EVMS reserves and department reserves and represent net assets that are subject to self-imposed limits by action of management, as delegated by the governing board.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of EVMS and/or the passage of time. The interest in net assets of affiliate is restricted by time, while the remaining net assets with donor restrictions are restricted by purpose.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions or net assets with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed or the purpose has been met) are reported as net assets released from restriction in the consolidated statement of activities and changes in net assets. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions for acquisition or construction of plant facilities are released from restrictions in the period in which the assets are placed in service, unless the donor specifies the asset must be used for a specified period of time. Contributions that impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions.

Designated net assets without donor restrictions contained within EVMS reserves and department reserves at June 30 are as follows:

	2024	2023
EVMS reserves:		
President and institutional development	$ 79,501,844	69,429,786
Faculty development	523,000	611,999
Internal research	223,724	223,724
Strategic planning	5,726,800	5,595,210
Total EVMS reserves	85,975,368	75,860,719
Department reserves:		
Faculty development	30,746,211	33,470,631
Insurance and legal reserves	9,575,361	16,719,121
Internal research	10,470,495	11,516,368
Facilities and equipment	9,075,052	7,959,989
Other	9,330,558	6,904,789
Chairman's fund	5,142,247	4,747,787
President and institutional development	20,418,292	4,646,126
Resident education	4,441,174	4,281,207
Strategic planning	1,615,259	1,970,567
Student fees	1,048,017	1,565,495
Physician supplemental payment program – EVMS MG	15,980,914	11,486,414
Unallocated nonsalary physician compensation – EVMS MG	12,598,290	11,666,050
Operating reserve – EVMS MG	3,427,417	3,015,433
Total department reserves	133,869,287	119,949,977
Total designated net assets without donor restrictions	$ 219,844,655	195,810,696

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with EVMS' consolidated financial statements as of and for the year ended June 30, 2023 from which the summarized information was derived.

(b) Cash and Cash Equivalents

EVMS considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents for consolidated financial statement presentation. Cash and cash equivalents that are managed by EVMS' investment managers as part of its long-term investment portfolio are reported within operating investments on the consolidated balance sheet. Cash equivalents consist primarily of temporary investments in money market funds and bank repurchase agreements.

(c) Restricted Cash and Investments

Restricted cash and investments represent funds that have been externally restricted or internally designated for a specific purpose and are reported on the consolidated balance sheet at fair value.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows:

		2024	2023
Cash and cash equivalents	$	165,409,841	165,386,095
Restricted cash included in assets restricted to revolving student loans		1,071,214	1,343,660
Restricted cash included in assets restricted to parking facility		3,899,067	3,654,409
	$	170,380,122	170,384,164

Assets restricted to revolving student loans on the consolidated balance sheet include cash received with a donor-imposed restriction that limits use of that cash to refundable federal loans and refundable institutional loans. Assets restricted to parking facility include cash received for the parking consortium.

(d) Operating Investments

Investments are classified as trading and are reported on the consolidated balance sheet at fair value. Net realized gains and losses on investments are reflected in operating revenues and support in the accompanying consolidated statement of activities. Net unrealized gains and losses on investments are reflected in nonoperating items in the accompanying consolidated statement of activities and changes in net assets. Gains and losses on investments have been recognized in the accompanying consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations.

(e) Patient Accounts Receivable

Patient accounts receivable consist of patient receivables and is recorded net of allowances for discounts, implicit and explicit price concessions. Accounts receivable also includes contracts receivable, which represents amounts due from various healthcare entities for services provided.

(f) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or at estimated fair value at date of gift if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the property, plant, and equipment.

(Continued)

The estimated useful lives are as follows:

Land improvements	5–20 years
Buildings and improvements	5–40 years
Equipment	3–20 years

(g) Other Long-Term Assets

Other long-term assets in the accompanying consolidated balance sheet primarily comprise cash surrender value of life insurance policies held by EVMS MG.

EVMS MG is the owner of two insurance policies for current and retired faculty of EVMS, where EVMS MG is the beneficiary. These policies are recorded at their net cash surrender values, as reported by the issuing insurance company, whose Standard & Poor's financial strength rating is AA+. The net cash surrender values totaled $4,053,258 and $3,991,345 as of June 30, 2024 and 2023, respectively.

The cash surrender value of life insurance is valued under Level 2 of the fair value hierarchy at June 30, 2024 and 2023. The cash surrender value of life insurance was determined by the underwriting insurance company's valuation models, which take into account the passage of time, mortality tables, interest rates, cash values for paid-up additions, and dividend accumulations. The cash surrender value represents the guaranteed value EVMS MG would receive upon surrender of these policies held on key employees as of June 30, 2024 and 2023.

(h) Refundable Federal Student Loans

Funds provided by the U.S. government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are reported as liabilities in the accompanying consolidated balance sheet. Due to the dissolution of the Perkins Loan program, no new Perkins Loans were disbursed during the years ended June 30, 2024 and 2023.

(i) Tuition and Fees

Student tuition and fees are recognized as revenue over time as the related academic services are provided. Student tuition and fees received in advance of services to be rendered are recorded as deferred income. Student aid provided by EVMS for tuition and fees is reflected as a reduction of tuition and fee revenue. EVMS had $7,788,173 and $7,832,005 of deferred tuition and fees as of June 30, 2024 and 2023, respectively that will be recognized in the subsequent fiscal year when the programs occur.

(j) Sponsored Grants and Contracts

EVMS is awarded grants, contracts, and similar agreements by federal, state, and private sponsoring organizations. Nonreciprocal transactions generally contain restrictions, by sponsors, for certain purposes and are recognized as revenue when EVMS has met the conditions of the agreements. EVMS has elected the simultaneous release policy, which allows a not-for-profit organization to report

(Continued)

as without donor restrictions donor-restricted contributions whose restrictions are met in the same period as the revenue is recognized. In accordance with Topic 606, revenue from exchange grants and contracts is recognized as EVMS meets the performance obligations contained in the agreement with the sponsor or services are rendered. The majority of revenues from sponsored grants and contracts include facilities and administration cost recovery reimbursement from the federal government and are recognized when allowable expenditures are incurred.

(k) Patient Care Services

Patient care services revenue is reported at the amount that reflects the consideration to which EVMS MG expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and includes variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations.

EVMS MG has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. The HMOs generally make fee-for-service payments to EVMS MG for certain covered services based upon discounted fee schedules.

(l) Charity Care

EVMS MG provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because EVMS MG does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue in the accompanying consolidated statement of activities.

EVMS MG maintains detailed records to identify and monitor the level of charity care it provides to its patients. These records include the amount of charges foregone and estimated direct and indirect costs incurred for services furnished under its charity care policy. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges. The following information measures the level of charity care provided during the years ended June 30:

		2024	2023
Charges foregone, based on established rates	$	848,492	588,910
Estimated costs incurred		404,691	332,100

(m) Contractual Services of Graduate School Residents

EVMS provides services for administering internships, residency, and fellowship programs to hospitals and healthcare facilities in EVMS' service area. Services are provided on a contractual basis at annually negotiated rates. EVMS manages the schedules for residents at the healthcare facilities and incurs payroll costs for the residents. Revenues are recognized over time as the related services are provided to the healthcare facilities.

(n) Contractual Services

EVMS provides standardized patient services, histotechnology, biorepository, and professional patient care on a contractual basis to other institutions, hospitals, and medical facilities. Revenues are recognized over time as the services are rendered. Also included within contractual services are funds from the affiliation agreement of $17,896,278 and $18,175,334 for the years ended June 30, 2024 and 2023, respectively.

(o) Derivative Instruments

EVMS utilizes derivative financial instruments to reduce its exposure to cash flow risks from changes in interest rates, specifically, variable interest rates. EVMS is exposed to credit losses in the event of nonperformance by the counterparty to the interest rate swap; however, the counterparty is a major financial institution, and the risk of loss due to nonperformance is considered remote. Interest rate differentials paid or received on the swap are recognized as adjustments to operating expense in the period earned or incurred. Interest rate swaps are recorded at fair value and reflected as assets or liabilities in the accompanying consolidated balance sheet as long-term debt, excluding current portion and net of bond issuance costs. Changes in the fair value of interest rate swaps are reflected as nonoperating items in the accompanying consolidated statement of activities and changes in net assets.

(p) Concentration of Credit Risk

Financial instruments, which potentially subject EVMS and its affiliated organization to concentration of credit risk, consist principally of cash, investments, patient receivables, and student notes receivable.

EVMS and its affiliated organization place unrestricted cash and temporary overnight investments with high credit quality financial institutions. EVMS and the EVMS Foundation’s endowment assets are allocated between several established, reputable asset management firms and, according to their investment policy, are invested in investment-grade instruments. The asset management firms are independent of the funds’ trustees who review their performance on a periodic basis.

(q) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, EVMS first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. There was no impairment recorded in fiscal year 2024 or 2023.

(r) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of implicit and explicit price concessions for patient receivables, the valuation of derivatives, and the valuation of investments. Actual results could differ from those estimates.

(s) Income Taxes

The Internal Revenues Services has determined and informed EVMS by a letter dated January 28, 1972 that it qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income tax pursuant to Section 501(a) of the IRC. Management is not aware of any course of action or event that has occurred that might adversely affect EVMS' qualified status and believes EVMS is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision for income taxes is made in the consolidated financial statements. As of June 30, 2024 and 2023, there were no uncertain tax positions.

(t) Release from Restriction

EVMS receives restricted revenue from the Commonwealth of Virginia to fund the construction and purchase of certain real property. As a part of the agreement, EVMS is required to fund a percentage of the cost of the projects. EVMS' share of the cost is funded through fundraising and the issuance of long-term debt. The restriction on the funds received from the Commonwealth of Virginia is being released over the life of the debt issued to fund projects, in accordance with the donor stipulations specified within the agreement.

(u) Recent Adopted Accounting Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, commonly referred to as the Current Expected Credit Losses (CECL) model. The CECL model replaces the incurred loss model for the recognition of credit losses on financial assets. Under the CECL model, EVMS is required to estimate expected credit losses over the contractual term of financial assets, including loans, held-to-maturity debt securities, and trade receivables. The estimation of expected credit losses involves considering relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. EVMS adopted ASU 2016-13 as of July 1, 2023 with no material impact on the consolidated financial statements.

(v) Subsequent Events

EVMS has evaluated subsequent events from the consolidated balance sheet date through November 25, 2024 the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose other than the integration with ODU as described in FN1.

(Continued)

(3) Cash and Cash Equivalents

Cash and cash equivalents at June 30 are summarized as follows:

		2024	2023
EVMS	$	143,716,045	142,847,191
EVMS MG		21,693,796	22,538,904
	$	165,409,841	165,386,095

(4) Operating Investments and Restricted Cash and Investments

Operating investments at June 30 comprised the following:

		2024	2023
Money market funds	$	1,109,381	763,390
Equity securities		181,513	116,629
Certificates of deposit		4,188,908	3,823,828
Mutual funds – fixed income		6,188,644	5,987,375
Corporate bonds		10,934,931	8,902,048
Agency mortgage-backed securities		1,044,045	1,541,212
U.S. Treasury securities		8,574,170	10,746,611
Municipal bonds		6,050,231	4,709,571
Equity method investment		1,243,675	407,210
Total operating investments		39,515,498	36,997,874
Less amounts available for current obligations		(22,368,917)	(23,651,063)
Long-term operating investments	$	17,146,581	13,346,811

(Continued)

Restricted cash and investments at June 30 comprised the following:

		2024	2023
Restricted for parking garage operations – cash	$	3,899,067	3,654,409
Restricted for student loans – cash		1,071,214	1,343,660
Restricted for cash balance pension plan – equities		—	2,471,478
Restricted for interest, debt retirement, and construction per trust indentures:			
General Revenue Bonds, Series 2006:			
Interest fund – money market funds		6,286	7,249
Principal fund – money market funds		358,996	344,775
Total Bonds, Series 2006		365,282	352,024
General Revenue Refunding Bonds, Series 2010:			
Interest fund – money market funds		67,295	22,459
Principal fund – money market funds		328,060	312,780
Total Bonds, Series 2010		395,355	335,239

		2024	2023
General Revenue Bonds, Series 2010:			
Interest fund – money market funds	$	58,785	25,914
Principal fund – money market funds		738,973	737,742
Total Bonds, Series 2010		797,758	763,656
General Revenue Bonds, Series 2011:			
Interest fund – money market funds		57,814	25,059
Principal fund – money market funds		325,148	324,550
Total Bonds, Series 2011		382,962	349,609
General Revenue Bonds, Series 2018:			
Interest fund – money market funds		33,284	18,718
Principal fund – money market funds		96,100	74,969
Total Bonds, Series 2018		129,384	93,687
General Revenue Bonds, Series 2021:			
Capitalized interest fund – money market funds		—	331,809
Interest fund – money market funds		59,840	—
Principal fund - money market funds		147,353	—
Total Bonds, Series 2021		207,193	331,809
Total restricted for interest, debt retirement, and construction per trust indentures		2,277,934	2,226,024
Total restricted cash and investments	$	7,248,215	9,695,571

(Continued)

(5) Accounts Receivable, Net

At June 30, accounts receivable comprised the following:

		2024	2023
Patient accounts receivable, net	$	11,086,177	9,331,573
Sponsored programs receivables:			
Grants and contracts – federal		5,656,092	6,001,297
Grants and contracts – private		51,153	857,132
Grants and contracts – state		434,830	114,859
Total sponsored programs receivables		6,142,075	6,973,288
Local hospitals, net		10,040,718	6,225,414
Parking		385,791	394,468
Tuition receivable, net		2,934,159	5,096,156
Other, net		1,478,543	957,413
Total accounts receivable, net	$	32,067,463	28,978,312

(6) Fair Value Measurements

EVMS uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. EVMS determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following tables present assets and liabilities that are measured at fair value on a recurring basis at June 30:

	Total as of June 30, 2024	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 7,248,215	7,248,215	—	—
Operating investments:				
Money market funds	1,109,381	1,109,381	—	—
Equity securities	181,513	181,513	—	—
Certificates of deposit	4,188,908	—	4,188,908	—
Mutual funds – fixed income	6,188,644	6,188,644	—	—
Corporate bonds	10,934,931	—	10,934,931	—
Agency mortgage-backed securities	1,044,045	—	1,044,045	—
U.S. Treasury securities	8,574,170	—	8,574,170	—
Municipal bonds	6,050,231	—	6,050,231	—
Beneficial interest in net assets of affiliate	184,150,167	—	—	184,150,167
Total assets at fair value	$ 229,670,205	14,727,753	30,792,285	184,150,167
Liability:				
Interest rate swaps	$ 526,523	—	526,523	—

	Total as of June 30, 2023	Level 1	Level 2	Level 3
Assets:				
Restricted cash and investments:				
Cash and cash equivalents	$ 7,241,314	7,241,314	—	—
Equity securities	2,454,257	2,454,257	—	—
Operating investments:				
Money market funds	763,390	763,390	—	—
Equity securities	116,629	116,629	—	—
Certificates of deposit	3,823,828	—	3,823,828	—
Mutual funds – fixed income	5,987,375	5,987,375	—	—
Corporate bonds	8,902,048	—	8,902,048	—
Agency mortgage-backed securities	1,541,212	—	1,541,212	—
U.S. Treasury securities	10,746,611	—	10,746,611	—
Municipal bonds	4,709,571	—	4,709,571	—
Beneficial interest in net assets of affiliate	174,978,576	—	—	174,978,576
Total assets at fair value	$ 221,264,811	16,562,965	29,723,270	174,978,576
Liability:				
Interest rate swaps	$ 557,153	—	557,153	—

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents and money market funds: Consist of cash and short-term money market funds, which are valued at $1 per share, which is the price the shares trade at in an active market
- Mutual funds: Valued at the daily quoted net asset value of shares held, which is based on the quoted market prices of the underlying assets of the funds
- Equity securities: Valued using quoted prices from the exchanges upon which the securities actively trade
- Agency mortgage-backed securities, U.S. Treasury securities, municipal bonds, corporate bonds, and certificates of deposit: Valued based upon proprietary valuation models that may consider market characteristics, such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other security features in order to estimate relevant cash flows, which are discounted to fair value
- Beneficial interest in net assets of affiliate: Reported at fair value, based on the value of the underlying assets, which approximates the present value of future income

(Continued)

- Interest rate swaps (note 9): The fair value of the interest rate swaps is determined using pricing models that consider assumptions, including time value, interest rates, and yield curves, as well as other relevant economic measures.

EVMS' accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2024 or 2023.

(7) Property, Plant, and Equipment, Net

At June 30, property, plant, and equipment consisted of the following:

		2024	2023
Land	$	2,968,592	2,968,592
Land improvements		9,162,746	9,162,746
Buildings and improvements		298,707,957	277,601,757
Equipment		104,646,683	97,762,248
Construction in progress		16,699,457	35,345,868
		432,185,435	422,841,211
Less accumulated depreciation and amortization		(223,586,826)	(209,894,003)
Total property, plant, and equipment, net	$	208,598,609	212,947,208

Depreciation and amortization expenses related to property, plant, and equipment for the years ended June 30, 2024 and 2023 were $14,241,245 and $13,322,902, respectively.

(8) Lines of Credit

EVMS has a $10,000,000 unsecured line of credit facility with a bank. Under the terms of the agreement, interest is payable at the Secured Overnight Financing Rate (SOFR) plus 1.61% (6.94% at June 30, 2024). The line of credit was not utilized during the years ended June 30, 2024 and 2023, which expires on January 9, 2026.

EVMS MG has a $3,000,000 line of credit facility with a bank, which is subject to semiannual review and expires on August 31, 2025. This facility is collateralized by certain accounts receivable. Interest is payable at the 30-day American Inter-Bank Offered Rate (AMERIBOR) plus 1.50% (6.95% at June 30, 2024). The line of credit was not utilized during the years ended June 30, 2024 and 2023.

(9) Long-Term Debt

At June 30, long-term debt consisted of bonds payable and related interest rate swap agreements as follows:

		2024	2023	
Bonds (property and equipment fund):				
General Revenue Bonds, Series 2006	$	3,275,000	3,855,000	(A)
General Revenue Bonds, Series 2010		4,500,000	5,750,000	(B)
General Revenue Refunding Bonds, Series 2010		5,985,000	6,515,000	(C)
General Revenue Bonds, Series 2011		5,750,000	6,300,000	(D)
General Revenue Bonds, Series 2018		5,684,183	5,810,699	(E)
General Revenue Bonds, Series 2021		17,750,000	18,000,000	(F)
		42,944,183	46,230,699	
Interest rate swaps		(526,523)	(557,153)	(G)
Less bond issuance costs		(265,701)	(292,337)	
Less current portion		(3,372,663)	(3,286,516)	
Noncurrent portion	$	38,779,296	42,094,693	

(A) On June 15, 2006, EVMS issued the Series 2006 General Revenue Bonds. The Series 2006 Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by an Eighth Supplemental Indenture of Trust dated June 1, 2006. The Series 2006 Bonds, maturing on November 15, 2028, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed plus accrued interest on November 15, 2009 and each November 15 thereafter through 2028. In addition, the bonds are also subject to optional redemption, as described in the Indentures of Trust mentioned above.

On April 1, 2021, EVMS modified the Series 2006 General Revenue Bonds, in accordance with the Eighteenth Supplemental Indenture of Trust, effective April 1, 2021, to reduce the current interest rate payable from 2.95% per annum to 2.13% per annum until principal thereof shall have been paid or provided for in full. Interest is payable semiannually on each May 15 and November 15 at a rate of 2.13% per annum. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities		Principal amount	Fiscal year maturities	Principal amount
2025	$	605,000	2028	680,000
2026		630,000	2029	710,000
2027		650,000		

(B) On October 29, 2010, EVMS issued the Series 2010 General Revenue Bonds. The Series 2010 Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by a Tenth Supplemental Indenture of Trust dated October 1, 2010. The Series 2010 Bonds, maturing on November 15, 2027, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed plus accrued interest on May 15, 2011 and each May 15 and November 15 thereafter through 2027. In addition, the bonds are also subject to optional redemption, as described in the Indentures of Trust mentioned above.

On February 27, 2019, EVMS modified the Series 2010 Bonds, in accordance with the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2019, to delete the put date, remove the 2010 foundation guarantee, and to modify the floating interest rate from 67% of the sum of one-month LIBOR plus 184 basis points to 79% of the sum of one-month LIBOR plus 85 basis points

On May 1, 2023, EVMS modified the Series 2010 Bonds, in accordance with the Twentieth Supplemental Indenture of Trust, dated as of May 1, 2023, to replace the floating interest rate from 67% of the sum of one-month LIBOR plus 184 basis points with one-month SOFR plus 11.448 basis points beginning on July 1, 2023 (0.67% and 4.8% as of June 30, 2024 and 2023, respectively).

Interest is payable semiannually on each November 15 and May 15. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities		Principal amount	Fiscal year maturities		Principal amount
2025	$	1,250,000	2028	$	750,000
2026		1,250,000			
2027		1,250,000			

(C) On November 15, 2010, EVMS refunded $10,000,000 of the Series 2008 Bonds by issuing the Series 2010 General Revenue Refunding Bonds. The Series 2010 Refunding Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by an Eleventh Supplemental Indenture of Trust dated November 1, 2010. The Series 2010 Refunding Bonds, maturing on November 15, 2032, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed plus accrued interest on May 15, 2011 and each May 15 and November 15 thereafter through 2032. In addition, the bonds are also subject to optional redemption, as described in the Indentures of Trust mentioned above.

On February 27, 2019, EVMS modified the Series 2010 Refunding Bonds, in accordance with the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2019, to delete the put date, remove the 2010 foundation guarantee, and to modify the floating interest rate from 67% of the sum of one-month LIBOR plus 169 basis points to 79% of the sum of one-month LIBOR plus 95 basis points.

On May 1, 2023, EVMS modified the Series 2010 Bonds, in accordance with the Twentieth Supplemental Indenture of Trust, dated as of May 1, 2023, to replace the floating interest rate from 67% of the sum of one-month LIBOR plus 184 basis points with one-month SOFR plus 11.448 basis points beginning on July 1, 2023 (0.75% and 4.9% as of June 30, 2024 and 2023, respectively).

Interest is payable semiannually on each November 15 and May 15. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount
2025	$ 555,000	2030	$ 690,000
2026	580,000	2031	720,000
2027	605,000	2032	755,000
2028	635,000	2033	785,000
2029	660,000		

(D) On November 17, 2011, EVMS issued the Series 2011 General Revenue Bonds. The Series 2011 Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by a Thirteenth Supplemental Indenture of Trust dated November 1, 2011. The Series 2011 Bonds, maturing on November 15, 2032, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed plus accrued interest on May 15, 2012 and each May 15 and November 15 thereafter through 2032.

On February 27, 2019, EVMS modified the Series 2011 General Revenue Bonds, in accordance with the Seventeenth Supplemental Indenture of Trust, dated as of April 1, 2019, to delete the put date, remove the 2010 foundation guarantee, and to modify the floating interest rate from 65% of the sum of one-month LIBOR plus 170 basis points to 79% of the sum of one-month LIBOR plus 95 basis points.

On May 1, 2023, EVMS modified the Series 2010 Bonds, in accordance with the Twentieth Supplemental Indenture of Trust, dated as of May 1, 2023, to replace the floating interest rate from 67% of the sum of one-month LIBOR plus 184 basis points with one-month SOFR plus 11.448 basis points beginning on July 1, 2023 (0.75% and 4.9% as of June 30, 2024 and 2023, respectively.

Interest is payable semiannually on each November 15 and May 15. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount
2025	$ 550,000	2030	$ 650,000
2026	550,000	2031	700,000
2027	600,000	2032	700,000
2028	600,000	2033	750,000
2029	650,000		

(E) On December 12, 2018, EVMS issued the Series 2018 General Revenue Bonds. The Series 2018 Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by a Fourteenth Supplemental Indenture and Master Indenture dated November 1, 2018. The Series 2018 Bonds, maturing November 15, 2038, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed, plus accrued interest on May 15, 2019 and each May 15 and November 15, thereafter through 2038.

Interest is payable semiannually on each May 15 and November 15 at a rate of 3.46% per annum. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount
2025	$ 162,663	2031	$ 346,413	2037	$ 527,150
2026	195,799	2032	364,487	2038	548,236
2027	204,835	2033	388,585	2039	566,309
2028	253,032	2034	475,941		
2029	295,204	2035	491,003		
2030	355,450	2036	509,076		

(F) On June 1, 2021, EVMS issued the Series 2021 General Revenue Bonds. The Series 2021 Bonds are secured by a Master Indenture of Trust dated November 15, 1991 between EVMS and U.S. Bank, as trustee, as amended, and supplemented by a Fourteenth Supplemental Indenture and Master Indenture dated June 1, 2006. The Series 2021 Bonds, maturing November 15, 2040, are subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount redeemed, plus accrued interest on November 15, 2021 and each May 15 and November 15, thereafter through 2040.

Interest is payable semiannually on each May 15 and November 15 at a rate of 2.20% per annum. Mandatory sinking fund payments will be due annually on November 15 as follows:

Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount	Fiscal year maturities	Principal amount
2025	$ 250,000	2032	$ 1,250,000	2039	$ 1,460,000
2026	250,000	2033	1,280,000	2040	1,490,000
2027	250,000	2034	1,305,000	2041	1,525,000
2028	250,000	2035	1,335,000		
2029	500,000	2036	1,365,000		
2030	1,195,000	2037	1,395,000		
2031	1,225,000	2038	1,425,000		

(G) EVMS has entered into interest rate swap contracts for its variable rate debt to minimize the effect of changes in LIBOR. The terms of the related interest rate swap contracts are as follows:

The Series 2010 General Revenue Bonds bear interest at 79% of one-month LIBOR plus 85 basis points (0.67% and 4.8% as of June 30, 2024 and 2023, respectively). The related interest rate swap contract has a current notional principal amount of $4,500,000, under which EVMS pays interest at 3.07% and receives interest at 79% of one-month LIBOR plus 85 basis points. The cumulative unrealized gain of $92,891 and gain of $142,378 as of June 30, 2024 and 2023, respectively, from the changes in the swap contract's fair value is included in long-term debt. The swap will expire on November 15, 2027.

The Series 2010 General Revenue Refunding Bonds bear interest at 79% of one-month LIBOR plus 95 basis points (0.75% and 4.9% as of June 30, 2024 and 2023, respectively). The related interest rate swap contract has a current notional principal amount of $ $5,985,000, under which EVMS pays interest at 3.28% and receives interest at 79% of one-month LIBOR plus 95 basis points. The cumulative unrealized gain of $186,028 and gain of $168,369 as of June 30, 2024 and 2023, respectively, from the changes in the swap contract's fair value is included in long-term debt. The swap will expire on November 15, 2032.

The Series 2011 General Revenue Bonds bear interest at 79% of one-month LIBOR plus 95 basis points (0.75% and 4.9% as of June 30, 2024 and 2023, respectively). The related interest rate swap contract has a current notional principal amount of $ $5,750,000, under which EVMS pays interest at 2.99% and receives interest at 79% of one-month LIBOR plus 95 basis points. The cumulative unrealized gain of $247,604 and gain of $246,406 as of June 20, 2024 and 2023, respectively, from the changes in the swap contract's fair value is included in long-term debt. The swap will expire on November 15, 2032.

Annual changes in the swap contracts' fair value are included in nonoperating items in the accompanying consolidated statement of activities.

Pursuant to the terms of the Indentures of Trust, EVMS is required to comply with certain covenants regarding payment of bonds, pledging of revenues, the operations of EVMS, insurance, accounting and financial statements, limitations on liens and the incurrence of additional indebtedness, and the sale, lease, or other disposition of assets. EVMS was in compliance with its covenants for the fiscal years ended June 30, 2024 and 2023. The Series 2006 Bonds are equally and ratably secured by an unconditional guaranty of EVMS Foundation and by security interest in revenue granted by EVMS. The Series 2010, Series 2011, Series 2018, and Series 2021 Bonds are equally and ratably secured by security interest in revenue granted by EVMS.

The aggregate maturities of long-term debt for each of the five fiscal years subsequent to June 30, 2024 are as follows:

2025	$ 3,372,663
2026	3,455,799
2027	3,559,835
2028	3,168,032
2029	2,815,204
Thereafter	26,572,650
	$ 42,944,183

(10) Leases

EVMS has several noncancelable operating leases, primarily for buildings and medical and office equipment. These leases generally contain renewal options for periods ranging from one to five years.

EVMS leases property and equipment under operating leases. Leases with terms greater than 12 months are recorded with the related right-of-use assets and right-of-use obligations at the present value of the lease payments over the term, on the accompanying consolidated balance sheet at June 30, 2024. EVMS uses US Treasury risk-free rate of return as the discount rate at the commencement date to determine the net present value of lease payments, as most leases do not provide a readily determinable implicit interest rate. Leases that include rental escalation clauses and renewal options are factored into the determination of the lease payments where appropriate.

Right-of-use assets represents EVMS' right to use an underlying asset during the lease term, and the lease liability represents EVMS' obligation to make lease payments arising from the lease. The right-of-use asset and lease liability are recognized at commencement date, based on the net present value of fixed lease payments over the lease term. Non-lease components, such as taxes, maintenance, and utilities are not accounted for separately. The commencement date is when EVMS has access and rights to the asset or the date the landlord makes the building available for use. The lease term includes options to extend or terminate the lease when it is reasonably certain that the options will be exercised.

		Year ending June 30, 2024
Lease expense:		
Operating lease expense included in general expenses	$	2,255,531
Other information:		
Weighted average remaining lease term in years		6.99 Years
Weighted average discount rate		3.25%
Maturity analysis:		
2025	$	2,183,275
2026		1,829,873
2027		1,497,522
2028		1,190,839
2029		1,170,673
Thereafter		4,041,739
Total undiscounted cash flows		11,913,921
Less present value discount		(1,629,871)
Present value of future minimum lease payments		10,284,050
Less current obligations under leases		(1,873,472)
Noncurrent lease obligation	$	8,410,578

The following table represents supplemental cash flow information for the year ended June 30, 2024:	
Operating cash flows from operating leases	2,255,531
ROU assets obtained in exchange for new operating lease	5,825,764

(11) Grant Deposits

At June 30, grant deposits for sponsored research consisted of the following:

		2024	2023
Federal grants	$	269,005	341,749
State and local grants		401,212	111,006
Private gifts and grants		2,080,288	1,103,680
Total grant deposits	$	2,750,505	1,556,435

Grant deposits represent amounts received for various grants and contracts that have not been expended at June 30, 2024 and 2023. If amounts are not expended per agreement, they will be refunded to the grantors, as required.

(12) Related Party (Affiliate) Transactions

Various donors contributed funds to the EVMS Foundation for the purpose of establishing loan funds for EVMS students. EVMS manages the award and subsequent collection of these loans from EVMS students on behalf of the EVMS Foundation. The amount of loan funds held for the EVMS Foundation at June 30, 2024 and 2023 was $1,011,257 and $996,514, respectively.

At June 30, 2024 and 2023, accounts receivable from affiliate were due from the EVMS Foundation in the amount of $1,235,491 and $449,276, respectively. This receivable is secured by the EVMS Foundation’s investments.

(13) State Appropriations

EVMS receives state appropriated funds annually. A summary of the programs supported for the years ended June 30 is as follows:

		2024	2023
Education	$	29,363,058	28,263,058
Indigent care		5,919,296	6,158,108
Family medicine		658,597	658,597
Medical modeling and simulation		864,297	756,908
Higher education equipment trust fund		162,035	922,856
Capital maintenance reserve		2,310,801	628,756
Virginia Area Health Education Center		60,620	60,620
	$	39,338,704	37,448,903

(14) Functional Expenses by Natural Classification

EVMS allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated using cost allocation methods, including square footage, facility usage, and time and attendance. The expenses allocated include depreciation and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other.

Expenses are reported in the consolidated statement of activities in functional categories. Expenses by natural category for the years ended June 30 were as follows:

	Year ended June 30, 2024								
	Undergraduate instruction	Graduate instruction	Research	Patient services	Academic support	Institutional support	Auxiliary services	Patient services support	Totals
Operating expenses:									
Salaries and wages	$ 46,141,453	28,036,953	11,818,580	54,923,871	7,879,831	26,163,829	6,233,437	5,275,018	186,472,972
Fringe benefits	8,758,253	8,751,324	2,401,245	9,358,919	1,526,675	3,543,224	1,663,213	616,627	36,619,480
Operating supplies	3,179,101	359,955	1,612,091	4,973,739	1,623,721	622,487	135,186	151,820	12,658,100
Contractual services	11,304,337	370,139	10,702,658	2,864,905	864,484	6,529,310	3,660,163	1,839,394	38,135,390
General expenses	4,046,242	1,584,986	7,457,530	8,649,272	(110,501)	3,663,741	6,745,788	1,750,887	33,787,945
Depreciation and amortization	2,696,043	4,480	295,180	394,841	—	202,636	10,237,974	410,091	14,241,245
Total operating expenses	$ 76,125,429	39,107,837	34,287,284	81,165,547	11,784,210	40,725,227	28,675,761	10,043,837	321,915,132

	Year ended June 30, 2023								
	Undergraduate instruction	Graduate instruction	Research	Patient services	Academic support	Institutional support	Auxiliary services	Patient services support	Totals
Operating expenses:									
Salaries and wages	$ 46,319,252	26,231,431	9,633,002	44,300,689	7,527,496	15,938,540	6,189,414	4,393,485	160,533,309
Fringe benefits	8,288,838	7,755,148	1,839,857	7,568,463	1,483,162	3,124,246	1,540,684	626,934	32,227,332
Operating supplies	3,381,959	288,559	1,615,814	4,501,890	1,352,313	644,131	116,356	105,992	12,007,014
Contractual services	6,664,891	364,186	9,146,668	1,464,282	672,136	7,243,572	3,550,229	1,682,684	30,788,648
General expenses	(146,299)	1,394,485	6,552,720	7,449,584	(543,309)	4,121,651	7,196,938	1,773,099	27,798,869
Depreciation and amortization	2,554,891	2,285	367,725	445,494	—	105,472	9,436,944	410,091	13,322,902
Total operating expenses	$ 67,063,532	36,036,094	29,155,786	65,730,402	10,491,798	31,177,612	28,030,565	8,992,285	276,678,074

(15) Retirement Plan

Substantially all of the salaried personnel of EVMS are eligible after specified periods of employment to participate in qualified tax-deferred annuity plans under Sections 403(b) and 401(a) of the IRC. EVMS' contributions to the plans are based on percentages of qualified employee earnings. EVMS contributions to this program were $5,951,051 and $5,951,050 for the fiscal years ended June 30, 2024 and 2023, respectively.

(16) Commitments and Contingencies

Amounts received and expended by EVMS under various federal and state programs are subject to audit by various federal and state agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial position of EVMS.

EVMS is subject to various legal proceedings and claims, which arise in the ordinary course of its business. Appropriate provision has been made for possible losses, and in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial position, results of activities, or liquidity of EVMS.

(17) Concentrations of Credit Risk

EVMS MG grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The approximate mix of receivables from patients and third-party payors by type of payor, for the years ended June 30, is as follows:

		2024	2023
Self-pay	$	19 %	22 %
Medicare		21	20
Medicaid		24	24
HMO (none more than 10%)		13	10
Commercial		8	8
Anthem		7	8
Other		8	8
	$	100 %	100 %

(18) Sources of Patient Service Revenue

Patient care service revenue is due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, EVMS MG bills the patients and third-party payors after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. EVMS MG believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in our outpatient centers. EVMS MG measures the performance obligation at the time of completion of each inpatient or outpatient encounter.

(Continued)

The transaction price is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with EVMS MG's policy, or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts are based on contractual agreements, its discount policies, and historical experience. Estimates of implicit and explicit price concessions are based on its historical collection experience with this class of patients.

EVMS MG has agreements with third-party payors to provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge EVMS MG's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon EVMS MG. In addition, the contracts EVMS MG has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and EVMS MG's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

(Continued)

Consistent with EVMS MG's mission, care is provided to patients regardless of their ability to pay. Therefore, EVMS MG has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts expected to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. EVMS MG also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. EVMS MG estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

EVMS MG has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Method of reimbursement
- Medical specialty that provided the service

(19) Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date are as follows:

		2024	2023
Total assets	$	657,813,629	645,105,047
Less:			
Restricted cash and investments		7,248,215	9,695,571
Property, plant, and equipment, net		208,598,609	212,947,208
Noncurrent operating investments		17,146,581	13,346,811
Notes receivable from students		2,284,906	2,125,592
Right-of-use operating lease asset		10,299,543	6,587,916
Interest in net assets of affiliate		184,150,167	174,978,576
Other long-term assets		4,165,058	4,100,745
Financial assets available within one year	$	223,920,550	221,322,628

EVMS manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. Although the noncurrent investments disclosed in the table above are intended to be held long-term, EVMS could utilize those investments within the next year if deemed necessary. As described in note 8, EVMS has available lines of credit in the amounts of $10 million and $3 million, with no amounts outstanding at June 30, 2024. The lines of credit expire in January 2026 and August 2025, respectively.

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

The Board of Visitors
Eastern Virginia Medical School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Eastern Virginia Medical School and Affiliated Organization (EVMS), which comprise EVMS' consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 25, 2024.

Our report includes a reference to other auditors who audited the financial statements of Eastern Virginia Medical School Foundation (EVMS Foundation), as described in our report on EVMS' consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered EVMS' 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of EVMS' internal control. Accordingly, we do not express an opinion on the effectiveness of EVMS' 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 identified a deficiency in internal control, described below as item 2024-001, that we consider to be a significant deficiency.

2024-001 – Recording Construction in Progress Projects Placed into Service

Criteria or Requirement

EVMS has the responsibility for adopting sound accounting policies and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial

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statements and to provide reasonable assurance against the possibility of misstatements that are material to the consolidated financial statements.

Condition Found

During our audit procedures performed over EVMS' construction in progress (CIP) projects, we noted that for 3 out of 4 samples tested, EVMS capitalized assets in the current period that related to prior periods. As a result, the classification between fixed assets and CIP within the footnote disclosure is misclassified in the prior year and depreciation expense is understated.

Possible Asserted Cause

Management did not sufficiently design and implement a control to mitigate the risk of not capitalizing assets on a timely basis, resulting in out-of-period capitalization of assets and misclassification of assets within the footnote disclosure in the prior period. Specifically, management did not properly identify the status of all CIP projects each year to prevent or detect a material misstatement in the financial statements. As such, the control was not designed at a sufficient level of precision and/or proper frequency, such that even if operating as designed, would meet the control objective.

Identification of whether the audit finding is a repeat of a finding in the immediately prior audit

This audit finding is not a repeat of a finding in the prior year.

Recommendation

We recommend that EVMS design and implement a more frequent control in order to prevent, or detect and correct material misstatements on a timely basis. Specifically, strengthening its processes and controls around the review of CIP projects to regularly monitor when the assets should be placed in service within the accounting system and begin depreciating.

Views of Responsible Officials

Management concurs with the finding and recommendation, will make the appropriate adjustments, expect no further impact of this oversight.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EVMS' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

EVMS' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on EVMS' response to the finding identified in our audit and described previously. EVMS' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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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.

KPMG LLP

Virginia Beach, Virginia
November 25, 2024