

Financial Report

2018-19



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From the Executive Vice President and Chief Executive Officer

I was honored and privileged to join the University of Virginia as its fourth Executive Vice President and Chief Operating Officer on November 5, 2018. In the months since then, my respect and admiration for UVA has grown deeper as I am learning traditions and working closely with an incredible group of dedicated leaders who bring tremendous commitment to their work. We owe a debt of gratitude to our predecessors who created a strong financial foundation for the University to build upon as we plan for its future.

Fiscal Year 2019 was a time of great transition at the University of Virginia. President Ryan took office on August 1, I joined his leadership team in early November, and Executive Vice President and Provost Liz Magill started in late spring. With each of these changes came new ideas about leading and managing the University. The leadership team shares a commitment to partnership and a deep sense of responsibility to steward our resources effectively and efficiently in support of the University's academic, research, and service missions. Robert Durden completed his first full year as UVIMCO's Chief Executive Officer and Chief Investment Officer during Fiscal Year 2019. Throughout these transitions, a continued focus on financial strength and stability enabled UVA to maintain its Triple A bond rating from all three major rating agencies for another year.

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We have the confidence
to set our sights high
because of the strength
of our resources.”

Jennifer (J.J.) Wagner Davis, on The 2030 Plan

From his first day on Grounds, President Ryan began to engage the University community to shape its future. This culminated in the development of a new strategic plan, Great and Good: The 2030 Plan, that will guide our work throughout the next decade. The plan is built around four overarching goals: (1) to strengthen our foundation by supporting our students, faculty, and staff, (2) to cultivate the most vibrant community in higher education and prepare our students to be servant-leaders in a diverse and



Jennifer (J.J.) Wagner Davis

globally-connected world, (3) to enable discoveries that enrich and improve lives, and (4) to make UVA synonymous with service. We have the confidence to set our sights high because of the strength of our resources – our talented faculty and staff, our bright students, our dedicated alumni, our strong and carefully managed endowment, and our diverse revenue base.

Equity markets were volatile in the first half of the year, stabilizing during the third and fourth quarters. UVIMCO capably managed the University's Long-Term Pool (LTP) throughout, finishing the fiscal year with a 5.8 percent return. Over the ten-year period ending June 30, 2019, the LTP generated an annualized return of 11.0 percent, exceeding both external benchmarks and internal requirements.

The University has built a tradition of philanthropy over decades and continues to cultivate relationships with alumni and other prospective donors, recognizing the long-term importance of private support. Total fundraising progress for UVA and University associated organizations in Fiscal Year 2019 was \$849.8 million. This is 163 percent higher than the ten-year average and nearly \$300 million greater than UVA's previous record fundraising year in Fiscal Year 2018.

As a public institution, support from the Commonwealth is an essential element of our funding model. State appropriations funded 5.0 percent of the University's operations in Fiscal Year 2019 for the Academic Division, the Medical Center, and UVA-Wise combined. In Spring 2019, the Virginia General Assembly allocated an additional \$5.52 million in state funding to UVA and \$235,000 to UVA-Wise for Fiscal Year 2020, enabling both to hold in-state undergraduate tuition and mandatory fees flat for the 2019-20 academic year. The additional funding from the state will support our longstanding commitment to make the University affordable and accessible to students. The Commonwealth also committed \$146.7 million for renovations to Gilmer Hall and the Chemistry Building and \$132.5 million for the Alderman Library Renewal. These projects will ready existing facilities for students and faculty in the University's third century.

The University continued to champion its priorities through the Strategic Investment Fund (SIF) in Fiscal Year 2019, with the largest distributions supporting students and faculty through renewal of the Bicentennial Scholars Fund and the Bicentennial Professors Fund. These allocations incentivized matching philanthropic support. This aligns with President Ryan's October 2018 expansion of AccessUVA to award free tuition to students from in-state families with less than \$80,000 in annual income and free tuition, room, and board to those with less than \$30,000 in annual income. Striving to keep the University affordable while providing an excellent education remains one of our top priorities and is among the overarching goals of Great and Good: The 2030 Plan.

We continued to emphasize research at UVA in Fiscal Year 2019, with a focus on five strategic themes: (1) democracy, (2) environmental resilience and sustainability, (3) precision medicine, (4) brain and neurosciences, and (5) digital technology and society. Sponsored research awards totaled \$412 million for the fiscal year, with the majority coming from federal agencies, including more than half from the Department of Health and Human Services. The University's Licensing and Ventures Group reported 238 invention disclosures, 78 licensing deals, 52 patents issued, and 9 new ventures in Fiscal Year 2019.

Our economic development team facilitated connections among University, local, regional, and state partners to apply research to real-world problems, to recruit and retain industry in Virginia, and to empower a future-ready workforce with skills to help them succeed in a rapidly changing world. The initiatives they supported in Fiscal Year 2019 include the recruitment of Amazon HQ2 to Virginia and a related tech talent pipeline, growth of emerging industry clusters across the Commonwealth and the development of a Catalyst Accelerator to help early-stage companies develop scalable products. Their efforts reached beyond the Charlottesville region, extending to southwest Virginia through the Appalachian Prosperity Project, rural areas through the Rural Virginia Initiative, and northern Virginia through both technology and healthcare initiatives.

The University's progress in Fiscal Year 2019 was made possible through the dedication of people across Grounds. We recognize the essential role that our workforce plays in achieving our institutional aspirations, and we have committed in the strategic plan to make their success a priority. We deployed a new enterprise HR technology platform and service delivery model, completing the Ufirst transformation. We implemented a new parental leave policy in January 2019 and will transition to a new, higher hourly base wage of \$15 for full-time employees at UVA and eight of our major contractors in January 2020. At the same time, we have continued to realize both service and system improvements to support more efficient and effective operations. Continued investments in people and systems are essential to the University's sustained and future success.



Following the human resources redesign and system implementation, we have initiated a Finance Strategic Transformation that will continue throughout Fiscal Year 2021. Our financial team moved quickly in the first quarter of Fiscal Year 2020 to take advantage of unique market conditions and execute three bond sales at exceptional rates, two of them setting new records for higher education. Collectively, these transactions will save the University millions of dollars in interest payments over the coming decades while backing strategic projects across Grounds. I am especially grateful to the Board of Visitors for making themselves available for discussions and approvals throughout the year on a very tight timetable.

“

I am honored and thrilled to be here as part of this leadership team as we embark on Great and Good: The 2030 Plan.”

We made great strides in our capital program in Fiscal Year 2019, including Bond House, the first major construction in the Brandon Avenue corridor, which opened in August 2019 in time for the start of the 2019-20 academic year. Work in that precinct continues with additional residential space, a green street, and a new student health and wellness center planned. We began to envision the future of the Emmet-ly corridor, a transformational project that will connect central and north Grounds and become a centerpiece of the University in the coming decades. With essential support from the General Assembly, we began the Alderman Library renewal project to update an important University resource to meet the needs of 21st century scholars. In addition, we continued to renovate the McCormick Road residence halls and to plan for the future of the Athletics precinct. We broke ground on a new facility for softball and we demolished University Hall to make way for new student-centered athletics facilities.

The steps we took in Fiscal Year 2019 have positioned us for exciting new opportunities in Fiscal Year 2020. As I write, students, faculty, and staff are busy in their routines. New Deans are leading the Batten School and the School of Nursing. Searches are underway for the Executive Vice President for Health Affairs and a new Dean of the McIntire School of Commerce. The State Council of Higher Education for Virginia has approved the creation of the School of Data Science, made possible through a gift from an extraordinarily generous donor. We publicly launched Honor the Future: The Campaign for the University of Virginia in mid-October and are already more than halfway toward reaching a \$5-billion goal.

I have known for many years that the University of Virginia is a special place filled with talented people. Now, I am honored and thrilled to be here as part of this leadership team as we embark on executing Great and Good: The 2030 Plan. I work side-by-side with leaders who are dedicated to partnership through shared governance of key decision-making processes and cross-unit collaborations. At the start of the University's third century, I am confident that our steadfast commitment will continue to strengthen UVA's ability to be both great and good in service to the Commonwealth and the nation.

Very truly yours,

Jennifer (J.J.) Wagner Davis

Management's Discussion & Analysis

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia (the University) for the year ended June 30, 2019. Comparative information for the year ended June 30, 2018, has been provided where applicable. Management has prepared this discussion, which should be read in conjunction with the financial statements and the notes that follow this section.

Academic Division

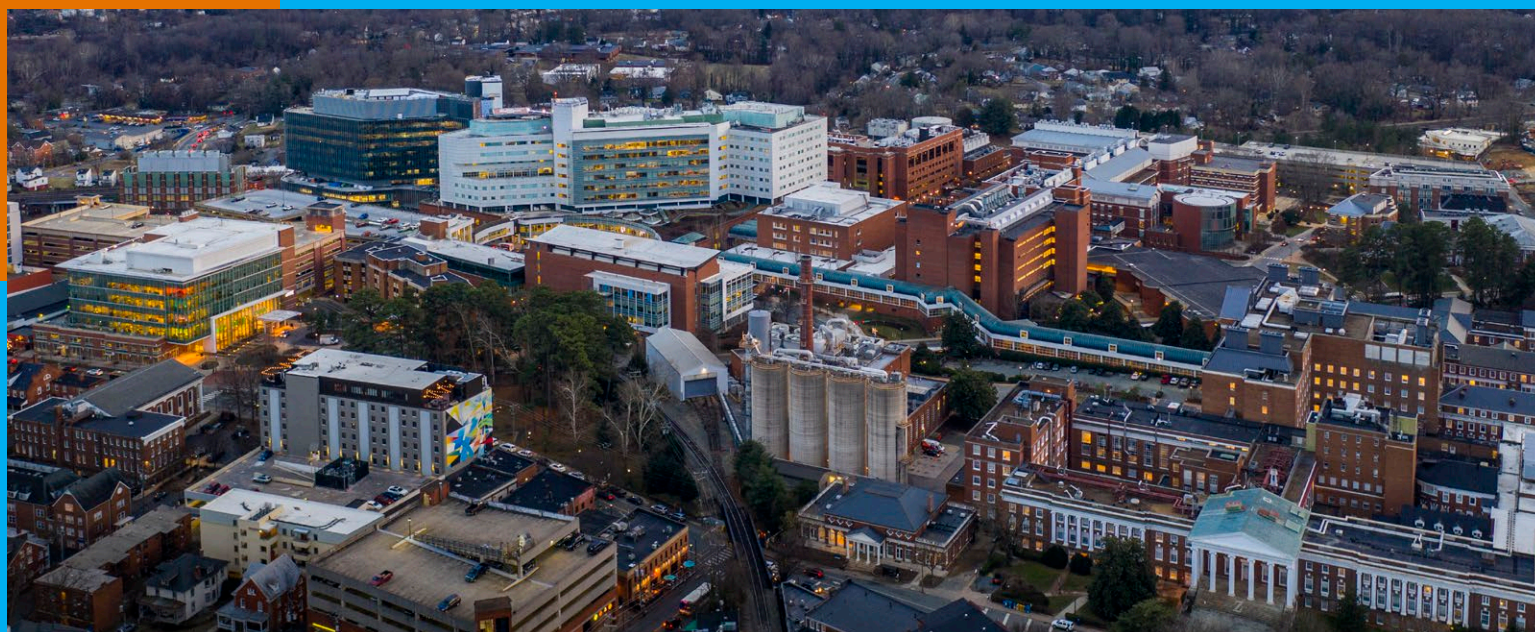
As a public institution of higher learning with approximately 22,985 on-Grounds students and 2,670 full-time instructional and research faculty members in 12 schools in 2018-19, the University offers a diverse range of degree programs, from baccalaureate to postdoctoral levels, including doctorates in 97 programs. The University is recognized internationally for the quality of its faculty and its commitment to the primary academic missions of instruction, research, public service and medical care. The University consistently ranks among the nation's top public colleges and universities, both for its excellent academic programs as well as for its affordability and value. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

Medical Center

The Medical Center is an integrated network of primary and specialty-care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a licensed hospital with 600 beds in a state-designated Level 1 trauma center located in Charlottesville. The Medical Center also has a transitional care hospital with 40 beds that is located west of the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout Central Virginia communities. The University's Medical Center has a tradition of excellence in teaching, advancement of medical science and patient care, consistently ranking among the best health care systems in the nation.

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 2,065 students and 107 full-time instructional and research faculty. It offers baccalaureate degrees in 30 majors and eight pre-professional programs, including dentistry, pharmacy, engineering, forestry, law, medicine, physical therapy and veterinary medicine.



Using the Financial Statements

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

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

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

Statement of Net Position

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

The University's Statement of Net Position at June 30, 2019, and June 30, 2018, is summarized as follows:

SUMMARY OF THE STATEMENT OF NET POSITION (in thousands)	2019	2018	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	\$ 899,217	\$ 636,843	\$ 262,374	41.2%
Noncurrent assets				
Endowment investments	5,086,081	4,838,142	247,939	5.1%
Other long-term investments	2,553,198	2,797,403	(244,205)	(8.7%)
Capital assets, net	4,039,554	3,782,805	256,749	6.8%
Other	194,454	135,533	58,921	43.5%
Total assets	12,772,504	12,190,726	581,778	4.8%
Deferred outflows of resources	144,136	154,387	(10,251)	(6.6%)
Total assets and deferred outflows of resources	12,916,640	12,345,113	571,527	4.6%
Current liabilities	923,139	663,449	259,690	39.1%
Noncurrent liabilities	2,926,660	2,997,823	(71,163)	(2.4%)
Total liabilities	3,849,799	3,661,272	188,527	5.1%
Deferred inflows of resources	166,212	133,676	32,536	24.3%
Total liabilities and deferred inflows of resources	4,016,011	3,794,948	221,063	5.8%
TOTAL NET POSITION	\$ 8,900,629	\$ 8,550,165	\$ 350,464	4.1%

Current Assets and Liabilities

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

Current assets cover current liabilities 0.97 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. Current assets cover 3.3 months of total operating expenses, excluding depreciation. For 2018-19, one month of operating expenses equaled approximately \$273 million.

Endowment and Other Investments

Performance. The major portion of the University's endowment and other investments continues to be maintained in a long-term investment pool managed by the University of Virginia Investment Management Company. The return for the long-term investment pool was 5.8 percent in fiscal year 2018-19. This performance figure includes realized and unrealized gains and losses, along with cash income. Total investment income for all funds was \$400.2 million for the fiscal year ended June 30, 2019.

Distribution. The University uses its endowment funds to support operations by distributing endowment earnings with the objective of balancing the annual funding needed to support the endowed programs against the preservation of future purchasing power. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. For the year ended June 30, 2019, the total distribution for the University's endowment was \$215.5 million, or 4.86 percent of the market value of the endowment as of June 30, 2017, the measurement date.

Other Investments. The total of other short-term and long-term investments as well as investment in affiliated companies is \$2.8 billion, a \$93.8-million decrease over the prior year, which is primarily due to divestments for strategic initiatives.

Endowment investments. The total of endowment investments is \$5.1 billion, a \$248-million increase over the prior year. Additional new gifts and strong investment earnings were the primary drivers of this increase.

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

Including endowment investments held by the nine related foundations reported as component units, the combined University system endowment was just under \$6.7 billion as of June 30, 2019.

Capital and Debt Activities

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

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

Some of the largest new or ongoing projects during the year are listed as follows:

MAJOR CAPITAL PROJECTS DURING 2018-19 (in thousands)	PROJECTED COST	FY2019 ACTUAL EXPENSES
UVA Medical Center - MRI/ED/OR/Bed Tower	\$ 391,600	\$ 102,428
Gilmer Hall and Chemistry Building renovations	186,831	62,049
UVA Medical Center Ivy Musculoskeletal Center and Utility Plant	180,000	13,093
McCormick Road Residence Hall	104,700	28,687
Brandon Avenue Student Health Center	100,000	10,476
Brandon Avenue Upper Class Residence Hall	66,000	31,380
Brandon Avenue green street infrastructure	41,000	13,881
UVA Medical Center HVAC renovations	28,000	3,876
UVA Medical Center levels 7 and 8 renovations	20,000	7,183
Softball Stadium	20,000	3,888
Emily Couric Cancer Center 4th floor fitout	14,750	6,100
TOTAL	\$ 1,152,881	\$ 283,041

As infrastructure and building projects were completed or otherwise acquired during the year, the University's capital asset balances grew significantly. More than \$174.9 million of completed projects were added to depreciable capital assets during the fiscal year. The largest infrastructure and building projects completed or acquired during the year are listed below:

MAJOR PROJECTS COMPLETED OR ACQUIRED DURING 2018-19 (in thousands)	CAPITALIZED COST
Chemistry Building renovation phase 1 and 2	\$ 29,189
McCormick Road Residence Hall phase 1	30,415
International Residential College renovation	15,492
Pinn Hall Laboratory renovation phase 1	12,640
Meadow Creek acquisition	7,600
TOTAL	\$ 95,336

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

The University's debt portfolio contains a strategic mix of maturity structures and both variable- and fixed-rate obligations. The University achieves this mix through issuing a combination of variable- and fixed-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its Board-approved interest-rate risk-management policy. The University had just over \$2.2 billion of debt outstanding as of June 30, 2019, which included \$243.9 million of short-term commercial paper.

Net Position

The four net-position categories represent the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position on June 30, 2019, and June 30, 2018, is summarized below:

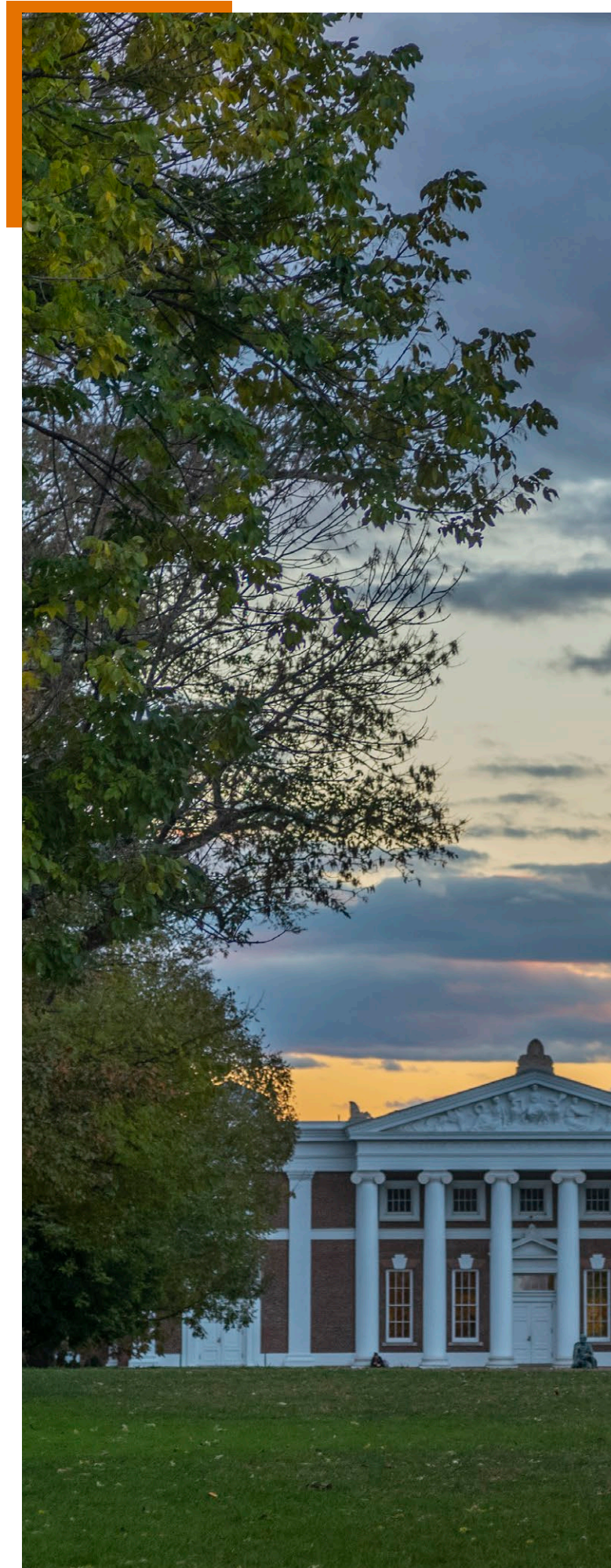
NET POSITION (in thousands)	2019	2018	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Net investment in capital assets	\$ 1,981,954	\$ 1,961,811	\$ 20,143	1.0%
Restricted				
Nonexpendable	891,397	747,191	144,206	19.3%
Expendable	3,238,088	3,091,428	146,660	4.7%
Unrestricted	2,789,190	2,749,735	39,455	1.4%
TOTAL NET POSITION	\$ 8,900,629	\$ 8,550,165	\$ 350,464	4.1%

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Capitalized assets, net of accumulated depreciation, increased by \$256.8 million and were offset by a \$236.7-million increase in debt used to finance those capital assets, for a net change of \$20.1 million.

Restricted nonexpendable net position represents the historical value (corpus) of the University's permanent endowments, which cannot be expended due to donor restrictions. The increase in nonexpendable net position included new gifts of \$83.7 million.

Restricted expendable net position includes spendable earnings on permanent and quasi-endowments, gifts, grants and contracts, and loan funds that are subject to externally imposed restrictions governing their use. An increase in the restricted expendable net position is usually related to investment returns. The increase is a result of the investment returns of 5.8 percent for the fiscal year.

Unrestricted net position includes all other activities that are both spendable and not subject to externally imposed restrictions. The majority of the University's unrestricted net position has been internally designated for the core mission activities of instruction, research, health services programs and initiatives, and capital projects that align with the University's highest priorities. The increase is largely a result of investment returns of 5.8 percent and the Medical Center's positive operating margin, offset by an increase in unrestricted expenses and liabilities.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of activities for the year. Presented below is a summarized statement for the years ended June 30, 2019, and June 30, 2018:

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (In thousands)	2019	2018	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Operating revenues				
Student tuition and fees, net	\$ 595,751	\$ 565,061	\$ 30,690	5.4%
Patient services, net	1,719,128	1,642,115	77,013	4.7%
Sponsored programs	376,935	364,263	12,672	3.5%
Other	223,212	217,390	5,822	2.7%
Total operating revenues	2,915,026	2,788,829	126,197	4.5%
Operating expenses	3,520,088	3,342,677	177,411	5.3%
Operating loss	(605,062)	(553,848)	(51,214)	9.2%
Nonoperating revenues (expenses)				
State appropriations	175,152	168,449	6,703	4.0%
Gifts	197,161	170,454	26,707	15.7%
Investment income	400,223	766,288	(366,065)	(47.8%)
Pell grants	14,225	13,586	639	4.7%
Interest on capital asset-related debt	(88,013)	(87,361)	(652)	0.7%
Build America Bonds (BAB) rebate	5,646	8,159	(2,513)	(30.8%)
Other net nonoperating expenses	(6,887)	(48,181)	41,294	(85.7%)
Net nonoperating revenues	697,507	991,394	(293,887)	(29.6%)
Income before other revenues, expenses, gains, or losses	92,445	437,546	(345,101)	(78.9%)
Capital appropriations, gifts, and grants	179,177	53,346	125,831	235.9%
Additions to permanent endowments	83,717	53,543	30,174	56.4%
Special Items	(4,875)	-	(4,875)	(100.0%)
Total other revenues (expenses)	258,019	106,889	151,130	141.4%
INCREASE IN NET POSITION	350,464	544,435	(193,971)	(35.6%)
NET POSITION - BEGINNING OF YEAR	8,550,165	8,205,417	344,748	4.2%
Net effect of prior period adjustments	-	(199,687)	199,687	100.0%
NET POSITION - END OF YEAR	\$ 8,900,629	\$ 8,550,165	\$ 350,464	4.1%

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

Revenues

The University maintains a diverse stream of revenues, which decreases its dependence on any one single source and allows it to adapt during difficult economic times. The University's revenues, for the years ended June 30, 2019, and June 30, 2018, are summarized below:

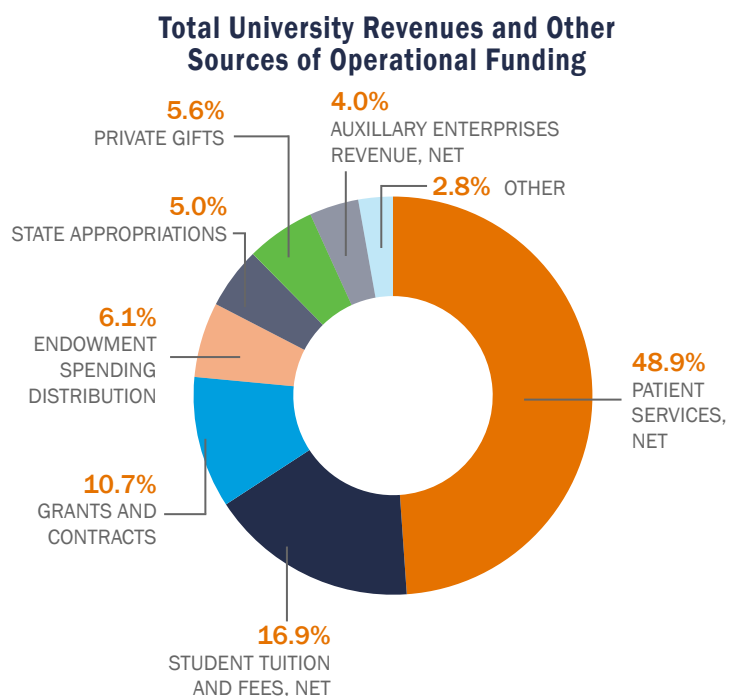
SUMMARY OF REVENUES (in thousands)	2019			2018			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition and fees, net	\$ 595,751	\$ -	\$ 595,751	\$ 565,061	\$ -	\$ 565,061	\$ 30,690	5.4%
Patient services, net	-	1,719,128	1,719,128	-	1,642,115	1,642,115	77,013	4.7%
Federal, state, and local grants and contracts	310,853	-	310,853	294,055	-	294,055	16,798	5.7%
Nongovernmental grants and contracts	66,082	-	66,082	70,208	-	70,208	(4,126)	(5.9%)
Sales and services of educational departments	31,437	-	31,437	29,636	-	29,636	1,801	6.1%
Auxiliary enterprises revenue, net	140,787	-	140,787	140,494	-	140,494	293	0.2%
Other operating revenues	-	50,988	50,988	28	47,232	47,260	3,728	7.9%
Total operating revenues	1,144,910	1,770,116	2,915,026	1,099,482	1,689,347	2,788,829	126,197	4.5%
Nonoperating revenues								
State appropriations	175,152	-	175,152	168,449	-	168,449	6,703	4.0%
Private gifts	193,335	3,826	197,161	168,087	2,367	170,454	26,707	15.7%
Investment income	339,873	60,350	400,223	662,859	103,429	766,288	(366,065)	(47.8%)
Other nonoperating revenues	281,087	-	281,087	120,475	-	120,475	160,612	133.3%
Total nonoperating revenues	989,447	64,176	1,053,623	1,119,870	105,796	1,225,666	(172,043)	(14.0%)
TOTAL REVENUES	\$ 2,134,357	\$ 1,834,292	\$ 3,968,649	\$ 2,219,352	\$ 1,795,143	\$ 4,014,495	\$ (45,846)	(1.1%)

Net student tuition and fees revenue increased due to new programs, enrollment growth, and changes in tuition and fee rates. Tuition and fees revenue is reported net of scholarships and allowances provided from University sources. Net patient revenues are higher due to increased patient collections after write-offs as result of outpatient volume growth and higher acuity. Grant and contract activity, including direct research and the recovery of indirect facilities and administrative costs, increased in an environment of ongoing pressure at the federal level. The decrease in nonoperating revenues is attributable to a lower market return on the University's long-term investments of 5.8 percent compared to 11.4 percent in fiscal year 2018. The decrease in investment income is partially offset by an increase in capital appropriations, capital grants and gifts, as well as additions to permanent endowments which are included in other nonoperating revenues.

Revenues and Other Sources of Operational Funding

Below is a chart of revenues by source (both operating and nonoperating). These revenues were used to fund the University's operating activities for the fiscal year ended June 30, 2019. As noted earlier, GASB requires state appropriations, current gifts and Pell grants to be treated as nonoperating revenues. Endowment spending is not current-year revenue but a distribution of previously recognized investment income. However, it is an important funding source for current operations and is included in the chart below to present a more accurate picture of the University's funding of current operations.

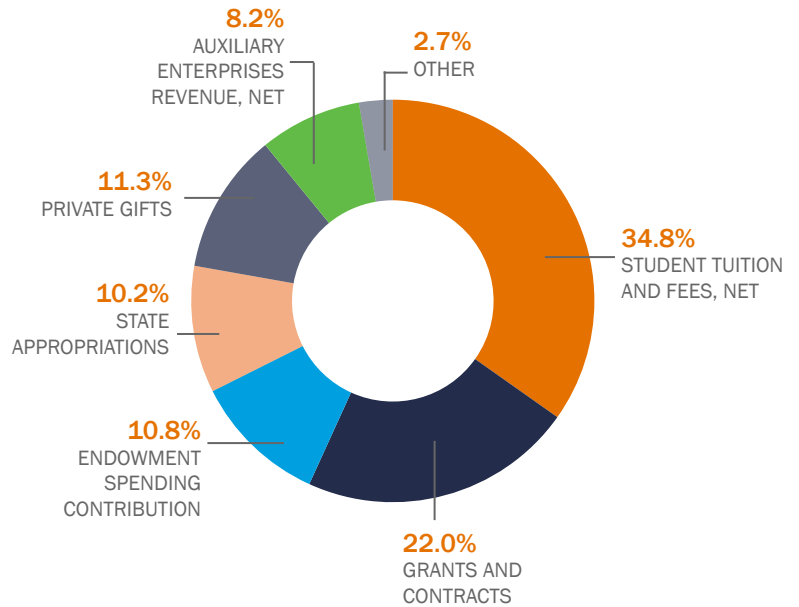
Patient services revenues are principally generated within the University's Medical Center under contractual arrangements with governmental payers and private insurers and accounted for nearly one-half of the University's revenues and operational funding sources. As part of the Medical Center's Strategic Plan, there has been a focused effort to grow patient activity throughout central Virginia. The Medical Center continues to negotiate annual payment increases with managed-care companies and receives annual payment updates from the Medicare program.



Net student tuition and fees, and grants and contracts are the next largest revenue categories. Private support from endowment spending and gifts combined provides 11.7 percent of the University's funding. State appropriations account for just 5 percent of funding for operations. With ongoing economic pressures on state revenues and increasing consideration of affordability, funding from private sources continues to be vitally important to the University's operations.

The University measures its performance both for the University as a whole and for the University without its Medical Center and other clinical activities. A clearer picture of the academic and research mission revenue stream emerges when the Medical Center's data are excluded, as presented below. Net tuition and fees make up more than one-third of the operating revenues for the Academic Division and Wise. Contributing a combined 22.1 percent, private support in the form of endowment spending distribution and gifts has been, and will continue to be, essential to maintaining the University's academic excellence. External research support from grants and contracts makes up another 22 percent of operational funding.

Academic and Wise Revenues and Other Sources of Operational Funding



Expenses

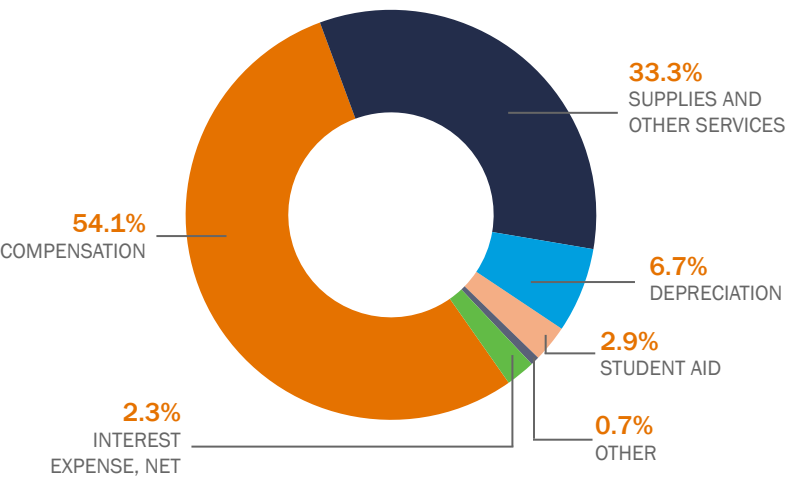
The University's expenses for the years ended June 30, 2019, and June 30, 2018, are summarized as follows:

SUMMARY OF EXPENSES (in thousands)	2019			2018			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	\$ 1,217,975	\$ 739,912	\$ 1,957,887	\$ 1,130,384	\$ 714,172	\$ 1,844,556	\$ 113,331	6.1%
Supplies and other services	424,162	781,497	1,205,659	409,394	750,570	1,159,964	45,695	3.9%
Student aid	104,793	-	104,793	100,373	-	100,373	4,420	4.4%
Depreciation	141,376	102,444	243,820	133,789	98,687	232,476	11,344	4.9%
Other operating expenses	7,929	-	7,929	5,308	-	5,308	2,621	49.4%
Total operating expenses	1,896,235	1,623,853	3,520,088	1,779,248	1,563,429	3,342,677	177,411	5.3%
Nonoperating expenses and other								
Interest expense (net of BAB rebate)	62,971	19,396	82,367	58,900	20,302	79,202	3,165	4.0%
Loss on capital assets	5,832	252	6,084	2,956	25,001	27,957	(21,873)	(78.2%)
Other nonoperating expenses	4,875	4,771	9,646	9,226	10,998	20,224	(10,578)	(52.3%)
Total nonoperating expenses	73,678	24,419	98,097	71,082	56,301	127,383	(29,286)	(23.0%)
TOTAL EXPENSES	\$ 1,969,913	\$ 1,648,272	\$ 3,618,185	\$ 1,850,330	\$ 1,619,730	\$ 3,470,060	\$ 148,125	4.3%

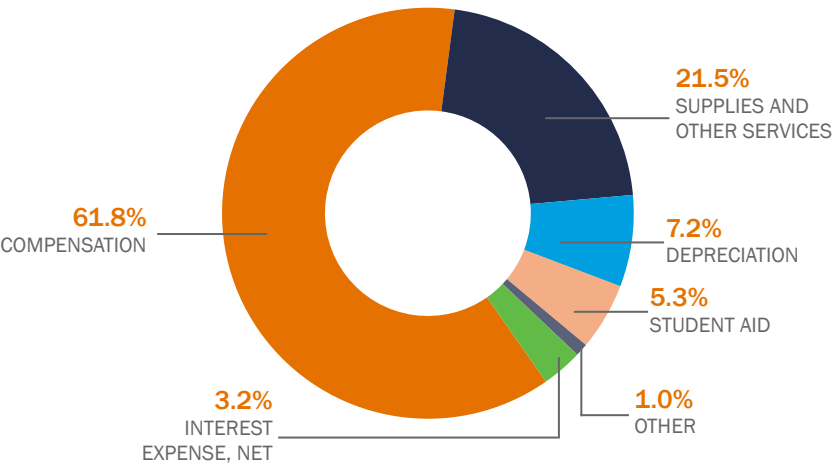
Increases in operating expenses are primarily driven by the increase in compensation and benefits (including the Virginia Retirement System pension and OPEB accruals). The University is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully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

The following are graphic illustrations of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2019.

TOTAL UNIVERSITY EXPENSES



ACADEMIC AND WISE EXPENSES



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

A complete matrix of expenses, natural versus functional, is contained in Note 9 of the Notes to the Financial Statements. Expenses for core mission functions of patient services, instruction and research account for 72 percent of total operating expenses. The remainder is for support costs of these core mission functions and includes academic support, libraries, student services, institutional support services, and operation and maintenance of facilities.



Economic Outlook

The University of Virginia, as a public institution of higher education, faces a similar economic outlook as the Commonwealth of Virginia and the nation. Higher education remains a focus of attention at the state and national levels, particularly in terms of access, affordability and student outcomes. The 2019 outlook for the US higher education sector remains negative for the second consecutive year due to low net growth in tuition revenue. Moody's predicts the higher education sector will be stabilized for the next 12 months by state funding and investment returns. Standard and Poor's has a stable outlook on the U.S. Not-For-Profit Health Care sector, but noted significant pressures, including payor mix deterioration, increasing supply and labor expense, and legislative uncertainty.

UVA is not immune to the pressures facing higher education. However, the University is well positioned to meet the challenges it faces due to its diverse revenue base, strong endowment, broad and generous philanthropic support, a commitment to organizational excellence, and strong student demand resulting in increasing number of applications and yield.

This year marks the University of Virginia's bicentennial. As we enter our third century, we retain the revolutionary spirit dating from our founder's vision. The 2030 Strategic Plan developed by President James Ryan in collaboration with the University community details UVA's path to serve Virginia, the nation, and the world through concrete goals and initiatives. Our aim is to be the best public university in 2030, and one of the very best in the world, whether public or private.

The University's plan is built around four overarching goals. The first is to strengthen our foundation by supporting our students, faculty, and staff. The second is to cultivate the most vibrant community in higher education in order to prepare our students to be servant leaders in a diverse and globally connected world. The third is to enable discoveries that enrich and improve lives, and the fourth is to make UVA synonymous with service. These goals involve, but are not limited to, initiatives such as:

- Recruiting and supporting exceptionally talented, diverse, and service-oriented students, regardless of their economic circumstances.
- Attracting and retaining excellent and diverse faculty, as well as talented and committed staff.
- Ensuring that our systems enable our students, faculty and staff to do their best work, striving to be one of the best-run education institutions in the country.
- Becoming an international leader in several distinct and critical areas of research.
- Providing outstanding and accessible healthcare.
- Offering one of the best values in higher education.
- Leading economic development through academic discovery and entrepreneurship.

UVA is one of only four public institutions with a triple-A credit rating from all three major rating agencies, an indicator of the University's financial strength and stability. The rating agencies cite excellent student demand, solid resources, exceptional strategic positioning, competitive strength in patient care, and consistent fundraising among the factors contributing to the top ratings.

In September 2019, the University of Virginia executed three bond sales that position it to save millions in interest payments over the coming decades while backing strategic projects across Grounds. The newly borrowed and refinanced funds will support capital projects that have already been approved by the Board of Visitors, including renovations and construction of new student housing, student facilities, and the UVA Medical Center expansion. The University's "century bonds" were priced at a record-setting yield of 3.227 percent, and two more bond series issued after that historic deal set another record and attracted attention from international investors. The first was a \$150 million, tax-exempt, 30-year bond series at a rate of 3.167 percent, and the second series, refinanced prior outstanding debt of \$287.4 million at a taxable rate of 2.974 percent, the lowest rate ever achieved in higher education for 30-year taxable debt. The University was poised to capitalize on optimal market conditions because it had laid the groundwork over time, building support among the leadership team and gaining necessary approvals from the Board.



The University's pan-institutional Organizational Excellence initiative continues to yield measurable effectiveness and efficiency gains. In 2018-19, UVA schools, units, and service departments led more than 261 improvements, partnerships, and cost-savings efforts, illustrating the University's commitment to continuous improvement. These collective efforts saved the University \$17.4 million in time and money. Over the last five years, cumulative OE savings and reallocations exceed \$99 million. Achieving operational efficiencies will continue to grow in importance in light of affordability concerns and potential economic downturns.

In October 2019, UVA publicly launched Honor the Future: The Campaign for the University of Virginia, announcing a \$5 billion fundraising goal with \$2.7 billion already committed. The University has both a strong tradition of philanthropy and exceptional leadership among volunteers and staff who have developed and are executing strategic fundraising plans to grow support for institutional priorities. The Advancement team works with prospective donors to align their personal philanthropic and financial goals with University priorities.

Federal policy impacts several of the core University activities. Federal direction on matters such as immigration and the reauthorization of the Higher Education Act could lead to state-level policy changes. The implementation of the Tax Cuts and Jobs Act will continue to be closely monitored in 2019, as some changes could significantly affect higher education policy making. For 2019, the Department of Education is expected to receive \$71.5 billion, a \$581-million increase over fiscal 2018. The House of Representatives also approved an appropriations package that includes a \$100 increase in the maximum Pell Grant award to \$6,195 and a \$2-billion increase in funding for the National Institutes of Health, up over 5 percent from 2018.

The Commonwealth remains committed to diversifying and strengthening the state economy through increased focus on job creation, workforce development, and business investments and with less dependence on federal spending. As a result, general fund revenue collections increased 7.2 percent in fiscal year 2019 – ahead of the forecasted growth of 3.3 percent. In fiscal year 2020, general fund revenue collections are projected to increase by 1.2 percent. Long-term, the University's diverse revenue base and commitment to organizational efficiencies, as well as the fact that state appropriations make up only 5 percent of the University's total revenues and other sources of operational funding, ensure that the University remains in good position to withstand unpredictability of future state support.

The University's Health System has continued to produce positive financial results. Volume growth is driven by patients with complex medical needs. Specific emerging growth strategies include transplant, oncology, specialty pharmacy, and orthopedics. Looking forward, the Health System maintains its strategic goal of providing exceptional clinical care and has developed a long-range financial plan to support these goals within the context of a rapidly changing health care industry. Similar to other health systems across the country, UVA is experiencing unprecedented reimbursement challenges, increasing costs associated with pharmaceuticals and medical supplies, challenges of recruitment and retention of frontline health care workers, and a growing compliance burden. As a state hospital, we also have a continued responsibility to care for the medically underserved in Virginia.

UVA's stable outlook reflects our expectations of excellent student demand. 2018 enrollment data showed a record number of applicants for the third straight year. 2018's 40,839 applicants hailed from all 50 states and 147 countries. Even as student demand grows, UVA's admissions process has grown more competitive; 2018's offer rate was 24 percent, compared to 26 percent the year before. Of those offers, 40 percent of students accepted, a 1 percent jump from the previous year.

In the immediate future, many opportunities for growth and expansion are taking shape, including the construction of Open Grounds on the corner of Emmet Street and Ivy Road with the purpose of welcoming members of the UVA community, the surrounding communities, and visitors to our Grounds, as well as encouraging cross-disciplinary discoveries within an active and engaging environment.

Founded in fall 2019 through the largest gift in UVA history, the School of Data Science—the first of its kind in the nation—positions the university and our community to play a national and international leadership role in the global digital future.

UVA continues to grow its impact by increasing its footprint in Northern Virginia. The emerging grounds at the Global Genomics and Bioinformatics Research Institute will allow UVA and Inova Health Systems, along with partner George Mason University, a rare opportunity to collaborate and improve the health of patients.

Sound operating performance, effective and attentive leadership, and commitment to our mission will continue to guide the institution as we look toward the future.



Management Responsibility

November 22, 2019

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

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2019. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. The financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

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

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

Respectfully submitted,

A handwritten signature in black ink, reading "Melody S. Bianchetto".

Melody S. Bianchetto
Vice President for Finance



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 22, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
The University of Virginia

Independent Auditor's Report

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

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

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

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Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University of Virginia as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Prior-Year Summarized Comparative Information**

We have previously audited the University's 2018 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 6 through 15; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 76 through 77; the Schedule of Employer's Share of Net OPEB Liability (Asset), the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit (HIC), Group Life Insurance (GLI), Disability Insurance (VSDP), and Line of Duty (LODA) programs on pages 78 through 80; the Schedule of Total OPEB Liability and Related Ratios and the Notes to the Required Supplementary Information for the University's Retiree Health and Optional Retirement Retiree Life Insurance plans on page 80. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2019 on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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

AS OF JUNE 30, 2019 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 149,191	\$ 87,892
Short-term investments (Note 2)	235,286	84,831
Appropriations available	11,772	6,586
Accounts receivable, net (Note 3a)	394,774	387,367
Prepaid expenses	25,450	23,383
Inventories	33,654	31,336
Notes receivable, net (Note 3b)	6,045	6,113
Pledges receivable, net (Note 3c)	43,045	9,335
Total current assets	899,217	636,843
Noncurrent assets		
Cash and cash equivalents (Note 2)	12,854	22,880
Long-term investments (Note 2)	2,455,688	2,711,961
Endowment (Note 2)	5,086,081	4,838,142
Notes receivable, net (Note 3b)	29,189	33,116
Pledges and other receivables, net (Note 3c)	62,388	14,665
Capital assets - depreciable, net (Note 3d)	3,320,737	3,262,075
Capital assets - nondepreciable, net (Note 3d)	718,817	520,730
Derivative instrument asset (Note 6)	140	-
Investment in affiliated companies (Note 7)	97,510	85,442
OPEB asset (Note 12)	17,048	15,437
Other (Note 3e)	72,835	49,435
Total noncurrent assets	11,873,287	11,553,883
DEFERRED OUTFLOWS OF RESOURCES (Note 3f)	144,136	154,387
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,916,640	\$ 12,345,113
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3g)	\$ 472,830	\$ 354,283
Unearned revenue (Note 3h)	80,038	74,080
Deposits held in custody for others	14,716	11,714
Commercial paper (Note 4)	243,900	121,845
Long-term debt - current portion (Note 5a)	10,186	9,581
Long-term liabilities - current portion (Note 5b)	101,469	91,946
Total current liabilities	923,139	663,449
Noncurrent liabilities		
Long-term debt (Note 5a)	1,980,362	1,995,829
Derivative instrument liability (Note 6)	35,068	27,890
Net pension liability (Note 11)	474,206	506,386
OPEB liability (Note 12)	255,675	293,545
Other noncurrent liabilities (Note 5b)	181,349	174,173
Total noncurrent liabilities	2,926,660	2,997,823
DEFERRED INFLOWS OF RESOURCES (Note 3i)	166,212	133,676
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 4,016,011	\$ 3,794,948
NET POSITION		
Net investment in capital assets	\$ 1,981,954	\$ 1,961,811
Restricted:		
Nonexpendable	891,397	747,191
Expendable	3,238,088	3,091,428
Unrestricted	2,789,190	2,749,735
TOTAL NET POSITION	\$ 8,900,629	\$ 8,550,165
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 12,916,640	\$ 12,345,113

Certain 2018 amounts have been restated to conform to 2019 classifications.

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

UNIVERSITY OF VIRGINIA

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

AS OF JUNE 30, 2019 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2018)

ASSETS**Current assets**

Cash and cash equivalents
Receivables
Short-term investments
Other current assets

Total current assets**Noncurrent assets**

Pledges receivable, net
Long-term investments
Capital assets, net of depreciation
Other noncurrent assets

Total noncurrent assets**TOTAL ASSETS****LIABILITIES AND NET ASSETS****Current liabilities**

Assets held in trust for others
Other liabilities

Total current liabilities**Noncurrent liabilities**

Long-term debt, net of debt issuance cost and current portion of \$5,181 and \$9,438
Other noncurrent liabilities

Total noncurrent liabilities**TOTAL LIABILITIES****NET ASSETS**

Unrestricted
Temporarily restricted
Permanently restricted

TOTAL NET ASSETS**TOTAL LIABILITIES AND NET ASSETS**

	2019		2018
\$	110,415	\$	76,577
	190,038		148,352
	668,270		314,741
	5,548		8,458
	974,271		548,128
	170,821		53,343
	9,532,621		9,625,569
	468,028		440,467
	51,784		61,058
	10,223,254		10,180,437
\$	11,197,525	\$	10,728,565
\$	116,777	\$	115,456
	310,488		207,753
	427,265		323,209
	137,731		163,587
	8,297,032		8,098,106
	8,434,763		8,261,693
\$	8,862,028	\$	8,584,902
\$	477,587	\$	465,187
	934,699		915,924
	923,211		762,552
\$	2,335,497	\$	2,143,663
\$	11,197,525	\$	10,728,565

Certain 2018 amounts have been restated to conform to 2019 classifications.

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



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

FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$143,610 and \$128,228	\$ 595,751	\$ 565,061
Patient services, net of charity care and contractual adjustments of \$4,252,671 and \$3,889,036	1,719,128	1,642,115
Federal grants and contracts	304,008	284,163
State and local grants and contracts	6,845	9,892
Nongovernmental grants and contracts	66,082	70,208
Sales and services of educational departments	31,437	29,636
Auxiliary enterprises revenue, net of scholarship allowances of \$22,098 and \$19,851	140,787	140,494
Other operating revenues	50,988	47,260
TOTAL OPERATING REVENUES	2,915,026	2,788,829
EXPENSES		
Operating expenses (Note 9)		
Compensation and benefits	1,957,887	1,844,556
Supplies and other services	1,205,659	1,159,964
Student aid	104,793	100,373
Depreciation	243,820	232,476
Other	7,929	5,308
TOTAL OPERATING REVENUES	3,520,088	3,342,677
OPERATING LOSS	(605,062)	(553,848)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	175,152	168,449
Gifts	197,161	170,454
Investment income	400,223	766,288
Pell grants	14,225	13,586
Interest on capital asset-related debt	(88,013)	(87,361)
Build America Bonds rebate	5,646	8,159
Loss on capital assets	(6,084)	(27,957)
Other net nonoperating expenses	(803)	(20,224)
NET NONOPERATING REVENUES	697,507	991,394
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	92,445	437,546
Capital appropriations	49,379	15,146
Capital grants and gifts	129,798	38,200
Additions to permanent endowments	83,717	53,543
Special items	(4,875)	-
TOTAL OTHER REVENUES (EXPENSES)	258,019	106,889
INCREASE IN NET POSITION	350,464	544,435
NET POSITION		
Net position - beginning of year	8,550,165	8,205,417
Net effect of prior period adjustments (Note 1)	-	(199,687)
NET POSITION - BEGINNING OF YEAR AS RESTATED	8,550,165	8,005,730
NET POSITION - END OF YEAR	\$ 8,900,629	\$ 8,550,165

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

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

FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 29,716	\$ 30,172
Fees for services, rentals and sales	441,239	493,105
Investment income	51,410	46,691
Net assets released from restriction	161,226	138,720
Other revenues	145,073	110,438
TOTAL UNRESTRICTED REVENUES AND SUPPORT	828,664	819,126
EXPENSES		
Program services, lectures and special events	549,663	535,346
Scholarships and financial aid	79,786	82,619
Management and general	38,400	42,946
Other expenses	148,568	109,217
TOTAL EXPENSES	816,417	770,128
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	12,247	48,998
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	95,565	71,041
Investment and other income	81,307	155,216
Reclassification per donor stipulation	(2,435)	251
Net assets released from restriction	(151,611)	(138,892)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	22,826	87,616
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	168,168	29,181
Investment and other (loss) income	(1,822)	531
Reclassification per donor stipulation	30	294
Net assets released from restriction	(9,615)	172
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	156,761	30,178
CHANGES IN NET ASSETS	191,834	166,792
Net assets - beginning of year	2,143,663	1,976,871
NET ASSETS - END OF YEAR	\$ 2,335,497	\$ 2,143,663

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



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

FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 594,746	\$ 572,977
Grants and contracts	385,487	355,989
Patient services	1,794,254	1,599,095
Sales and services of educational activities	36,724	16,724
Sales and services of auxiliary enterprises	133,647	145,241
Payments to employees and fringe benefits	(1,941,427)	(1,826,612)
Payments to vendors and suppliers	(1,202,231)	(1,164,703)
Payments for scholarships and fellowships	(104,793)	(100,373)
Perkins and other loans issued to students	(7,344)	(8,194)
Collection of Perkins and other loans to students	8,908	9,065
Other receipts	60,824	44,913
NET CASH USED BY OPERATING ACTIVITIES	(241,205)	(355,878)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	169,878	166,332
Additions to permanent endowments	83,717	53,543
Federal Direct Loan Program receipts	133,178	161,661
Federal Direct Loan Program payments	(133,178)	(161,661)
Pell grants	14,225	13,586
Deposits held in custody for others	2,949	7,207
Noncapital gifts and grants and endowments received	181,350	147,689
Proceeds from noncapital debt	73,454	493,632
Repayments from noncapital debt	(137,745)	(175,000)
Other net nonoperating expenses	(41,364)	(26,584)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	346,464	680,405
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	47,683	15,146
Capital gifts and grants received	43,776	37,068
Proceeds from capital debt	189,433	246,103
Proceeds from sale of capital assets	325	1,182
Acquisition and construction of capital assets	(498,694)	(495,947)
Principal paid on capital debt and leases	(10,902)	(32,432)
Interest paid on capital debt and leases	(83,127)	(87,718)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(311,506)	(316,598)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,051,906	544,805
Interest on investments	(15,898)	(4,808)
Purchase of investments and related fees	(776,356)	(544,504)
Other investment activities	(2,132)	(3,638)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	257,520	(8,145)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,273	(216)
Cash and cash equivalents - beginning of year	110,772	110,988
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 162,045	\$ 110,772

Certain 2018 amounts have been restated to conform to 2019 classifications.

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

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

FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (605,062)	\$ (553,848)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	243,820	232,476
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables, net	14,638	25,020
Inventories	(2,318)	(3,062)
OPEB asset	(1,611)	(3,433)
Other assets	-	(2)
Prepaid expenses	(2,092)	5,324
Notes receivable, net	3,215	287
Capital assets, net	(5,142)	7,203
Deferred outflows of resources	732	19,214
Accounts payable and accrued liabilities	123,167	(85,573)
Unearned revenue	5,312	(11,482)
Long-term liabilities	21,030	(23,725)
Net pension liability	(32,180)	(45,400)
OPEB liability	(37,870)	43,734
Deferred inflows of resources	33,156	37,389
TOTAL ADJUSTMENTS	363,857	197,970
NET CASH USED BY OPERATING ACTIVITIES	\$ (241,205)	\$ (355,878)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets acquired through assumption of a liability	\$ 7,564	\$ 42,738
Assets acquired through a gift	(12,755)	841
Change in fair value of investments	410,033	779,107
Increase in receivables related to nonoperating income	99,242	2,399
Gain on disposal of capital assets	(5,832)	22,044
(Loss) gain on investments in affiliated companies	(146)	(5,784)
Change in non-controlling interest in subsidiary	(558)	(74)
Amortization of bond premium and deferral	(121)	8,142
Trustee-held split interest agreements	-	3,638

Certain 2018 amounts have been restated to conform to 2019 classifications.

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



Notes to Financial Statements



Note 1

Organization and Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

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

INCOME TAX STATUS

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

FINANCIAL REPORTING ENTITY

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

BLENDED COMPONENT UNITS

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

Meadow Creek Corporation (MC I), was formed on June 5, 1998, to own and operate the Cavalier Inn in Charlottesville, Virginia. Until ceasing operations in May 2018, MC I was a taxable subsidiary to the University of Virginia Foundation and was engaged in an "unrelated trade or business" to the exempt activities of UVAF. On September 18, 2018, UVA acquired all stock of Meadowcreek Corp from the Foundation for \$12.5 million with property valued at \$7.6 million resulting in a special item expense of \$4.9

million. Meadowcreek Corp was deemed a blended component unit at this time, but was dissolved before year-end. The activity of Meadowcreek Corp, including the dissolution, will be included in Statement of Revenues, Expenses, and Changes in Net Position only for the fiscal year ended June 30, 2019.

DISCRETELY PRESENTED COMPONENT UNITS

The University has 25 legally separate, tax-exempt University-Associated Organizations (UAOs) operating in support of the interests of the University.

These UAOs are not-for-profit corporations controlled by separate boards of directors. The University determined that the following nine UAOs qualify as component units of the University because of the nature and significance of their relationship with the University, including their ongoing financial support of the University. As such, they are presented discretely in the financial statements as of and for the year ended June 30, 2019.

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

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

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

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

The **University of Virginia Darden School Foundation (Darden School Foundation)** was established to promote the advancement and further the aims and purposes of the Darden School of Business of the University and to provide education for business executives. For additional information, contact the Darden School Foundation at P.O. Box 7726, Charlottesville, VA 22906.

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

The **Jefferson Scholars Foundation (JSF)** was established to develop and administer a merit-based scholarship, fellowship and professorship program. The mission of the JSF is to serve the University by identifying, attracting and nurturing individuals of extraordinary intellectual range and depth, who possess the highest concomitant qualities of leadership, scholarship and citizenship. For additional information, contact the JSF Finance Team at P.O. Box 400891, Charlottesville, VA 22904.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation (VAF)**, was established to support intercollegiate athletic programs at the University by providing student-athletes the opportunity to achieve academic and athletic excellence. It provides funding for student-athlete scholarships, funding for student-athlete academic advising programs, operational support for various sports, informational services to its members and the general public, and ancillary support to the athletic programs. VAF has adopted December 31 as its year end. All amounts reflected are as of December 31, 2018. For additional information, contact the VAF Gift Accounting Office at P.O. Box 400833, Charlottesville, VA 22904.

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

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

The **University of Virginia Investment Management Company (UVMCO)** was established to provide investment management services to the University and University foundations. For additional information, contact UVMCO at P.O. Box 400215, Charlottesville, VA 22904.

REPORTING BASIS AND MEASUREMENT FOCUS

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

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

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

FAIR VALUE MEASUREMENTS

The University follows the guidance in GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value and establishes guidelines and a framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

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

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

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

The University invests with UVMCO and other asset managers. Investments are recorded at market value. Certain less marketable investments, such as private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments.

Investments with UVMCO are in the Short-Term Pool (STP) and Long-Term Pool (LTP), which are unitized investment pools. The STP commingles LTP cash, certain UVMCO funds and short-term funds of the University and the Foundations. The LTP commingles endowment, charitable trusts and other investments of the University and the Foundations. Assets of the STP and LTP are pooled on a fair value basis in accordance with U.S. GAAP. These assets are unitized daily for the STP and monthly for the LTP. Deposits and withdrawals are processed weekly for the STP and monthly for the LTP. Each depositor subscribes to or disposes of units on the basis of the market value per share as of the trade date for the STP and the value per unit at fair value as calculated on the last calendar day of the month in which a deposit or redemption request is received by UVMCO for the LTP. LTP transactions are subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVMCO. Under the agreement, an annual withdrawal cap exists equal to the sum of ten percent of the previous fiscal year-end market value plus ten percent of the current fiscal year's deposits. Additionally, the University is subject to a monthly withdrawal cap of the greater of three percent of its investment in the pool at the previous month-end or \$15 million. Withdrawal requests in excess of an amount greater than one percent of its investment in the pool as of the previous month-end require 30 days' written notice. Withdrawal requests for lesser amounts must be received in writing on or before the trade date.

PLEDGES RECEIVABLE

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

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

PREPAID EXPENSES

Prepaid expenses are items paid for in the current year, but for which the underlying asset will not be entirely consumed until a future period. The University's prepaid expenses for fiscal year ended June 30, 2019 included prepaid insurance premiums, various prepayments to vendors, and prepaid rent.

INVENTORIES

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

CAPITAL ASSETS AND DEPRECIATION

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

The Medical Center capitalizes moveable equipment at a value or cost of \$2,000 and an expected useful life of two or more years. Maintenance or renovation expenditures of \$250,000 or more are capitalized only to the extent that such expenditures prolong the life of the asset or otherwise enhance its capacity to render service.

Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Position are classified as Construction in Progress.

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

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

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. Net interest capitalized for the fiscal year ended June 30, 2019, was \$833,718.

The estimated useful lives of capital assets are as follows:

ASSETS	YEARS
Buildings, improvements other than buildings and infrastructure	10-50
Equipment	2-20
Intangible assets	5-20
Library books	10

COLLECTIONS

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

DEFERRED OUTFLOWS OF RESOURCES

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

DEPOSITS

Deposits held in custody for others represent cash and invested funds held by the University on behalf of others as a result of agency relationships with various groups and organizations.

UNEARNED REVENUE

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

In fiscal year 2018, the University corrected its revenue recognition methodology on certain grants and contracts and recorded a \$21.5 million reduction to the beginning balance of unearned revenues. This change in methodology more accurately recognizes these revenues as the University meets the performance obligations of the agreements.

COMPENSATED ABSENCES

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2019, all unused vacation leave, and the amount payable upon termination under the Commonwealth's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

LONG-TERM DEBT AND DEBT ISSUANCE COSTS

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

PENSIONS

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

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

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

OTHER POSTEMPLOYMENT BENEFITS

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

Group Life Insurance

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

State Employee Health Insurance Credit Program

The VRS State Employee Health Insurance Credit (HIC) program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The HIC program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The HIC program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees.

For purposes of measuring the net HIC program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC program OPEB, and the HIC program OPEB expense, information about the fiduciary net position of the VRS HIC program; and the additions to/deductions from the VRS HIC program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

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

VRS Disability Insurance Program

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

University OPEB Plans

The University also provides Optional Retirement Retiree Life Insurance and Retiree Health Plan OPEBs that are not part of the Commonwealth-provided OPEB plans. These are defined benefit plans not administered through a trust as defined in GASB Statement No. 75. The University's total OPEB liability, deferred outflows of resources related to OPEBs, deferred inflows of resources related to OPEBs, and OPEB expense are recognized and measured in accordance with the parameters of GASB Statement No. 75. There

are currently no assets accumulated in a trust for the University administered OPEBs.

IRREVOCABLE SPLIT-INTEREST AGREEMENTS

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

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

DEFERRED INFLOWS OF RESOURCES

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

NET POSITION

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

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

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

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

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

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

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

STUDENT TUITION AND FEES

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

MEDICAL CENTER SALES AND SERVICE

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

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

REVENUE AND EXPENSE CLASSIFICATIONS

The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student tuition and fees, net of scholarship discounts and allowances; sales and services from Medical Center, net of charity care allowances; educational activities and auxiliary enterprises, net of scholarship discounts and allowances; and federal, state, local and nongovernmental grants and contracts. With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

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

ELIMINATIONS

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

COMPARATIVE DATA

The University presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, the prior-year information should be read in conjunction with the University's financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived. Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2019, the University implemented the following pronouncements issued by the GASB.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). Under this standard, the University is required to recognize a liability for the future legal obligations needed to retire certain tangible capital assets. GASB Statement No. 83 did not have a material impact on the University for the year ended June 30, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 resulted in minimal changes in disclosure and presentation of Note 5.

Note 2

Cash, Cash Equivalents, Investments and Endowment

CASH

The University deposits cash in commercial banking accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq., *Code of Virginia*. The Virginia Security for Public Deposits Act significantly diminishes any custodial risk on the University's banking deposits. This Act includes a cross guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled \$118.5 million on June 30, 2019.

CASH EQUIVALENTS

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

Restricted cash and cash equivalents totaled \$39.7 million and \$53.6 million on June 30, 2019, and June 30, 2018, respectively, which is restricted in accordance with applicable debt or other contractual requirements.

RISK

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

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had a very limited exposure to custodial credit risk as of June 30, 2019.

Interest-rate risk results if changes in interest rates adversely affect the fair market value of an investment. The longer the duration of an investment, the greater the interest-rate risks. Investments subject to interest-rate risk at June 30, 2019, are outlined in the accompanying chart.

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain nonendowed assets to short-term commercial paper, certificates of deposit, asset-backed securities and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2019, are outlined in the accompanying chart.

Concentration of credit risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The University minimizes this risk by diversifying its investments. As of June 30, 2019, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5 percent or more of its total investments.

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University has no foreign investments or deposits as of June 30, 2019.



Details of the University's investment risks as of June 30, 2019 are outlined below:

CREDIT QUALITY AND INTEREST RATE RISK (in thousands)	BALANCE AT JUNE 30, 2019	CREDIT RATING (S&P/ MOODY'S)	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1 YEAR	1 - 5 YEARS	6 - 10 YEARS	GREATER THAN 10 YEARS
CASH AND CASH EQUIVALENTS						
Cash on hand	\$ 384	Not Applicable	N/A	N/A	N/A	N/A
Cash deposits	134,476	Not Applicable	N/A	N/A	N/A	N/A
Repurchase agreements*	14,433	P-1/A-1	\$ 14,433	\$ -	\$ -	\$ -
U.S. Treasury bills*	16,979	Aaa/AA+	16,979	-	-	-
Cash sweep	24	Aaa/AAA	24	-	-	-
Unsettled transactions not subject to credit or interest-rate risk	(4,251)	Not Applicable	N/A	N/A	N/A	N/A
TOTAL CASH AND CASH EQUIVALENTS	\$ 162,045		\$ 31,436	\$ -	\$ -	\$ -
SHORT-TERM INVESTMENTS						
Cash deposits	\$ 1	Not Applicable	N/A	N/A	N/A	N/A
UVIMCO STP	189,910	Not Rated	N/A	N/A	N/A	N/A
Agency notes	44,811	P-1/A-1+	\$ 44,811	\$ -	\$ -	\$ -
Other investments not subject to credit or interest-rate risk	564	Not Applicable	N/A	N/A	N/A	N/A
TOTAL SHORT-TERM INVESTMENTS	\$ 235,286		\$ 44,811	\$ -	\$ -	\$ -
LONG-TERM INVESTMENTS						
UVIMCO LTP	\$ 2,451,850	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	3,838	Not Applicable	N/A	N/A	N/A	N/A
TOTAL LONG-TERM INVESTMENTS	\$ 2,455,688		\$ -	\$ -	\$ -	\$ -
ENDOWMENT						
Cash and cash equivalents	\$ 3,960	Not Applicable	\$ 3,960	\$ -	\$ -	\$ -
UVIMCO LTP	5,068,739	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	13,382	Not Applicable	N/A	N/A	N/A	N/A
TOTAL ENDOWMENT	\$ 5,086,081		\$ 3,960	\$ -	\$ -	\$ -
INVESTMENT IN AFFILIATED COMPANIES						
UVIMCO LTP	\$ 560	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	96,950	Not Applicable	N/A	N/A	N/A	N/A
TOTAL INVESTMENT IN AFFILIATED COMPANIES	\$ 97,510		\$ -	\$ -	\$ -	\$ -

* Repurchase agreements and U.S. Treasury bills have original maturities of less than 90 days. In accordance with UVA policy, these are reported as cash and cash equivalents.

INVESTMENTS

UVIMCO administers and manages the majority of the University's investments in its unitized investment pools. From time to time, the University also invests its operating funds with a number of other asset managers. At June 30, 2019, the University's investment in the UVIMCO LTP and STP was \$7.7 billion representing 95.6 percent of the University's invested assets. These pools are not rated by NRSROs.

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

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

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

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

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

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

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

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements as of June 30, 2019:

INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE <i>(in thousands)</i>	BALANCE AT JUNE 30, 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS MEASURED AT NAV*	AMOUNTS NOT MEASURED AT FAIR VALUE
CASH AND CASH EQUIVALENTS						
Cash on hand	\$ 384	\$ -	\$ -	\$ -	\$ -	\$ 384
Cash deposits	134,476	-	-	-	-	134,476
Repurchase agreements**	14,433	-	14,433	-	-	-
U.S. Treasury bills**	16,979	16,979	-	-	-	-
Cash sweep	24	-	-	-	-	24
Unsettled transactions not subject to credit or interest risk	(4,251)	-	-	-	-	(4,251)
TOTAL CASH AND CASH EQUIVALENTS	\$ 162,045	\$ 16,979	\$ 14,433	\$ -	\$ -	\$ 130,633
SHORT-TERM INVESTMENTS						
Cash deposits	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
UVMCO STP	189,910	-	-	-	189,910	-
Agency notes	44,811	44,811	-	-	-	-
Equity securities	564	564	-	-	-	-
TOTAL SHORT-TERM INVESTMENTS	\$ 235,286	\$ 45,375	\$ -	\$ -	\$ 189,910	\$ 1
LONG-TERM INVESTMENTS						
Life insurance contracts***	\$ 3,831	\$ -	\$ -	\$ -	\$ -	\$ 3,831
Equity securities	7	-	-	7	-	-
UVMCO LTP	2,451,850	-	-	-	2,451,850	-
TOTAL LONG-TERM INVESTMENTS	\$ 2,455,688	\$ -	\$ -	\$ 7	\$ 2,451,850	\$ 3,831
ENDOWMENT						
Cash and cash equivalents	\$ 3,960	\$ -	\$ 3,269	\$ -	\$ -	\$ 691
Equity securities	793	758	-	35	-	-
UVMCO LTP	5,068,739	-	-	-	5,068,739	-
Exchange traded funds	12,589	12,589	-	-	-	-
TOTAL ENDOWMENT	\$ 5,086,081	\$ 13,347	\$ 3,269	\$ 35	\$ 5,068,739	\$ 691

INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED) (in thousands)	BALANCE AT JUNE 30, 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS MEASURED AT NAV*	AMOUNTS NOT MEASURED AT FAIR VALUE
INVESTMENT IN AFFILIATED COMPANIES						
UVIMCO LTP	\$ 560	\$ -	\$ -	\$ -	\$ 560	\$ -
Investment in affiliates	96,950	-	-	-	-	96,950
TOTAL INVESTMENT IN AFFILIATED COMPANIES	\$ 97,510	\$ -	\$ -	\$ -	\$ 560	\$ 96,950
INVESTMENT DERIVATIVE INSTRUMENTS****						
Fixed-receiver interest rate swaps	\$ 140	\$ -	\$ 140	\$ -	\$ -	\$ -
Fixed-payer interest rate swaps	(35,068)	-	(35,068)	-	-	-
TOTAL INVESTMENT DERIVATIVE INSTRUMENTS	\$ (34,928)	\$ -	\$ (34,928)	\$ -	\$ -	\$ -

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

** Repurchase agreements and U.S. Treasury bills have original maturities of less than 90 days. In accordance with UVA policy, these are reported as cash and cash equivalents.

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

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

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

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV) (in thousands)	BALANCE AT JUNE 30, 2019	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY (IF CURRENTLY ELIGIBLE)	REDEMPTION NOTICE PERIOD
UVIMCO STP	\$ 189,910	\$ -	Weekly	2 days
UVIMCO LTP	7,521,149	-	Monthly	(a)
TOTAL INVESTMENTS MEASURED AT NAV	\$ 7,711,059	\$ -		

(a) Subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVIMCO as discussed in Note 1.

ENDOWMENT

Endowments are invested in accordance with Virginia Uniform Prudent Management Institutional Funds Act (UPMIFA), Chapter 11 of Title 64.2 of the *Code of Virginia*, as amended; and paragraph 23-50.10:01 of the *Code of Virginia*. The market value of the endowment on June 30, 2019, was \$5.1 billion. Biannual distributions are made from the University's endowment to departments holding endowment accounts. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index (HEPI). The current inflation factor in use by the University is 2.4 percent, based on a five year rolling average of the HEPI. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board may recommend increasing or decreasing the spending rate. For fiscal year 2019, the endowment spending distribution of \$215.5 million, excluding agency funds, equaled 4.86 percent of the fiscal year 2017 ending market value. Since the results fell within the range, no further action by the board was needed. Restricted expendable net assets includes \$1.5 billion of appreciation on donor-restricted endowments.

For the year ended June 30, 2019, the University had the following endowment-related activities:

SUMMARY OF ENDOWMENT ACTIVITY (in thousands)	TYPE OF ENDOWMENT FUND				TOTAL
	DONOR- RESTRICTED	QUASI	TRUSTS	AGENCY	
Investment earnings	\$ 125,467	\$ 135,359	\$ 4,412	\$ 1,042	\$ 266,280
Contributions to permanent endowments	83,717	-	-	-	83,717
Other gifts	-	-	6,689	-	6,689
Spending distribution	(101,786)	(113,745)	-	(731)	(216,262)
Endowment administrative fee*	(16,800)	(18,629)	-	-	(35,429)
Transfers in (out)**	60,932	87,629	(5,559)	(58)	142,944
TOTAL CHANGE IN ENDOWMENT FUNDS	\$ 151,530	\$ 90,614	\$ 5,542	\$ 253	\$ 247,939

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

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

Note 3

Statement Of Net Position Details

a. Accounts receivable: The composition of accounts receivable at June 30, 2019, is summarized as follows:

ACCOUNTS RECEIVABLE (in thousands)	
Patient care	\$ 855,780
Grants and contracts	54,281
Student payments	15,791
Institutional loans	1,318
Bond requisition receivables	88
Build America Bonds rebate	3,506
Equipment Trust Fund reimbursement	15,898
Auxiliary	1,866
Related foundation	48,017
Other	11,433
Less: Allowance for doubtful accounts	(613,204)
TOTAL ACCOUNTS RECEIVABLE	\$ 394,774

b. Notes receivable: The principal repayment and interest-rate terms of federal and University loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various other loan programs. The composition of notes receivable at June 30, 2019, is summarized as follows:

NOTES RECEIVABLE (in thousands)	
Perkins	\$ 11,950
Nursing	1,578
Institutional	19,757
Fraternity loan	599
Dues from related foundation	3,276
Less: Allowance for doubtful accounts	(1,926)
Total notes receivable, net	35,234
Less: Current portion, net of allowance	(6,045)
TOTAL NONCURRENT NOTES RECEIVABLE	\$ 29,189

c. Pledges and other receivables: As discussed in Note 1, permanent endowment pledges do not meet eligibility requirements, as defined by GASB requirements, until the related gift is received. Accordingly, permanent endowment pledges totaling \$109 million and \$88.5 million at June 30, 2019, and June 30, 2018, respectively, are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. The composition of pledges and other receivables at June 30, 2019, is summarized as follows:

PLEDGES AND OTHER RECEIVABLES (in thousands)	
PLEDGES AND OTHER RECEIVABLES OUTSTANDING	
Gift pledges - operations	\$ 9,440
Gift pledges - capital	107,220
Service concession arrangements	13,666
Total pledges and other receivables outstanding	130,326
Less:	
Allowance for uncollectible accounts	(10,311)
Discount to present value	(14,582)
Total pledges and other receivable, net	105,433
Less: Current portion, net of allowance	(43,045)
TOTAL NONCURRENT PLEDGES AND OTHER RECEIVABLES	\$ 62,388



d. Capital assets: The capital assets activity for the year ended June 30, 2019, is summarized as follows:

CAPITAL ASSETS <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2018	INCREASES	DECREASES	ENDING BALANCE JUNE 30, 2019
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 79,616	\$ 17,964	\$ -	\$ 97,580
Construction in progress	426,112	399,261	(208,086)	617,287
Software in development	15,002	-	(11,052)	3,950
TOTAL NONDEPRECIABLE CAPITAL ASSETS	520,730	417,225	(219,138)	718,817
DEPRECIABLE CAPITAL ASSETS				
Buildings	4,124,774	162,771	(23,015)	4,264,530
Equipment	937,396	85,819	(32,044)	991,171
Infrastructure	541,014	6,709	(448)	547,275
Improvements other than buildings	186,833	6,935	(1,490)	192,278
Capitalized software	249,092	45,469	(18,639)	275,922
Library books	123,927	862	-	124,789
Total depreciable capital assets	6,163,036	308,565	(75,636)	6,395,965
Less: Accumulated depreciation for:				
Buildings	(1,600,769)	(122,767)	19,572	(1,703,964)
Equipment	(633,176)	(72,843)	29,413	(676,606)
Infrastructure	(238,625)	(15,354)	103	(253,876)
Improvements other than buildings	(137,602)	(7,739)	1,414	(143,927)
Capitalized software	(176,709)	(18,995)	15,670	(180,034)
Library books	(114,080)	(2,741)	-	(116,821)
Total accumulated depreciation	(2,900,961)	(240,439)	66,172	(3,075,228)
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	3,262,075	68,126	(9,464)	3,320,737
TOTAL CAPITAL ASSETS, NET	\$ 3,782,805	\$ 485,351	\$ (228,602)	\$ 4,039,554

e. Other assets: The composition of other assets on June 30, 2019, is summarized as follows:

OTHER ASSETS <i>(in thousands)</i>	
Funds held at foundation	\$ 61,145
UVA LVG seed funds	8,361
Trustee held split-interest agreement assets	3,327
UVA Global LLC	2
TOTAL OTHER ASSETS	\$ 72,835

f. Deferred outflows of resources: The composition of deferred outflows of resources on June 30, 2019, is summarized as follows:

DEFERRED OUTFLOWS OF RESOURCES <i>(in thousands)</i>	
Goodwill	\$ 15,569
Deferred loss on early retirement of debt	25,754
OPEB	32,552
Pension	70,261
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 144,136

In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center, now known as Virginia Outpatient Surgery Center. As a result of the purchase, the Medical Center recorded \$6.9 million of goodwill to be amortized over a period of 40 years.

In November 2004, the Medical Center purchased Amherst and Lynchburg renal facilities. As a result of the purchase, the Medical Center recorded goodwill of \$3.4 million and \$4 million, respectively. The goodwill is to be amortized over a period of 20 years.

In April 2017, the previously acquired Hematology Oncology Patient Enterprises, Inc. (HOPE) was absorbed into the Medical Center's normal clinical operations. Goodwill remaining from the acquisition of HOPE will be amortized over a period of 15 years beginning April 1, 2017.

g. Accounts payable and accrued liabilities: The composition of accounts payable on June 30, 2019, is summarized as follows:

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (in thousands)	
Accounts payable	\$ 117,308
Accrued salaries and wages payable	107,164
Due to related foundations	73,090
Due to third party payors	154,641
Other	20,627
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 472,830

i. Deferred inflows of resources: The composition of deferred inflows on June 30, 2019, is summarized as follows:

DEFERRED INFLOWS OF RESOURCES (in thousands)	
Deferred gain on early retirement of debt	\$ 354
Service concession arrangements	47,696
Split-Interest agreements	14,881
Pension	42,932
OPEB	60,349
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 166,212

h. Unearned revenue: The composition of unearned revenue on June 30, 2019, is summarized as follows:

UNEARNED REVENUE (in thousands)	
Grants and contracts	\$ 47,316
Student payments	18,723
Medical Center unearned revenues	811
Other	13,188
TOTAL UNEARNED REVENUE	\$ 80,038

During the year ended June 30, 2015, the University entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. In accordance with GASB requirements, as of June 30, 2019, the University has accrued a \$12.8 million receivable, a \$25.1 million liability and a \$47.7 million deferred inflow of resources related to the service concession arrangement.

Note 4

Short-Term Debt

Short-term debt at June 30, 2019, is summarized as follows:

SHORT-TERM DEBT (in thousands)	BEGINNING BALANCE JULY 1, 2018	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2019
Taxable commercial paper	\$ 113,845	\$ 72,800	\$ 137,745	\$ 48,900
Tax-exempt commercial paper	8,000	187,000	-	195,000
TOTAL COMMERCIAL PAPER	\$ 121,845	\$ 259,800	\$ 137,745	\$ 243,900

The University has a \$500 million combined taxable and tax-exempt commercial paper program that is primarily used to bridge finance capital projects and, from time to time, fund operations. The Board approved the current commercial paper program limit of \$500 million in June 2019. In fiscal year 2019, interest rates on commercial paper ranged from 1.19 to 2.54 percent.

The University has four revolving credit agreements from four different banks in an aggregate amount of \$500 million to provide liquidity for its operating expenses and variable-rate debt obligations. In the event of default under the agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions. As of June 30, 2019, there were no advances outstanding, collateral pledged, or subjective acceleration clauses.

Note 5

Long-Term Obligations

a. **Long-term debt:** The composition of long-term debt at June 30, 2019, is summarized as follows:

LONG-TERM DEBT (in thousands)	INTEREST RATES AT ISSUANCE	FINAL MATURITY FISCAL YEAR	BEGINNING BALANCE JULY 1, 2018	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2019	CURRENT PORTION
BONDS AND NOTES PAYABLE							
Revenue bonds:							
University of Virginia Series 2009 (9d)	4.16%*	2040	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -
University of Virginia Series 2010 (9d)	3.36%**	2041	190,000	-	-	190,000	-
University of Virginia Series 2011 (9d)	4.0% to 5.0%	2033	61,195	-	2,936	58,259	3,090
University of Virginia Series 2013A (9d)	2.0% to 5.0%	2043	158,535	-	2,421	156,114	2,535
University of Virginia Series 2013B (9d)	5.0%	2037	61,595	-	-	61,595	-
University of Virginia Series 2015A-1 (9d)	4.0%	2045	86,995	-	-	86,995	-
University of Virginia Series 2015A-2 (9d)	3.57% to 5.0%	2045	97,735	-	-	97,735	-
University of Virginia Series 2015B (9d)	2.0% to 5.0%	2022	106,910	-	-	106,910	-
University of Virginia Series 2017A (9d)	4.0% to 5.0%	2047	231,780	-	-	231,780	-
University of Virginia Series 2017B (9d)	4.0% to 5.0%	2046	123,440	-	-	123,440	-
University of Virginia Series 2017C (9d)	4.2%	2118	300,000	-	-	300,000	-
University of Virginia Series 2018A (9d)	4.0%	2049	64,080	-	-	64,080	-
University of Virginia Series 2018B (9d)	4.0%	2049	135,920	-	-	135,920	-
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	1,313	-	650	663	311
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	6,920	-	3,390	3,530	3,530
Notes payable to VCBA 2010B (9d)	2.0% to 5.0%	2021	3,435	-	-	3,435	-
Other	various	various	2,238	3,033	185	5,086	720
Total bonds and notes payable			\$ 1,882,091	\$ 3,033	\$ 9,582	\$ 1,875,542	\$ 10,186
Less: Current portion of debt			(9,581)	(605)	-	(10,186)	
Bond premium			123,319	-	8,313	115,006	
NET LONG-TERM DEBT			\$ 1,995,829	\$ 2,428	\$ 17,895	\$ 1,980,362	

* The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2 percent. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35 percent. This amount has been reduced as noted in the footnote on the next page. With the current credit, the effective interest rate on the bonds is reduced to 4.16 percent.

** The University of Virginia Series 2010 (9d) revenue bonds are Build America Bonds, issued at five percent. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35 percent. This amount has been reduced as noted in the footnote on the next page. With the current credit, the effective interest rate on the bonds is reduced to 3.36 percent.



At its June 2019 meeting, the University's Board of Visitors approved an extension to its shelf registration program for issuing up to \$500 million in fixed or variable rate bonds. The maximum yield on fixed rate bonds, or the initial maximum yield on variable bonds, is authorized up to six percent per year.

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

FISCAL YEAR MATURITIES <i>(in thousands)</i>	PRINCIPAL	INTEREST	BUILD AMERICA BONDS INTEREST REBATE	NET INTEREST EXPENSE
2020*	\$ 10,186	\$ 89,874	\$ (8,208)	\$ 81,666
2021	10,481	89,401	(8,208)	81,193
2022	113,907	86,437	(8,208)	78,229
2023	7,292	83,577	(8,208)	75,369
2024	7,297	83,259	(8,208)	75,051
2025-2029	25,496	412,263	(41,037)	371,226
2030-2034	25,110	405,587	(41,037)	364,550
2035-2039	248,400	383,549	(41,037)	342,512
2040-2044	652,835	226,590	(7,223)	219,367
2045-2049	474,540	113,573	-	113,573
2050-2054	-	62,685	-	62,685
2055-2059	-	62,685	-	62,685
2060-2064	-	62,685	-	62,685
2065-2069	-	62,685	-	62,685
2070-2074	-	62,685	-	62,685
2075-2079	-	62,685	-	62,685
2080-2084	-	62,685	-	62,685
2085-2089	-	62,685	-	62,685
2090-2094	-	62,685	-	62,685
2095-2099	-	62,685	-	62,685
2100-2104	-	62,685	-	62,685
2105-2109	-	62,685	-	62,685
2110-2114	-	62,685	-	62,685
2115-2119	300,000	43,879	-	43,879
TOTAL	\$ 1,875,544	\$ 2,832,894	\$ (171,374)	\$ 2,661,520

* Fiscal year 2019 represents a 6.6 percent reduction in the credit interest payment for September 1, 2018, and a 6.2 percent reduction in the credit interest payment for March 1, 2019. The 6.2 percent sequestration reduction rate will be applied to all future years unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.



Prior Year Refundings: As of June 30, 2019, prior years' in-substance defeased bonds and notes had no outstanding balances.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2019, is summarized as follows:

LONG-TERM LIABILITIES <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2018	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2019
Investments held for related entities	\$ 19,526	\$ 2,494	\$ 2,206	\$ 19,814
Accrual for compensated absences	90,521	108,641	98,714	100,448
Perkins loan program	9,047	-	-	9,047
Investment in Culpeper Regional Hospital	40,727	-	4,774	35,953
Irrevocable split-interest agreements	70,748	7,489	5,318	72,919
Service concession arrangements	11,244	13,876	-	25,120
Other	24,306	6,404	11,193	19,517
Total long-term liabilities	\$ 266,119	\$ 138,904	\$ 122,205	\$ 282,818
Less: Current portion of long-term liabilities	(91,946)	(10,128)	(605)	(101,469)
NET LONG-TERM LIABILITIES	\$ 174,173	\$ 128,776	\$ 121,600	\$ 181,349

Note 6

Derivatives

The University recognizes all derivative instruments as either assets or liabilities on the Statement of Net Position at their respective fair values. Changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the Statement of Net Position. Changes in fair values of investment derivative instruments, including derivative instruments that are determined to be ineffective, are reported as investment income or loss on the Statement of Revenues, Expenses and Changes in Net Position. On June 30, 2019, the University held the following derivative instruments:

INVESTMENT DERIVATIVE INSTRUMENTS <i>(in thousands)</i>	EFFECTIVE DATE	MATURITY DATE	RATE PAID	RATE RECEIVED	NOTIONAL AMOUNT	FAIR VALUE ASSET (LIABILITY)	CHANGE IN FAIR VALUE
INVESTMENT DERIVATIVE ASSETS							
Fixed-receiver interest rate swaps	4/8/2015	8/1/2021	SIFMA*	1.2%	\$ 128,000	\$ 140	\$ 2,849
TOTAL INVESTMENT DERIVATIVE ASSETS					\$ 128,000	\$ 140	\$ 2,849
INVESTMENT DERIVATIVE LIABILITY							
Fixed-payer interest rate swaps	6/1/2008	6/1/2038	4.07-4.15%	SIFMA*	\$ 100,000	\$ (35,068)	\$ (9,886)
TOTAL INVESTMENT DERIVATIVE LIABILITIES					\$ 100,000	\$ (35,068)	\$ (9,886)

* Securities Industry and Financial Markets Municipal Swap Index

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

RISK

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

Credit risk is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2019, the University's swap counterparties were rated at least BBB+ from Standard & Poor's or A3 by Moody's Investors Service. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. As of June 30, 2019, no collateral was required to be posted by the counterparties.

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

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

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

Note 7

Affiliated Companies

NOVANT HEALTH UNIVERSITY OF VIRGINIA HEALTH SYSTEM

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

UNIVERSITY OF VIRGINIA / HEALTHSOUTH, LLC

The Medical Center entered into a joint venture with HEALTHSOUTH Corporation to establish an acute rehabilitation facility, located at the Fontaine Research Park in Charlottesville, Virginia, to provide patient services to the region. The Medical Center made a capital contribution of \$2.2 million to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: HEALTHSOUTH Corporation, 7700 East Parham Road, Richmond, VA 23294.

VALIANCE HEALTH, LLC

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

UNIVERSITY HEALTH SYSTEM CONSORTIUM

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

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

VALLEY REGIONAL HEALTH AND UNIVERSITY OF VIRGINIA RADIOSURGERY CENTER, LLC

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

HEALTHCARE PARTNERS, INC.

In May 1995, HealthCare Partners, Inc., a non-stock, non-profit corporation, was established to support networking, external business relationships with neighboring hospitals and physicians groups, and expansion of primary care activities. The Medical Center and UPG are the primary contributors to the funding of the corporation. Healthcare Partners, Inc. is governed by a board of directors composed of the following members: Medical Center Operating Board Chairman, the Chief Executive Officer and Chief Financial Officer of the Medical Center, UPG representatives, community members, and President appointees.

During the May 2014 Board Meeting for HealthCare Partners, Inc., a resolution was passed for HealthCare Partners to acquire a 15 percent membership interest in BroadAxe Care Coordination, LLC., without imposing any obligations on the part of the UPG, for \$599,925. On October 30, 2015, this transaction was processed, and is considered an equity contribution by the Medical Center and HealthCare Partners.

During the June 2019 Board Meeting for HealthCare Partners, Inc., the Board passed by unanimous vote the Plan of Complete Liquidation and Dissolution of Healthcare Partners, Inc. As a result of the dissolution of Healthcare Partners, Inc., the Broadaxe investment will be recorded on the Medical Center's books at June 30, 2019. The remaining asset, cash, will be distributed based on the contributing partners' investment percentages during fiscal year 2020.

FORTIFY CHILDREN'S HEALTH, LLC

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

BROADAXE CARE COORDINATION, INC.

As a result of the dissolution of Healthcare Partners, Inc., in June 2019, the 8.73 percent investment in the Broadaxe Care Coordination, Inc. was transferred to the Medical Center. Broadaxe, also known as Locus-Health Broad Axe, is the remote patient monitoring system used by the Medical Center to manage the reductions with readmissions. The Medical Center will use the equity method of accounting to record the financial activity of Broadaxe Care Coordination, Inc.

GLOBAL GENOMICS AND BIOINFORMATICS RESEARCH INSTITUTE

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

The GGBRI will be located at the campus of the Inova Center for Personalized Health in Falls Church, Virginia. In June 2018, the University agreed to contribute \$53.5 million to retrofit Building C into laboratory and ancillary research space and \$4 million for the recruitment of high performing researchers. The University was also appropriated and allotted \$20 million in VCBA funds in August 2017 in accordance with Item C-52.10 and Item 478.20 of Chapter 780 of the 2016 Acts of Assembly, as amended by Chapter 836 of the 2017 Acts of Assembly. The Commonwealth will also contribute \$8 million to UVA for immediate transfer to the GGBRI for recruitment of high performing researchers. As of June 30, 2019, the University has made \$7.1 million in contributions to the GGBRI.

Details of the University's net investment in affiliated companies, accounted for using the equity method of accounting as of June 30, 2019, is summarized below:

INVESTMENT IN AFFILIATED COMPANIES <i>(in thousands)</i>	CAPITAL CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
Riverside	\$ -	\$ 560	\$ 560
Fortify Children's Health, LLC	1,050	(1,140)	(90)
Broadaxe Care Coordination, Inc.	805	-	805
Valley Regional Health, LLC	5	-	5
Valiance, LLC	249	-	249
University Health System Consortium	4,087	-	4,087
HEALTHSOUTH, LLC	-	20,715	20,715
Novant	94,041	(28,164)	65,877
Global Genomics and Bioinformatics Research Institute	7,100	(1,798)	5,302
TOTAL INVESTMENT IN AFFILIATED COMPANIES	\$ 107,337	\$ (9,827)	\$ 97,510

Note 8

Component Units

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

STATEMENT OF FINANCIAL POSITION (in thousands) as of June 30, 2019	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
ASSETS											
Current assets											
Cash and cash equivalents	\$ 36	\$ 11,746	\$ 8,336	\$ 32,584	\$ 10,780	\$ 11,860	\$ 185	\$ 32,193	\$ 2,695	\$ -	\$ 110,415
Receivables	3,747	10,535	20,406	1,992	13,866	12,930	7,406	116,239	2,917	-	190,038
Short-term investments	37,249	832	4,251	26,804	-	-	9,565	1,901	587,668	-	668,270
Other current assets	126	292	1,587	49	295	14	904	1,739	542	-	5,548
Total current assets	41,158	23,405	34,580	61,429	24,941	24,804	18,060	152,072	593,822	-	974,271
Noncurrent assets											
Long-term investments	489,602	113,484	360,113	318,238	377,385	70,516	117,172	264,173	9,229,966	(1,808,028)	9,532,621
Capital assets, net and other assets	27,504	21,112	107,063	9,755	128,330	22,905	339,140	37,718	5,111	(8,005)	690,633
Total noncurrent assets	517,106	134,596	467,176	327,993	505,715	93,421	456,312	301,891	9,235,077	(1,816,033)	10,223,254
TOTAL ASSETS	\$ 558,264	\$ 158,001	\$ 501,756	\$ 389,422	\$ 530,656	\$ 118,225	\$ 474,372	\$ 453,963	\$ 9,828,899	\$ (1,816,033)	\$ 11,197,525
LIABILITIES AND NET ASSETS											
Current liabilities											
Total current liabilities	\$ 506	\$ 785	\$ 16,708	\$ 117,973	\$ 12,127	\$ 2,888	\$ 88,825	\$ 180,999	\$ 6,454	\$ -	\$ 427,265
Noncurrent liabilities											
Long-term debt, net of debt issuance cost and current portion of \$5,181	-	273	2,880	-	22,500	-	109,378	2,700	-	-	137,731
Other noncurrent liabilities	442	-	-	3,711	24,863	-	128,356	151,028	9,804,665	(1,816,033)	8,297,032
Total noncurrent liabilities	442	273	2,880	3,711	47,363	-	237,734	153,728	9,804,665	(1,816,033)	8,434,763
TOTAL LIABILITIES	\$ 948	\$ 1,058	\$ 19,588	\$ 121,684	\$ 59,490	\$ 2,888	\$ 326,559	\$ 334,727	\$ 9,811,119	\$ (1,816,033)	\$ 8,862,028
NET ASSETS											
Unrestricted	\$ 80,031	\$ 2,762	\$ 86,451	\$ 79,136	\$ 11,844	\$ 23,596	\$ 56,751	\$ 119,236	\$ 17,780	\$ -	\$ 477,587
Temporarily restricted	298,105	64,552	191,811	107,750	146,352	49,843	76,286	-	-	-	934,699
Permanently restricted	179,180	89,629	203,906	80,852	312,970	41,898	14,776	-	-	-	923,211
TOTAL NET ASSETS	\$ 557,316	\$ 156,943	\$ 482,168	\$ 267,738	\$ 471,166	\$ 115,337	\$ 147,813	\$ 119,236	\$ 17,780	\$ -	\$ 2,335,497
TOTAL LIABILITIES AND NET ASSETS	\$ 558,264	\$ 158,001	\$ 501,756	\$ 389,422	\$ 530,656	\$ 118,225	\$ 474,372	\$ 453,963	\$ 9,828,899	\$ (1,816,033)	\$ 11,197,525

* December 31, 2018, year-end

STATEMENT OF ACTIVITIES <i>(in thousands)</i> <i>for the year ended June 30, 2019</i>	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
UNRESTRICTED REVENUES AND SUPPORT										
Contributions	\$ 3,555	\$ 6,618	\$ 4,203	\$ 1,201	\$ 1,483	\$ 12,586	\$ 70	\$ -	\$ -	\$ 29,716
Fees for services, rentals, and sales	-	-	21,026	6,133	-	1,245	45,695	367,140	-	441,239
Other revenues	26,636	15,797	25,086	47,619	36,401	21,414	13,850	149,366	21,540	357,709
TOTAL UNRESTRICTED REVENUES AND SUPPORT	30,191	22,415	50,315	54,953	37,884	35,245	59,615	516,506	21,540	828,664
EXPENSES										
Program services, lectures, and special events	22,404	14,741	45,484	47,507	16,936	35,594	28,160	403,775	14,848	629,449
Other expenses	4,776	6,425	8,117	6,201	3,807	3,890	27,453	121,263	5,036	186,968
TOTAL EXPENSES	27,180	21,166	53,601	53,708	20,743	39,484	55,613	525,038	19,884	816,417
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	3,011	1,249	(3,286)	1,245	17,141	(4,239)	4,002	(8,532)	1,656	12,247
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	4,894	9,097	31,502	29,948	1,923	17,461	740	-	-	95,565
Other	(1,015)	(8,052)	(8,108)	(26,490)	(8,308)	(20,296)	(470)	-	-	(72,739)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	3,879	1,045	23,394	3,458	(6,385)	(2,835)	270	-	-	22,826
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	12,090	9,140	39,916	4,600	102,068	354	-	-	-	168,168
Other	(446)	(116)	-	(348)	(9,575)	(922)	-	-	-	(11,407)
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	11,644	9,024	39,916	4,252	92,493	(568)	-	-	-	156,761
CHANGE IN NET ASSETS	18,534	11,318	60,024	8,955	103,249	(7,642)	4,272	(8,532)	1,656	191,834
Net assets - beginning of year	538,782	145,625	422,144	258,783	367,917	122,979	143,541	127,768	16,124	2,143,663
NET ASSETS - END OF YEAR	\$ 557,316	\$ 156,943	\$ 482,168	\$ 267,738	\$ 471,166	\$ 115,337	\$ 147,813	\$ 119,236	\$ 17,780	\$2,335,497

* December 31, 2018, year-end



PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units record an allowance against pledges receivable for estimated uncollectible amounts. UPG does not accept gifts. Unconditional promises to give at June 30, 2019, are as follows:

PLEDGES RECEIVABLE (in thousands)	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	COMPONENT UNITS TOTAL
Total pledges receivable	\$ 19,507	\$ 36,399	\$ 66,571	\$ 4,795	\$ 112,297	\$ 29,352	\$ 268,921
Less:							
Allowance for uncollectible accounts	(1,010)	(3,942)	(982)	(2,459)	(6,077)	(1,578)	(16,048)
Unamortized discount to present value	(1,671)	(4,581)	(4,179)	(116)	(13,657)	(1,066)	(25,270)
Total pledges receivable, net	16,826	27,876	61,410	2,220	92,563	26,708	227,603
Less: Current portion, net of allowance	(3,736)	(10,535)	(16,244)	(768)	(13,866)	(11,633)	(56,782)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 13,090	\$ 17,341	\$ 45,166	\$ 1,452	\$ 78,697	\$ 15,075	\$ 170,821

* December 31, 2018, year-end

INVESTMENTS

Investments are recorded at fair value, which is determined by readily available quotes on the stock exchange or as quoted by UVIMCO. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class on June 30, 2019, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS (in thousands)	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
Common stocks, corporate notes, bonds, limited partnerships, and agency securities	\$ 81	\$ -	\$ 17,620	\$ 21,124	\$ 3,511	\$ -	\$ -	\$ 157,262	\$ 2,451,162	\$ -	\$ 2,650,760
University of Virginia Investment Management Company	399,576	113,484	320,105	314,992	366,720	70,267	122,440	100,444	-	(1,808,028)	-
Mutual and money market funds	37,170	832	26,639	1,886	-	-	1,334	7,771	229,816	-	305,448
Other	90,024	-	-	7,040	7,154	249	2,963	597	7,136,656	-	7,244,683
Total investments	526,851	114,316	364,364	345,042	377,385	70,516	126,737	266,074	9,817,634	(1,808,028)	10,200,891
Less: Short-term investments	(37,249)	(832)	(4,251)	(26,804)	-	-	(9,565)	(1,901)	(587,668)	-	(668,270)
LONG-TERM INVESTMENTS	\$ 489,602	\$ 113,484	\$ 360,113	\$ 318,238	\$ 377,385	\$ 70,516	\$ 117,172	\$ 264,173	\$ 9,229,966	\$ (1,808,028)	\$ 9,532,621

* December 31, 2018, year-end

UVIMCO has investments in limited partnership hedge funds, private equity, venture capital investments and similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at NAV, based on UVIMCO's interest in the investee as determined and reported by the external manager of the investment. Such investments represent \$8.7 billion on June 30, 2019. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

CAPITAL ASSETS

Capital assets are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over the estimated useful lives of the assets using the straight-line method. As of June 30, 2019, capital assets consisted of the following:

CAPITAL ASSETS (in thousands)	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDA- TION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
Land	\$ 152	\$ -	\$ 633	\$ 4,242	\$ -	\$ 80,482	\$ 3,279	\$ -	\$ 88,788
Buildings and improvements	914	110,741	8,179	23,292	-	298,167	42,928	4,621	488,842
Furnishings and equipment	312	3,430	2,188	1,710	51	29,325	24,721	1,275	63,012
Collections	-	-	-	96	-	33	-	-	129
Construction in progress	-	2,438	-	43	-	55,416	3,025	-	60,922
Total	1,378	116,609	11,000	29,383	51	463,423	73,953	5,896	701,693
Less: Accumulated depreciation	(441)	(55,142)	(6,618)	(7,257)	(39)	(126,042)	(37,341)	(785)	(233,665)
NET CAPITAL ASSETS	\$ 937	\$ 61,467	\$ 4,382	\$ 22,126	\$ 12	\$ 337,381	\$ 36,612	\$ 5,111	\$ 468,028

* December 31, 2018, year-end

SHORT-TERM AND LONG-TERM DEBT

The foundations listed below had the following lines of credit available and outstanding as of June 30, 2019:

LINES OF CREDIT (in thousands)	AVAILABLE	CURRENT OUTSTANDING BALANCE	NONCURRENT OUTSTANDING BALANCE
UVA			
Wells Fargo, N.A.	\$ 34,000	\$ -	\$ 28,000
Bank of America, N.A.	85,000	67,070	-
U.S. Bank, N.A.	25,000	-	10,000
BB&T	35,000	-	25,000
Darden School Foundation			
Suntrust, N.A.	\$ 3,000	\$ 2,300	\$ -
UPG			
Atlantic Union Bank	\$ 3,000	\$ -	\$ -
TOTAL	\$ 185,000	\$ 69,370	\$ 63,000



The composition of the long-term debt of the component units on June 30, 2019, is summarized as follows:

LONG-TERM DEBT <i>(in thousands)</i>	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
University of Virginia Phase I and II	\$ -	\$ 5,838	\$ -	\$ -	\$ -	\$ 5,838
Notes payable	400	-	-	33,272	2,700	36,372
Recovery Zone Facility Bond	-	-	-	7,460	-	7,460
2011 Refinancing demand bonds	-	-	-	7,742	-	7,742
2017 Variable rate bank bonds	-	-	22,500	-	-	22,500
Total	400	5,838	22,500	48,474	2,700	79,912
Less: Current portion	(127)	(2,958)	-	(2,011)	-	(5,096)
Less: Unamortized issuance costs	-	-	-	(85)	-	(85)
NET LONG-TERM DEBT	\$ 273	\$ 2,880	\$ 22,500	\$ 46,378	\$ 2,700	\$ 74,731

Principal maturities of long-term debt obligations on June 30, 2019, are as follows:

MATURITIES <i>(in thousands)</i>	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2020	\$ 127	\$ 2,958	\$ -	\$ 2,011	\$ -	\$ 5,096
2021	134	2,880	-	2,725	112	5,851
2022	139	-	-	2,852	230	3,221
2023	-	-	-	8,752	239	8,991
2024	-	-	-	1,582	248	1,830
Thereafter	-	-	22,500	30,552	1,871	54,923
TOTAL	\$ 400	\$ 5,838	\$ 22,500	\$ 48,474	\$ 2,700	\$ 79,912



LEASES

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

LEASES (in thousands)	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2020	\$ 2,598	\$ 710	\$ 2,845	\$ 6,153
2021	2,810	691	2,430	5,931
2022	2,903	628	2,135	5,666
2023	2,975	215	2,003	5,193
2024	3,050	220	1,850	5,120
Thereafter	27,228	980	1,097	29,305
TOTAL	\$ 41,564	\$ 3,444	\$ 12,360	\$ 57,368

For fiscal year 2019, rental expense for all Foundations was \$6.2 million.

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY

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

The University has entered into agreements with the Darden School Foundation in which the University has committed to reimburse the Darden School Foundation for any defaults the Darden School Foundation is required to pay under its student loan guarantee programs with three banks. As of June 30, 2019, there were outstanding student loan balances under the program of approximately \$21.5 million. At the inception of the agreements with the banks, origination fees were used to fund reserve accounts that are to be used to cover subsequent student loan defaults. As of June 30, 2019, the reserve account balances totaled \$263,236. No payments have been made to the Darden School Foundation related to student loan guarantee program defaults.

UPG has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately \$70.1 million for the year ended June 30, 2019. Approximately \$10.8 million of the fiscal year payments were provided through the Medical Center for the purpose of treating indigent and Medicaid patients. UPG contributed approximately \$28.6 million to the University in support of various academic programs, equipment, teaching

and research for the year ended June 30, 2019.

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

During fiscal year 2018, UVAF entered into an Investment Management Agreement with the University. Under the agreement, the University will, from time to time, deposit funds to be held in the custody and control of the Foundation, with the University retaining beneficial ownership of the funds. The funds will be invested and reinvested by the Foundation to the extent permitted by the agreement and provide other related services for or on behalf of the University, all for the benefit of the University. The total aggregate amount held by the Foundation shall not exceed \$100 million. Furthermore, funds from the agreement were used to pay off the affiliated notes payable agreements. At June 30, 2019, the outstanding balance due to UVA was \$61.1 million.

Note 9

Expense Classification Matrix

The composition of the University's operating expenses by functional classification for the year ended June 30, 2019, is as follows:

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION (in thousands)	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	\$ 408,315	\$ 53,346	\$ 6,330	\$ -	\$ 1,703	\$ 469,694
Research	264,834	140,727	18,818	-	1,025	425,404
Public service	26,403	25,594	795	-	602	53,394
Academic support	143,062	39,997	596	-	496	184,151
Student services	38,007	14,615	287	-	253	53,162
Institutional support	142,407	98,786	439	-	648	242,280
Operation of plant	98,256	14,686	-	-	208	113,150
Student aid	2,400	4,848	77,033	-	175	84,456
Auxiliary	85,772	62,915	495	-	446	149,628
Depreciation	-	-	-	141,376	-	141,376
Patient services	739,912	781,497	-	102,444	-	1,623,853
Other	8,519	1,118	-	-	2,373	12,010
Central services recoveries	-	(32,470)	-	-	-	(32,470)
TOTAL OPERATING EXPENSES	\$ 1,957,887	\$ 1,205,659	\$ 104,793	\$ 243,820	\$ 7,929	\$ 3,520,088

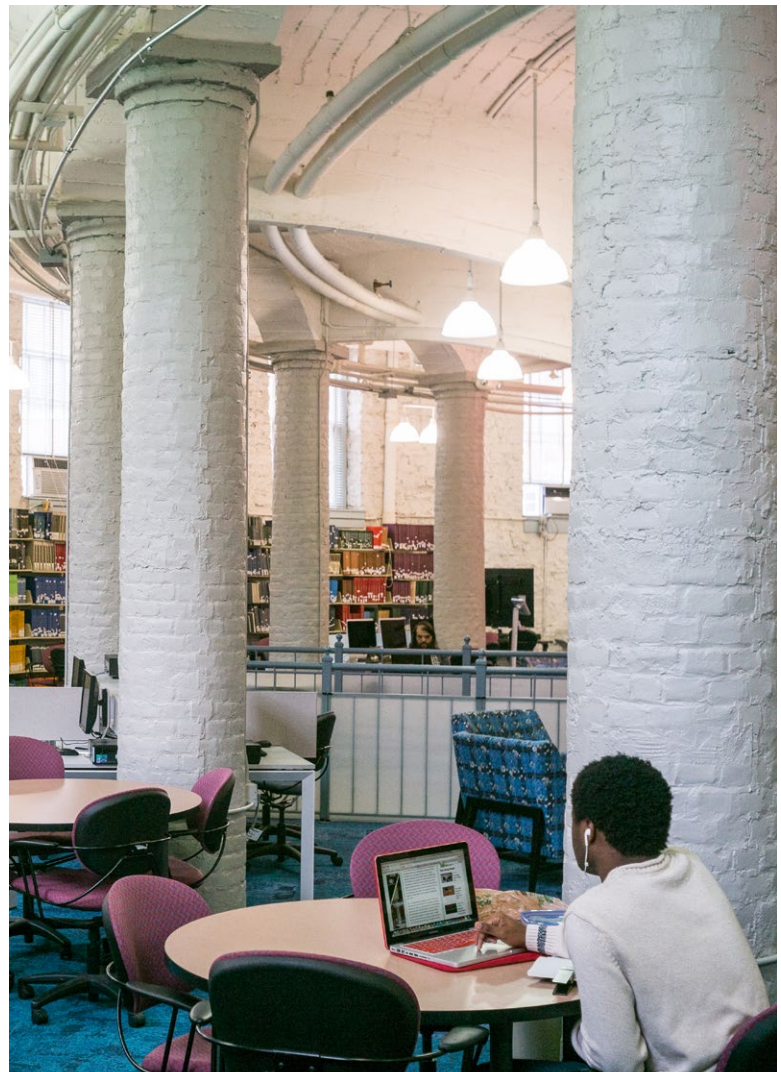
Note 10

Appropriations

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

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions for the year ended June 30, 2019, is provided in the following chart:

APPROPRIATIONS (in thousands)	
Original legislative appropriation per Chapter 854	\$ 147,411
Adjustments:	
Financial aid - General Fund	14,743
Financial assistance for educational and general	12,998
TOTAL	\$ 175,152



Note 11

Retirement Plans

VIRGINIA RETIREMENT SYSTEM

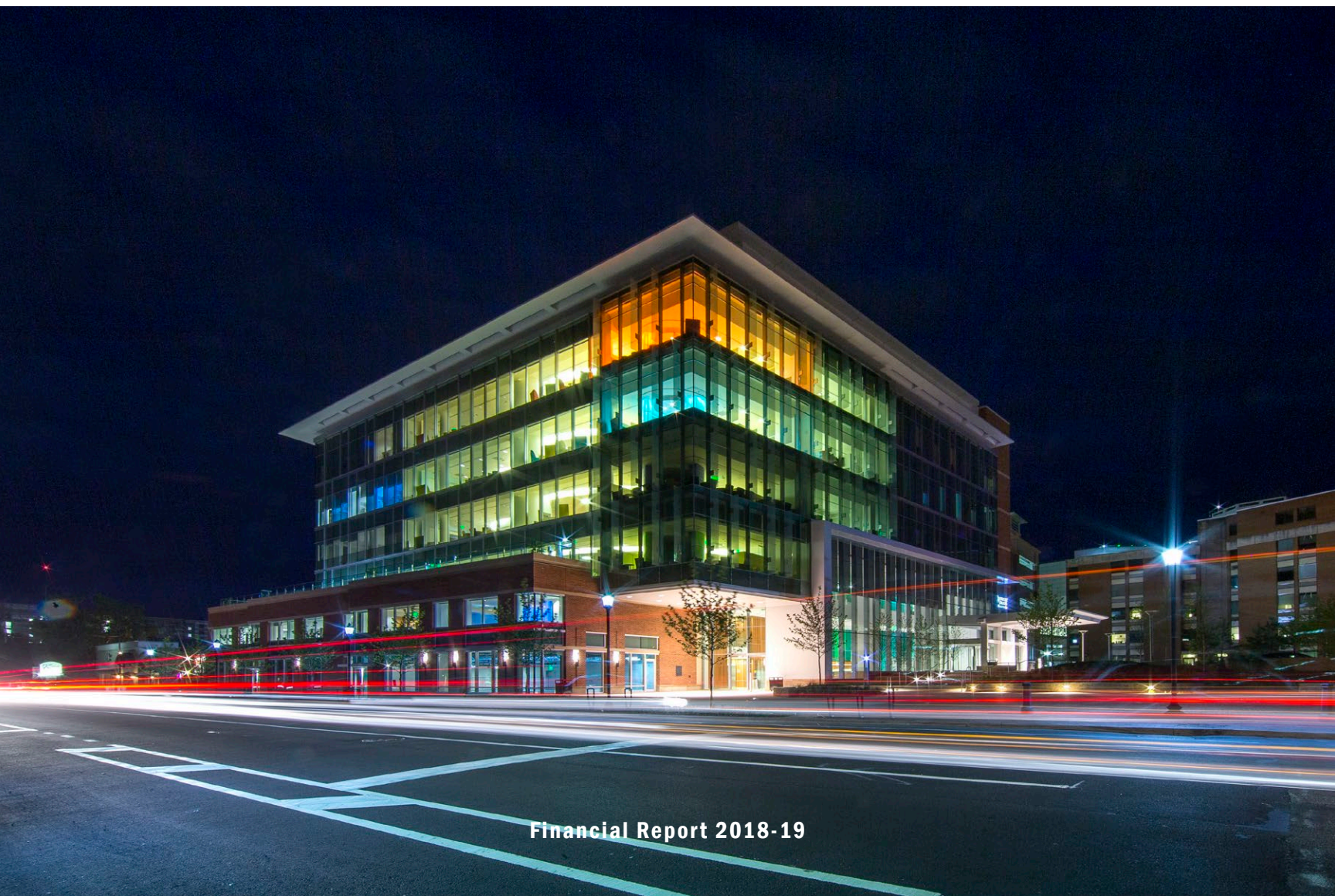
All full-time, salaried, permanent employees of state agencies and higher education institutions are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service 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.

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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, creditable service is used to determine vesting for the employer contribution portion of the plan.



RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p>Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.</p> <p>Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>Defined Contribution Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p>Defined Benefit Component: See definition under Plan 1.</p> <p>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.</p>

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) In Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility:</p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates:</p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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 under the Virginia Sickness and Disability Program (VSDP). • 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. 	<p>Cost-of-Living Adjustment (COLA) In Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility:</p> <p>Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) In Retirement</p> <p>Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates:</p> <p>Same as Plan 1 and Plan 2.</p>

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



Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute five percent of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2019, was 13.52 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.88 percent of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$50.9 million and \$48 million for the years ended June 30, 2019, and June 30, 2018, respectively. Contributions from the University to the VaLORS Retirement Plan were \$718,919 and \$649,117 for the years ended June 30, 2019, and June 30, 2018, respectively.

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

At June 30, 2019, the University reported a liability of \$468.7 million for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability (NPL) and a liability of \$5.5 million for its proportionate share of the VaLORS Retirement Plan NPL. The NPL was measured as of June 30, 2018, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. The University's proportion of the NPL was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the University's proportion of the VRS State Employee Retirement Plan was 8.66 percent as compared to 8.59 percent at June 30, 2017. At June 30, 2018, the University's proportion of the VaLORS Retirement Plan was 0.89 percent as compared to 0.87 percent at June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$26.3 million for the VRS State Employee Retirement Plan and \$416,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2017, and June 30, 2018, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

YEAR ENDING JUNE 30 (in thousands)	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 3	\$ 28,488
Change in assumptions	3,139	195
Net difference between projected and actual earnings on pension plan investments	-	12,338
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,538	1,911
Employer contributions subsequent to the measurement date	51,581	-
TOTAL	\$ 70,261	\$ 42,932

Deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date of \$51.6 million will be recognized as a reduction of the NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDING JUNE 30 (in thousands)	
2020	\$ 1,272
2021	(3,493)
2022	(20,711)
2023	(1,320)
TOTAL	\$ (24,252)



Actuarial Assumptions: VRS State Employee Retirement Plan

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7 percent. However, since the difference was minimal, and a more conservative 7 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions: VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7 percent. However, since the difference was minimal, and a more conservative 7 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7 percent to simplify preparation of pension liabilities.

Mortality rates:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows:

NET PENSION LIABILITY <i>(in thousands)</i>	STATE EMPLOYEE RETIREMENT PLAN	VaLORS RETIREMENT PLAN
Total pension liability	\$ 23,945,821	\$ 2,047,161
Less: Plan fiduciary net position	(18,532,189)	(1,423,980)
EMPLOYERS' NET PENSION LIABILITY	\$ 5,413,632	\$ 623,181
Plan fiduciary net position as a percentage of the total pension liability	77.39%	69.56%

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

Long-Term Expected Rate of Return

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

ASSET CLASS (STRATEGY)	TARGET ALLOCATION	ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN PLAN	WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN
Public equity	40%	4.54%	1.82%
Fixed income	15%	0.69%	0.10%
Credit strategies	15%	3.96%	0.59%
Real assets	15%	5.76%	0.86%
Private equity	15%	9.53%	1.43%
TOTAL	100%		4.80%
Inflation			2.50%
Expected arithmetic nominal return*			7.30%

* The above allocation provides a one-year return of 7.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.5 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan NPL and the VaLORS Retirement Plan NPL using the discount rate of 7 percent, as well as what the University's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate:

SENSITIVITY OF NET PENSION LIABILITY (In thousands)	1% DECREASE (6%)	CURRENT DISCOUNT RATE (7%)	1% INCREASE (8%)
The University's proportionate share of the VRS State Employee Retirement Plan net pension liability	\$ 709,573	\$ 468,658	\$ 265,850
The University's proportionate share of the VaLORS Retirement Plan net pension liability	7,873	5,548	3,624
TOTAL NET PENSION LIABILITY	\$ 717,446	\$ 474,206	\$ 269,474

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan at June 30, 2019, was approximately \$1.5 million for legally required contributions into the plans.

OPTIONAL RETIREMENT PLANS

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

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

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

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

Total pension costs under the Optional Retirement Plans were approximately \$70.1 million and were calculated using base salaries of \$943.3 million, for the year ended June 30, 2019. The contribution percentage amounted to 7.4 percent.

DEFERRED COMPENSATION PLANS

State employees may elect to participate in the Commonwealth's Deferred Compensation 457 Plan and/or the University's 403(b) Plan. Participating employees can contribute to either plan each pay period, with the Commonwealth matching at 50 percent up to \$20 per pay period, or \$40 per month. This dollar amount match can change depending on the funding available in the Commonwealth's budget. The Employer Matching Plan falls under Section 401(a) of the Internal Revenue Code. Employer contributions for University employees to the 401(a) plan were approximately \$2.8 million for the year ended June 30, 2019.

The Deferred Compensation Plan for the University Medical Center employees hired on or after September 30, 2002, allows employee contributions up to four percent of their salary and an employer match of 50 percent of the employee's four percent deferral amount, not to exceed two percent of the employee's salary. Employer contributions under this plan were approximately \$4.6 million for the year ended June 30, 2019.

The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and University Medical Center. The University makes contributions on behalf of each participant as determined by the Board of Visitors. For the year ended June 30, 2019, the University contributed \$1.7 million to these accounts.

Note 12

Postemployment Benefits Other Than Pension Benefits

VIRGINIA RETIREMENT SYSTEM OTHER POSTEMPLOYMENT (OPEB) PLANS

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

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

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

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS			
GLI	HIC	LODA	VSDP
<p>Benefit Amounts</p> <p>The benefits payable under the GLI program have several components:</p> <ul style="list-style-type: none"> • 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, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. 	<p>Benefit Amounts</p> <p>The HIC program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For State employees who retire with at least 15 years of service credit, the monthly benefit is \$4 per year of service per month with no cap on the benefit amount. • Disability Retirement – For State employees, other than state police officers, who retire on disability or go on long-term disability under the VSDP program, the monthly benefit is \$120 or \$4 per year of service, whichever is higher. <p>For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the VSDP program the monthly benefit is \$120 or \$4 per year of service, whichever is higher.</p> <p>For State police officers employees with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the LODA program. However, they may receive the credit for premiums paid for other qualified health plans.</p> <p>The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.</p>	<p>Benefit Amounts</p> <p>The LODA program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The LODA death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> • \$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 – The LODA program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act. 	<p>Benefit Amounts</p> <p>The VSDP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • Long-Term Disability – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP. • Income Replacement Adjustment – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • VSDP 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.

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS			
GLI	HIC	LODA	VSDP
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.	Reduction in Benefit Amounts Not applicable	Reduction in Benefit Amounts Not applicable	Reduction in Benefit Amounts Not applicable
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. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.	Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) Not applicable	Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) Not applicable	Minimum Benefit Amount and 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. <ul style="list-style-type: none"> Plan 1 employees vested as of January 1, 2013 – 100% of the VRS Plan1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%). Plan 1 employee non-vested as of January 1, 2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%). 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. <ul style="list-style-type: none"> 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% 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 <ul style="list-style-type: none"> 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%.

CONTRIBUTIONS

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent (1.31 percent x 60 percent) and the employer component was 0.52 percent (1.31 percent x 40 percent). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contribution to the GLI program from the University were \$1.9 million and \$2.1 million for the years ended June 30, 2019 and June 30, 2018, respectively.

The contribution requirement for the HIC program for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2019 was 1.17 percent of covered employee compensation for employees in the HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the HIC program were \$14.9 million and \$14.7 million for the years ended June 30, 2019 and June 30, 2018, respectively.

The contribution requirements for the LODA program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were \$38,817 and \$34,936 for the years ended June 30, 2019 and June 30, 2018, respectively.

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2019 was 0.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were \$2 million and \$2 million for the years ended June 30, 2019 and June 30, 2018, respectively.

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO VRS OPEB PLANS

At June 30, 2019, the University reported a liability of \$197.4 million for its proportionate share of the Net OPEB Liability (NOL) for GLI, HIC, and LODA Programs. At June 30, 2019, the University reported an asset of \$17 million for its proportionate share of the Net VSDP OPEB Asset (NOA). The NOL/(NOA) was measured as of June 30, 2018 and the total OPEB liability used to calculate the NOL/(NOA) was determined by an actuarial valuation as of that date.

The University's proportion of the NOL/(NOA) for GLI, HIC, and VSDP was based on the University's actuarially determined employer contributions to those programs for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. The University's proportion of the LODA NOL was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. The schedule below presents the University's proportion at June 30, 2018 and June 30, 2017.

University's proportion of contributions, as of June 30, 2018

DIVISION	GLI	HIC	LODA	VSDP
Academic - State Employees	1.6187%	11.5956%	N/A	(7.3087%)
Academic - Law Officers	0.0142%	0.0401%	0.2717%	(0.0515%)
Medical Center	0.1839%	6.5325%	N/A	N/A
College at Wise - State Employees	0.0463%	0.2485%	N/A	(0.1968%)
College at Wise - Law Officers	0.0020%	0.0056%	0.0479%	(0.0080%)

University's proportion of contributions, as of June 30, 2017

DIVISION	GLI	HIC	LODA	VSDP
Academic - State Employees	1.5860%	11.3252%	N/A	(7.2587%)
Academic - Law Officers	0.0143%	0.0404%	0.2683%	(0.0520%)
Medical Center	0.1857%	6.3864%	N/A	N/A
College at Wise - State Employees	0.0474%	0.2553%	N/A	(0.2027%)
College at Wise - Law Officers	0.0020%	0.0058%	0.0474%	(0.0084%)

For the year ended June 30, 2019, the University recognized OPEB expense of \$18.1 million. Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the agency reported deferred outflows of resources and deferred inflows of resources related to the VRS administered OPEB from the following sources:

YEAR ENDING JUNE 30 (in thousands)	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 1,643	\$ 1,242
Net difference between projected and actual earnings on OPEB plan investments	-	2,206
Change in assumptions	-	3,823
Changes in proportion	12,057	576
Employer contributions subsequent to the measurement date	18,839	-
TOTAL	\$ 32,539	\$ 7,847

\$18.8 million reported as deferred outflows of resources related to the VRS administered OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense in future reporting periods as follows:

YEAR ENDING JUNE 30 (in thousands)	
2020	\$ 1,144
2021	1,122
2022	1,124
2023	1,789
2024	795
Thereafter	(121)
TOTAL	\$ 5,853

ACTUARIAL ASSUMPTIONS

The total OPEB liability for all VRS Programs was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation 2.5 percent

Salary increases, including inflation per plan:

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

LODA Medical cost trend rates assumption:

Under age 65 7.75 percent - 5 percent
Ages 65 and older 5.75 percent - 5 percent

LODA Year of Ultimate Trend Rate Fiscal year ended 2024

Investment rate of return 7 percent (3.89 percent for LODA), net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7 percent (3.89 percent for LODA). However, since the difference was minimal, and a more conservative 7 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7 percent to simplify preparation of the OPEB liabilities for GLI, HIC, and VSDP. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89 percent was used since it approximates the risk-free rate of return.



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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Teachers* (GLI)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – JRS Employees* (GLI, HIC)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Locality Employees - General Employees* (GLI)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2017 actuarial valuation results which were rolled forward to the measurement date of June 30, 2018. There is limited actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be monitored and factored into future actuarial valuations for the LODA program if and when sufficient experience develops.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for the periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits.

as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when the System certifies current income exceeds salary at the time of the disability, indexed for inflation.

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or net OPEB asset (NOA) for the VRS administered OPEB plans represent the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL and NOA amounts for these programs is as follows:

NET OPEB LIABILITY (ASSET) (in thousands)				
	GLI	HIC	LODA	VSDP
Total OPEB liability	\$ 3,113,508	\$ 1,008,184	\$ 315,395	\$ 237,733
Less: Plan fiduciary net position	(1,594,773)	(95,908)	(1,889)	(462,961)
EMPLOYER'S NET OPEB LIABILITY (ASSET)	\$ 1,518,735	\$ 912,276	\$ 313,506	\$ (225,228)
Plan fiduciary net position as a percentage of the total OPEB liability	51.22%	9.51%	0.60%	194.74%

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

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

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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	40%	4.54%	1.82%
Fixed income	15%	0.69%	0.10%
Credit strategies	15%	3.96%	0.59%
Real assets	15%	5.76%	0.86%
Private equity	15%	9.53%	1.43%
TOTAL	100%		4.80%
Inflation			2.50%
Expected arithmetic nominal return*			7.30%

* The above allocation provides a one-year return of 7.3 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.5 percent.

Long-Term Expected Rate of Return - LODA

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7 percent assumption. Instead, the assumed annual rate of return of 3.89 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total GLI, HIC, and VSDP OPEB liability was 7 percent and 3.89 percent for the LODA OPEB liability. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and 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, 2018, the rate contributed by the University for the OPEBs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the OPEBs' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the University's proportionate share of the NOL/(NOA) using the discount rate of 7 percent (3.89 percent for LODA), as well as what the University's proportionate share of the NOL/(NOA) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

SENSITIVITY OF NET OPEB LIABILITY (ASSET) (in thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the VRS administered net OPEB liability	\$ 224,022	\$ 197,381	\$ 174,894
Employer's proportionate share of the VRS administered net OPEB asset	(16,435)	(17,048)	(17,566)

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

Because the LODA program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the LODA NOL using a health care trend rate of 7.75 percent decreasing to 5 percent, as well as what the University's proportionate share of the LODA NOL would be if it were calculated using a health care trend rate that is one percentage point lower or one

percentage point higher than the current rate:

SENSITIVITY OF LODA NET OPEB LIABILITY (in thousands)			
	1% Decrease (6.75% decreasing to 4%)	Health Care Trend Rates (7.75% decreasing to 5%)	1% Increase (8.75% decreasing to 6%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 854	\$ 1,002	\$ 1,187

VRS Administered OPEB Programs' Fiduciary Net Position

Detailed information about the VRS administered OPEBs' Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

UNIVERSITY OF VIRGINIA OTHER POSTEMPLOYMENT (OPEB PLANS)

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

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

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

The University also provides dental benefits through the UVA Dental Plan for retirees enrolled in the UVA Health Plan that elected dental coverage. Enrollment in the UVA Dental Plan must be completed at initial enrollment in the health benefits program. Dental enrollment can also be added or dropped during the open enrollment period each year. If dropped by the employee, the employee and/or their covered family members will not be able to re-enroll in the dental plan. As of June 30, 2019, the premiums paid by retirees exceed dental claims, as such, there is no liability associated with this plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2019, the University and Medical Center contributed \$7,623 to the plan for retiree costs. Retirees receiving benefits contributed \$3.9 million, or approximately 99.8 percent of the total costs, through their required contributions, ranging from \$757 to \$3,895 per month.

The actuarial valuation was based on personnel information from University records as of July 1, 2018. The benefit terms of the Retiree Life Insurance and the Retiree Health Plan covered the following employees:

COVERED EMPLOYEE CATEGORY	LIFE INSURANCE	RETIREE HEALTH PLAN
Inactive employees	1,066	346
Active employees	11,145	17,425
TOTAL COVERED EMPLOYEES	12,211	17,771

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

The University's total OPEB liability (TOL) for University administered programs of \$58.3 million for the fiscal year ending June 30, 2019 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

For the year ended June 30, 2019, the University recognized an OPEB expense of \$4.3 million. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

YEAR ENDING JUNE 30 (in thousands)	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ -	\$ (25,407)
Changes in assumptions or other inputs	-	(27,095)
Transactions subsequent to the measurement date	13	-
TOTAL	\$ 13	\$ (52,502)

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

YEAR ENDING JUNE 30 (in thousands)	
2020	\$ (7,434)
2021	(7,434)
2022	(7,434)
2023	(7,434)
2024	(6,760)
Thereafter	(16,008)
TOTAL	\$ (52,502)

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	4 percent
Discount rate	3.87 percent, based on the Bond Buyer GO 20-Bond Municipal Bond Index.
Healthcare cost trend rates	7.25 percent for June 30, 2018, decreasing 0.25 percent per year to an ultimate rate of 5 percent for fiscal year 2027 and thereafter.
Retirees' share of benefit-related costs	Equal to applicable percentage of projected average claims based on all relevant assumptions described in this section, including health care trend rates, health care cost again, and various demographic assumptions.
Mortality rates	For healthy annuitants: Pub TH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for faculty and Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for non-faculty. For disabled annuitants: Pub TH-2010 disabled mortality table projected generationally using Scale MP-2018 for faculty and Pub GH-2010 disabled mortality table projected generationally using Scale MP-2018 for non-faculty.



Total OPEB Liability

TOTAL OPEB LIABILITY (in thousands)	
BEGINNING BALANCE AS OF JUNE 30, 2018	\$ 101,081
Changes for the year:	
Service cost	7,849
Interest	3,883
Expected vs actual experience	(28,669)
Changes in assumptions *	(24,864)
Benefit payments	(951)
ENDING BALANCE AS OF JUNE 30, 2019	\$ 58,329

* Changes of assumptions reflect the following:

- A change in the discount rate from 3.58 percent in 2018 to 3.87 percent in 2019.
- A change in the employees and healthy annuitants mortality assumption from aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2015 to the Pub TH 2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for faculty and the Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for non-faculty.
- A change in the disability mortality assumption from aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2015 to the Pub TH 2010 disabled retirees mortality table projected generationally using Scale MP-2018 for faculty and the Pub GH-2010 disabled mortality table projected generationally using Scale MP-2018 for non-faculty.

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

The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current discount rate:

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATE (in thousands)			
	1% DECREASE (2.87%)	DISCOUNT RATE (3.87%)	1% INCREASE (4.87%)
TOTAL OPEB LIABILITY	\$ 64,585	\$ 58,329	\$ 53,021

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

The following presents the total OPEB liability of the University administered programs, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.25 percent decreasing to 4 percent) or one percentage point higher (8.25 percent decreasing to 6 percent) than the current healthcare cost trend rates:

SENSITIVITY OF TOTAL OPEB LIABILITY TO HEALTHCARE TREND RATE (in thousands)			
	1% DECREASE (6.25% DECREASING TO 4%)	HEALTHCARE TREND RATES (7.25% DECREASING TO 5.00%)	1% INCREASE (8.25% DECREASING TO 6%)
TOTAL OPEB LIABILITY	\$ 53,922	\$ 58,329	\$ 63,466

Note 13

Self-Insurance

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments on June 30, 2019, was \$39.8 million. Claims and expenses are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2019, was \$14.4 million. The University has contracted with several third-party claims administrators: Aetna for its medical claims, United Concordia for its dental claims and OptumRx for its pharmacy claims.

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

The University's Office of Property and Liability Risk Management manages all property and casualty insurance programs for the University, including the Medical Center and the College at Wise. At present, most insurance coverages are obtained through participation in the state risk management self-insurance plans administered by the Virginia Department of the Treasury, Division of Risk Management. The Division of Risk Management program includes property, mechanical breakdown, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation, network security and privacy insurance (response and regulatory), automobile liability and auto physical damage for vehicles valued in excess of \$20,000. The University is self-insured for the first \$100,000 (\$5,000 for the College at Wise) of each property and mechanical breakdown loss and for physical damage to all vehicles valued up to \$20,000. The University also maintains excess crime and employee dishonesty insurance and a special contingency risk insurance policy. Separate insurance coverage is maintained as appropriate for individual departments and subsidiary organizations owned by the University and the Medical Center, such as Community Medicine, LLC and UVA Global, LLC.

Note 14

Commitments and Contingencies

Authorized expenditures for construction and other projects unexpended as of June 30, 2019, were approximately \$379.5 million.

The University has entered into numerous operating lease agreements to rent, lease, and maintain land, buildings, and equipment, which expire on various dates. In most cases, the University has renewal options on the leased assets for another similar term and expects that, in the normal course of business, these leases will be replaced by similar leases. Operating lease expense totaled approximately \$30 million for the year ended June 30, 2019.

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

YEARS ENDING JUNE 30 (in thousands)	LEASE OBLIGATION
2020	\$ 17,988
2021	12,116
2022	8,730
2023	6,760
2024	3,649
2025-29	14,083
2030-34	2,942
TOTAL	\$ 66,268

In June 2017, the Medical Center was advised that Palmetto GBA, LLC had overpaid renal outlier payments for fiscal years 2014–2017 by \$7.5 million. A liability was created in the University's financial statements for this amount as of June 30, 2018. In April 2019, CMS instructed UVA to pay back \$4.8 million of the total \$7.5 million. The issue remains unresolved, but the Medical Center believes it is probable that a reserve is needed for the remainder, \$2.7 million. UVA continues fighting this issue for the entire amount, \$7.5 million, in the Medicare courts. The statute of limitation on this issue runs out for the remaining balance of \$2.7 million on June 30, 2020. The Medical Center will either remove or pay the remaining balance by the end of FY 2020.

LITIGATION

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

Note 15

Subsequent Events

In July 2019, the University completed the sale of the Northern Virginia Center to Virginia Tech for \$8.2 million. The University recognized a net gain on sale on the transaction of \$5.3 million.

On September 5, 2019, the University issued \$350 million in taxable General Revenue Pledge Bonds, Series 2019A. The bonds were issued with a coupon rate of 3.227 percent and are due on September 1, 2119. The proceeds will primarily be used to fund capital projects at the University's academic facilities and refund a portion of the outstanding principal balance of the University's commercial paper notes.

On September 10, 2019, the University issued \$150 million in tax-exempt General Revenue Pledge Bonds, Series 2019B. \$50 million of the bonds mature on September 1, 2049 and have an issued

coupon rate of five percent. \$100 million of the bonds mature on September 1, 2054 and have an issued coupon rate of three percent. The proceeds will primarily be used to fund capital projects at the University's medical center facilities and refund a portion of the outstanding principal balance of the University's commercial paper notes.

On September 10, 2019, the University issued an additional \$287.4 million in taxable General Revenue Pledge Refunding Bonds, Series 2019C. The bonds were issued with a coupon rate of 2.974 percent and mature September 1, 2049. The proceeds of the bonds will primarily be used to advance refund a portion of the University's Series 2011, Series 2013A, and Series 2013B bonds originally issued to fund academic and medical center capital projects.

Required Supplementary Information

(Unaudited)

VIRGINIA RETIREMENT SYSTEM PENSION PLANS

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY* (in thousands)										
	VRS STATE EMPLOYEE RETIREMENT PLAN					VaLORS RETIREMENT PLAN				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	8.66%	8.59%	8.28%	8.19%	8.12%	0.89%	0.87%	0.80%	0.86%	0.79%
Employer's proportionate share of the net pension liability	\$ 468,658	\$ 500,697	\$ 545,568	\$ 501,446	\$ 454,655	\$ 5,548	\$ 5,689	\$ 6,218	\$ 6,144	\$ 5,294
Covered payroll	\$ 371,724	\$ 352,738	\$ 332,184	\$ 318,920	\$ 314,268	\$ 3,367	\$ 3,255	\$ 3,085	\$ 3,036	\$ 3,088
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.08%	141.95%	164.24%	157.23%	144.67%	164.78%	174.78%	201.56%	202.37%	171.44%
Plan fiduciary net position as a percentage of the total pension liability	77.39%	75.33%	71.29%	72.81%	74.28%	69.56%	67.22%	61.01%	62.64%	63.05%

* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only five years of data are presented. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS* (in thousands)						
PLAN		CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTION DEFICIENCY	EMPLOYER'S COVERED PAYROLL	CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL
VRS State Employee Retirement Plan	2019	\$ 50,862	\$ 50,862	\$ -	\$ 393,943	12.91%
	2018	47,979	47,979	-	371,724	12.91%
	2017	46,238	46,238	-	352,738	13.11%
	2016	44,925	44,925	-	332,184	13.52%
	2015	37,781	37,781	-	318,920	11.85%
VaLORS Retirement Plan	2019	\$ 719	\$ 719	\$ -	\$ 4,011	17.92%
	2018	649	649	-	3,367	19.28%
	2017	643	643	-	3,255	19.75%
	2016	570	570	-	3,085	18.48%
	2015	498	498	-	3,036	16.40%

* Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only five years of data are presented. However, additional years will be included as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM PENSION PLANS

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

Changes of assumptions - The following changes in actuarial assumptions were made for the VRS State Employee Retirement Plan effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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



POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - VIRGINIA RETIREMENT SYSTEM OPEBS

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET)* (in thousands)	2019	2018
EMPLOYER'S PROPORTION OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE		
GLI OPEB Liability (Asset)		
University Employees - VRS	1.619%	1.586%
University Employees - VaLORS	0.014%	0.014%
Medical Center Employees - VRS	0.184%	0.186%
College at Wise Employees - VRS	0.046%	0.047%
College at Wise Employees - VaLORS	0.002%	0.002%
HIC OPEB Liability (Asset)		
University Employees - VRS	11.596%	11.325%
University Employees - VaLORS	0.040%	0.040%
Medical Center Employees - VRS	6.533%	6.386%
College at Wise Employees - VRS	0.249%	0.255%
College at Wise Employees - VaLORS	0.006%	0.006%
LODA OPEB Liability (Asset)		
University Employees - VRS	N/A	N/A
University Employees - VaLORS	0.272%	0.268%
Medical Center Employees - VRS	N/A	N/A
College at Wise Employees - VRS	N/A	N/A
College at Wise Employees - VaLORS	0.048%	0.047%
VSDP OPEB Liability (Asset)		
University Employees - VRS	(7.309%)	(7.259%)
University Employees - VaLORS	(0.051%)	(0.052%)
Medical Center Employees - VRS	N/A	N/A
College at Wise Employees - VRS	(0.197%)	(0.203%)
College at Wise Employees - VaLORS	(0.008%)	(0.008%)
EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE		
GLI OPEB Liability (Asset)		
University Employees - VRS	\$ 24,583	\$ 23,866
University Employees - VaLORS	216	216
Medical Center Employees - VRS	2,793	2,794
College at Wise Employees - VRS	704	713
College at Wise Employees - VaLORS	30	31
HIC OPEB Liability (Asset)		
University Employees - VRS	\$ 105,773	\$ 103,119
University Employees - VaLORS	366	368
Medical Center Employees - VRS	59,595	58,152
College at Wise Employees - VRS	2,268	2,324
College at Wise Employees - VaLORS	51	52
LODA OPEB Liability (Asset)		
University Employees - VRS	N/A	N/A
University Employees - VaLORS	\$ 852	\$ 705
Medical Center Employees - VRS	N/A	N/A
College at Wise Employees - VRS	N/A	N/A
College at Wise Employees - VaLORS	150	124
VSDP OPEB Liability (Asset)		
University Employees - VRS	\$ (16,471)	\$ (14,896)
University Employees - VaLORS	(116)	(107)
Medical Center Employees - VRS	N/A	N/A
College at Wise Employees - VRS	(443)	(417)
College at Wise Employees - VaLORS	(18)	(17)

* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET) (CONTINUED)* (in thousands)		2019	2018
EMPLOYER'S COVERED PAYROLL			
GLI OPEB Liability (Asset)			
University Employees - VRS	\$	307,783	\$ 292,551
University Employees - VaLORS		2,704	2,772
Medical Center Employees - VRS		34,969	40,629
College at Wise Employees - VRS		8,812	8,532
College at Wise Employees - VaLORS		376	375
HIC OPEB Liability (Asset)			
University Employees - VRS	\$	780,764	\$ 739,172
University Employees - VaLORS		2,700	2,761
Medical Center Employees - VRS		439,856	423,097
College at Wise Employees - VRS		16,734	15,960
College at Wise Employees - VaLORS		376	378
LODA OPEB Liability (Asset)**			
University Employees - VRS		N/A	N/A
University Employees - VaLORS	\$	3,019	\$ 3,254
Medical Center Employees - VRS		N/A	N/A
College at Wise Employees - VRS		N/A	N/A
College at Wise Employees - VaLORS		348	375
VSDP OPEB Liability (Asset)			
University Employees - VRS	\$	288,230	\$ 291,594
University Employees - VaLORS		2,030	2,237
Medical Center Employees - VRS		N/A	N/A
College at Wise Employees - VRS		7,762	7,993
College at Wise Employees - VaLORS		315	336
EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL			
GLI OPEB Liability (Asset)			
University Employees - VRS		7.987%	8.158%
University Employees - VaLORS		7.988%	7.792%
Medical Center Employees - VRS		7.987%	6.877%
College at Wise Employees - VRS		7.989%	8.357%
College at Wise Employees - VaLORS		7.979%	8.267%
HIC OPEB Liability (Asset)			
University Employees - VRS		13.547%	13.951%
University Employees - VaLORS		13.556%	13.329%
Medical Center Employees - VRS		13.549%	13.744%
College at Wise Employees - VRS		13.553%	14.561%
College at Wise Employees - VaLORS		13.564%	13.757%
LODA OPEB Liability (Asset)**			
University Employees - VRS		N/A	N/A
University Employees - VaLORS		28.221%	21.666%
Medical Center Employees - VRS		N/A	N/A
College at Wise Employees - VRS		N/A	N/A
College at Wise Employees - VaLORS		43.103%	33.067%
VSDP OPEB Liability (Asset)			
University Employees - VRS		(5.715%)	(5.108%)
University Employees - VaLORS		(5.714%)	(4.783%)
Medical Center Employees - VRS		N/A	N/A
College at Wise Employees - VRS		(5.707%)	(5.217%)
College at Wise Employees - VaLORS		(5.714%)	(5.060%)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY			
GLI OPEB Liability		51.22%	48.86%
HIC OPEB Liability		9.51%	8.03%
LODA OPEB Liability		0.60%	1.30%
VSDP OPEB Liability		194.74%	186.63%

* The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS* (in thousands)		CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTION DEFICIENCY	EMPLOYER'S COVERED PAYROLL**	CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL**
GLI	2019	\$ 1,932	\$ 1,932	\$ -	\$ 371,530	0.52%
	2018	2,069	2,069	-	354,644	0.58%
HIC	2019	\$ 14,907	\$ 14,907	\$ -	\$ 1,250,372	1.19%
	2018	14,721	14,721	-	1,240,430	1.19%
LODA	2019	\$ 39	\$ 39	\$ -	\$ 4,011	0.97%
	2018	35	35	-	3,367	1.04%
VSDP	2019	\$ 1,962	\$ 1,962	\$ -	\$ 316,075	0.62%
	2018	1,970	1,970	-	298,337	0.66%

* Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM OPEBS

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

Changes of assumptions - Details regarding the changes of assumptions made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016 can be found in Note 12 to the financial statements.

POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - UVA ADMINISTERED OPEBS

TOTAL OPEB LIABILITY AND RELATED RATIOS* (in thousands)	2019	2018
TOTAL OPEB LIABILITY		
Retiree Health Plan	\$ 44,652	\$ 78,230
Optional Retirement Retiree Life Insurance	13,677	22,851
COVERED-EMPLOYEE PAYROLL		
Retiree Health Plan	\$ 522,750	\$ 482,636
Optional Retirement Retiree Life Insurance	334,350	481,884
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		
Retiree Health Plan	8.54%	16.21%
Optional Retirement Retiree Life Insurance	4.09%	4.74%

* Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - UVA ADMINISTERED OPEBS

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

Changes of assumptions - Details regarding changes in assumptions can be found in Note 12 to the financial statements.

Financial Report 2018-19

Prepared by UVAFinance

Melody S. Bianchetto	<i>Vice President for Finance</i>
Thomas C. Schneeberger	<i>Director of Financial Reporting</i>
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Design by

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An online version of this report is available at fro.vpfinance.virginia.edu

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The following person has been designated to handle inquiries regarding the Americans with Disabilities Act, the Rehabilitation Act, and related statutes and regulations: Melvin Mallory, ADA Coordinator, Office for Equal Opportunity and Civil Rights, 2015 Ivy Road, Room 321, Dynamics Building, P.O. Box 400144, Charlottesville, VA 22904, (434) 924-3295, ADACoordinator@virginia.edu.

The following person has been designated to handle inquiries regarding non-discrimination policies: Catherine Spear, Associate Vice President, Office for Equal Opportunity and Civil Rights, P.O. Box 400219, Washington Hall, Charlottesville, VA 22904, (434) 924-3200, UVaEOCR@virginia.edu.

The following person has been designated to serve as the overall coordinator for purposes of Title IX compliance: Emily Babb, Assistant Vice President for Title IX Compliance/Title IX Coordinator, O'Neil Hall, Room 037, (434) 297-7643, ecb6y@virginia.edu or TitleIXCoordinator@virginia.edu.

