Virginia Military Institute

Audited Financial Statements
for the Year Ended 30 June 2025

- T A B L E O F C O N T E N T S -

MANAGEMENT'S DISCUSSION AND ANALYSIS

Institute Overview

Founded in 1839, Virginia Military Institute (VMI or Institute) is one of the first State-supported military colleges in the United States. Approximately 1,600 full-time undergraduate cadets live in barracks while participating in leadership and military training to develop strong leaders for military service or the civilian workforce. About 50% of VMI graduates commission into the armed forces upon graduation. For those that do not commission, 97% are employed or are attending graduate school within five months of graduation. VMI offers 14 undergraduate majors (3 in engineering) and 28 minor areas of study.

Financial Overview

The Virginia Military Institute is pleased to present its financial statements for the fiscal year ended 30 June 2025, along with the financial statements of its affiliate component units. This management's discussion and analysis (MD&A) is designed to facilitate the reader's understanding of the accompanying financial statements and to provide an objective, easily readable analysis of the Institute's financial activities based on currently known facts, decisions, and conditions. The discussion focuses primarily on VMI's fiscal year 2025 in comparison to the prior year and includes highly summarized data that should be read in conjunction with the accompanying financial statements, notes to the financial statements, and other supplementary information.

VMI's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) stipulations and include three basic statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Using criteria provided in GASB Statement 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, management determined that the VMI Alumni Agencies, Inc., and the VMI Research Laboratories, Inc., are both component units of the Institute. The affiliates' financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) standards and include the Statement of Financial Position and the Statement of Activities. These statements are presented on a separate page within the Institute's financial statements as defined by GASB 39. As stated, the following MD&A discusses elements from VMI's statements and provides an overview of the Institute's activities. VMI's two affiliated entities (component units) however, are excluded from this MD&A.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the Institute as of the end of the fiscal year. The difference between total assets and deferred outflows and total liabilities and deferred inflows (Net Position) is one indicator of the current financial condition of VMI. The purpose of the statement is to present readers with a fiscal snapshot as of 30 June 2025. The data presented facilitates readers' determination of the asset values available to support Institute operations and the amounts owed to vendors, creditors, and others.

The classification of the Institute's net position is as follows:

- **Net investment in capital assets** – Represents total investment in property, plant, and equipment, (net of accumulated depreciation/amortization) and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.

- **Restricted net position – expendable** – Consists of resources that must be expended by the Institute in accordance with donor or other external entity stipulations, such as time or purpose restrictions on the use of the assets.

- **Restricted net position – nonexpendable** – Represents the corpus of endowments and similar type funds where donors or other external entities have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate, in perpetuity and invested for the purpose of producing present and future income to either be expended or added to the principal.

- **Unrestricted net position** – Represents resources utilized for the general operations of the Institute and, at the discretion of the Board of Visitors, for any lawful purpose in support of the Institute and the fulfilment of its mission.

Statement of Net Position	30 June 2025	30 June 2024	Variance	
Assets:				
Current assets	$ 44,378,903	$ 44,383,374	$ (4,471)	0.0%
Capital assets, net	440,023,263	433,425,239	6,598,024	1.5%
Other noncurrent assets	38,064,870	38,150,316	(85,446)	-0.2%
Total assets	522,467,036	515,958,929	6,508,107	1.3%
Deferred outflows	9,035,660	8,074,236	961,424	11.9%
Total assets and deferred outflows	$ 531,502,696	$ 524,033,165	$ 7,469,531	1.4%
Liabilities:				
Current liabilities	$ 21,360,362	$ 18,566,222	$ 2,794,140	15.0%
Noncurrent liabilities	47,046,052	49,721,800	(2,675,748)	-5.4%
Total liabilities	68,406,414	68,288,022	118,392	0.2%
Deferred Inflows	5,504,608	5,298,061	206,547	3.9%
Total liabilities and deferred inflows	$ 73,911,022	$ 73,586,083	$ 324,939	0.4%
Net position:				
Net investment in capital assets	$ 421,035,474	$ 413,325,826	$ 7,709,648	1.9%
Restricted - nonexpendable	1,274,020	1,274,020	-	0.0%
Restricted - expendable	32,647,237	33,352,202	(704,965)	-2.1%
Unrestricted	2,634,943	2,495,034	139,909	5.6%
Total net position	$ 457,591,674	$ 450,447,082	$ 7,144,592	1.6%

Current assets remained flat. The Institute's cash position decreased by $4.5 million as some deferred maintenance and special projects were funded from the E&G and Auxiliary fund balances. Accounts Receivable decreased by $0.5 million from the previous year. The receivable due from the Commonwealth of Virginia for capital projects in process increased $1.6 million from FY 2024. In FY 2025, the Institute had a receivable balance from the VMI Keydet Club for athletic scholarships of $3.1 million due to timing of receipt of final payment. The Institute did not have a receivable balance due from the Keydet Club in FY 2024. Inventories at the Military Store increased $0.8 million for new uniform requirements for the Corps of Cadets. Prepaid Assets decreased $0.4 million as the FY 2026 general liability, property, and worker's compensation insurance coverage through the State was not paid until FY 2026. Loans receivable decreased by $0.1 million with the return of outstanding Perkins loans to the Federal Government.

Net capital assets increased $6.6 million. The change in net capital assets is a function of project movement in and out of construction in progress, as well as normal capitalization and depreciation. Projects currently in construction increased $18.1 million. Projects in progress include Post-Wide Safety and Security, Improve Cadet Safety and Security, and the Barracks Windows project. Overall net depreciable capital assets decreased $12.5 million after depreciation expense and loss on disposal of assets. During the fiscal year, there were $2.4 million of assets disposed with an accumulated depreciation of $2.3 million. Right to Use Lease assets increased $0.5 million with the addition of the new copier lease and Subscription Based Information Technology Agreement (SBITA) Right to Use Assets increased by $0.5 million with notable new agreements for Ellucian CRM Advise, Etrieve Cloud, and Element 451 admission tracking software. See Note 7 in the *Notes to the Financial Statements* for further detail.

Other non-current assets decreased by $0.1 million. Cash with the Treasurer of Virginia increased $1.4 million for capital projects funded from State issued debt. VMI's Collins and General Endowment Fund invested with the Alumni Agencies funds at Northern Trust increased $0.9 million after deducting for the annual spendable income allocation. The amount due from the VMI Research Labs increased $0.3 million for the indirect cost allocation due to the Institute from grant operations. The net OPEB asset increased $0.2 million. Reducing all of these increases is a $2.7 million reduction in available State Appropriations for capital projects funded from the State General Fund and Central Capital pool. Capital project funding from the State General Fund and the Central Capital pool are fully funded at the beginning of the project so as the projects move to completion the available funds decrease. No new projects from this funding source were added in FY 2025.

Total deferred outflows increased $1.0 million for activity related to the pension plan. The deferred outflow calculation is based on the pension and OPEB assets as measured by the Commonwealth of Virginia's actuary with a measurement date of 30 June 2024.

Current Liabilities increased $2.8 million. Accounts payable and retainage payable increased $2.2 million, of which $1.1 million of the total increase can be attributed to capital projects in progress. The payroll accrual increased $0.4 million and the accrual for compensated absences increased $0.1 million. With the salary increase and the new GASB 101 *Compensated Absences* implementation, these increases are to be expected. The liabilities for GASB 87 leases and GASB 96 Subscription Based Information Technology Agreements (SBITAs) increased $0.3 million with the addition of the new copier lease and several new software agreements. All of these increases totaling $3.0 million were offset by a $0.2 million decrease in Unearned Revenue liability.

Non-current liabilities decreased by $2.7 million. The liabilities for the pension and OPEB plans decreased by $0.7 million and $0.8 million, respectively. The plan liabilities vary year to year based on the actuarial valuations updated annually. The notes payable liability decreased $1.2 million with current year note payments and no new debt issuance. The accounts payable liability decreased $0.4 million. The amount due from the Federal government decreased by $0.2 million with the liquidation of the Perkins loan program. These decreases in non-current liabilities were offset by increases in the long-term liabilities for leases and SBITAs totaling $0.6 million.

Total deferred inflows increased by $0.2 million. Deferred inflows related to pensions increased $0.9 million and the deferred inflows related to OPEBs decreased $0.7 million as measured and reported by the Commonwealth of Virginia's actuary with a measurement date of 30 June 2024.

VMI's total net position increased by $7.1 million, or 1.6%.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) presents the Institute's operating results, nonoperating revenues and expenses and gains or losses incurred during the period. Changes in total net position as represented on the Statement of Net Position are the result of the activity depicted in the Statement of Revenues, Expenses, and Changes in Net Position.

In general, recognition of operating revenues occurs upon provision of goods and services to Cadets and other constituencies of the Institute. Operating expenses are recognized when incurred in the acquisition or production of those goods and services.

Nonoperating revenues are funds for which goods and services are not directly provided. Included in this category are State appropriations and gifts, which augment coverage of the Institute's operating expenses and support cadet scholarships. As a result, VMI, like other public higher-education institutions, will show a net operating loss.

Statement of Revenues, Expenses, and Changes in Net Position	30 June 2025	30 June 2024	Variance	
Operating revenues:				
Tuition and fees	$ 24,904,678	$ 23,685,323	$ 1,219,355	5.1%
Grants and contracts	242,542	444,666	(202,124)	-45.5%
Auxiliary enterprises	17,829,570	22,869,718	(5,040,148)	-22.0%
Unique military activities	2,743,178	2,747,093	(3,915)	-0.1%
Other sources	2,248,372	2,686,978	(438,606)	-16.3%
Total operating revenues	47,968,340	52,433,778	(4,465,438)	-8.5%
Operating expenses:				
Educational and general	79,078,870	69,514,300	9,564,570	13.8%
Auxiliary enterprises	35,103,260	35,086,833	16,427	0.0%
Unique military activity	14,033,144	14,165,865	(132,721)	-0.9%
Loan cancellations & w/offs bad debt	93,423	-	93,423	100.0%
Total operating expenses	128,308,697	118,766,998	9,541,699	8.0%
Operating loss	(80,340,357)	(66,333,220)	(14,007,137)	21.1%
Nonoperating revenues (expenses):				
State appropriations	39,704,612	28,647,895	11,056,717	38.6%
Gifts, grants and contributions	29,391,170	26,499,312	2,891,858	10.9%
Investment Income	2,186,398	2,613,264	(426,866)	-16.3%
Other	(188,096)	(9,987)	(178,109)	1783.4%
Net nonoperating revenues	71,094,084	57,750,484	13,343,600	23.1%
Income (loss) before other revenues	(9,246,273)	(8,582,736)	(663,537)	-7.7%
Other revenues/reductions	16,471,965	9,386,429	7,085,536	75.5%
Increase (decrease) in net position	7,225,692	803,693	6,421,999	799.1%
Net position - beginning of year	450,447,082	446,830,762	3,616,320	0.8%
Miscellaneous restatements	(81,100)	2,812,627	(2,893,727)	-102.9%
Net position - end of year	$ 457,591,674	$ 450,447,082	$ 7,144,592	1.6%

Tuition and fee revenue is a function of enrollment and in-state and out-of-state mix. The average enrollment decreased by 35 cadets in FY 2025. The in-state mix shifted from 63.2% Virginia cadets in FY 2024 to 64.7% in FY 2025. These two factors contributed \$1.6 million to the revenue decrease. The scholarship allowance expense increased \$2.3 million in FY 2025, resulting in \$2.3 million less in operating revenue. The other sources of revenues (miscellaneous sales and services, museum systems, and State grants) decreased \$0.6 million from the prior year. Overall, the total operating revenues decreased by \$4.5 million from the previous year.

Operating expenses for the Institute increased \$9.5 million, or 8.0% over the prior fiscal year. The majority of this increase is in compensation and benefit costs, \$8.2 million. Depreciation and amortization costs increased \$1.1 million. Supplies, Equipment, Utilities and Other Services increased \$1.0 million. Student Aid expenses decreased \$0.8 million.

New State appropriations increased \$11.0 million. The increase includes the following changes from the prior year: \$1.1 million in funding for the Virginia Military Survivors and Dependents Education Program (VMSDEP) tuition waivers for qualified cadets, \$0.9 million for the second year of the SCHEV Pell Initiative grant (four year grant ending in FY 2027), \$0.8 million approved in the 2025 legislative session as affordable access funds, \$0.7 million for the state-approved salary increases and June bonus, \$0.3 million increase in for interest earnings and credit card rebates, \$0.3 million in UMA one-time funding, and \$6.9 million due to the increased E&G cash reverted and reappropriated in FY 2025 compared to FY 2024. The FY 2024 E&G cash reappropriation and reversion resulted in a \$2.2 million reduction in appropriation. The FY 2025 E&G cash reappropriation and reversion resulted in a \$4.7 million increase in appropriation, netting in a change of \$6.9 million from FY 2024 to FY 2025.

Gifts, grants, and contributions increased \$2.9 million. Funding from the VMI Alumni Agencies increased by \$2.4 million. Federal funding increased \$0.5 million.

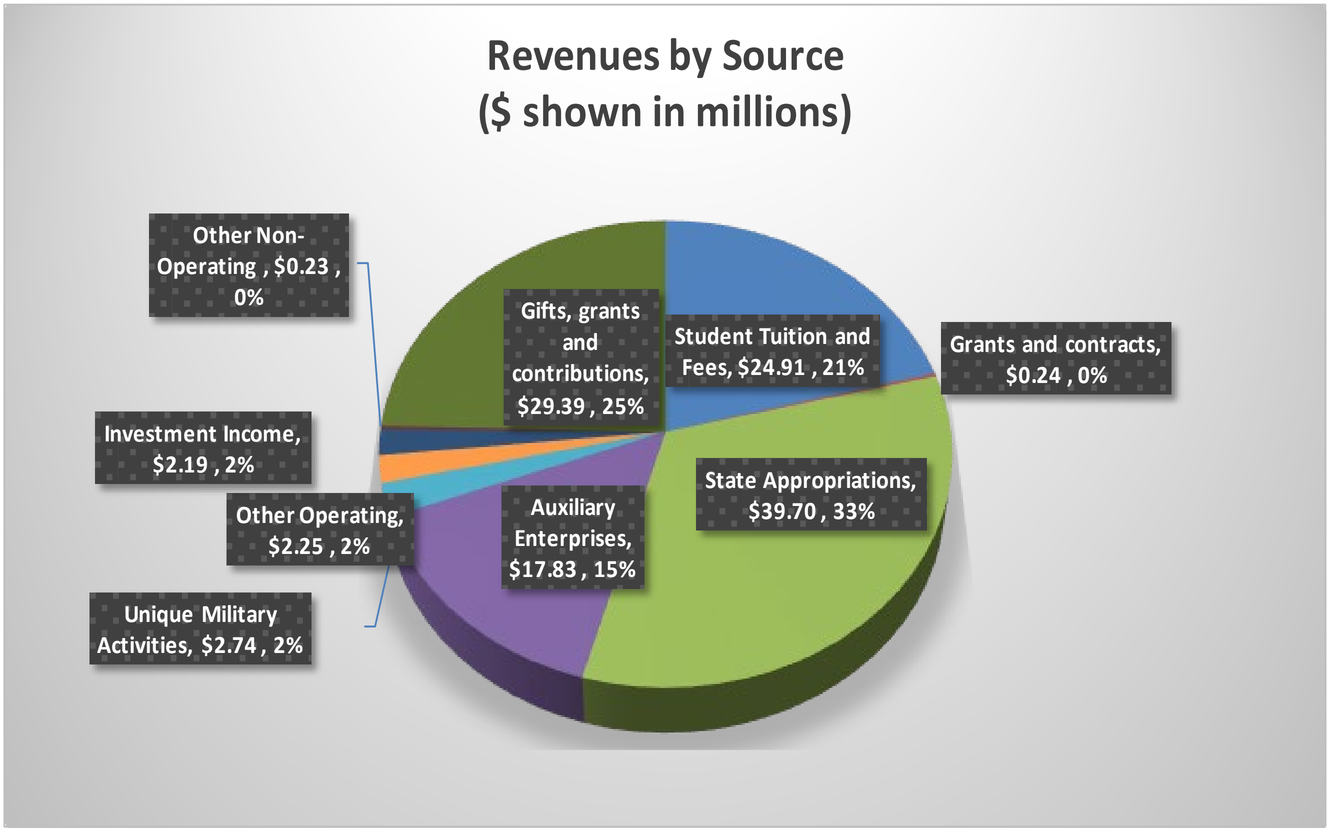
The investment income earned for FY 2025 was \$0.4 million less than the prior year, which saw an 8.2% increase in asset value. The investment accounts market value on 30 June 2025 increased 5.3% over the previous fiscal year ended 30 June 2024. VMI's investments include the General fund and the Collins fund. While these investments are VMI's, Northern Trust manages the funds along with the VMI Alumni Agencies endowment fund investments. Funding from the General endowment mostly provides cadet scholarships. The Collins fund provides supplemental operational income for the New Market Battlefield State Historic Park.

Other nonoperating expenses increased \$0.2 million. The majority of this increase is related to the change in the OPEB liability from FY 2024 to FY 2025.

Other revenues increased by \$7.1 million. State VCBA 21st Century bond funded capital projects increased \$10.4 million with the Barracks Window Replacement, Post-Wide Safety and Security, and the Nichols Engineering Lab projects fully under construction in FY 2025. Capital projects funded by State General funds and Central Capital pool funds decreased \$0.8 million from FY 2024 to FY 2025. Capital projects funded by the VMI Alumni Agencies decreased \$2.5 million with the completion of the baseball stadium project in FY 2024. No new large capital projects funded via the Alumni Agencies were in progress or completed in FY 2025.

The restatement of net position is due to the recalculation of the compensated absence liability for FY 2024 as part of the change in accounting principle for the implementation of GASB 101 *Compensated Absences*. See Note 19 in the *Notes to the Financial Statements* for a detailed schedule of the net position restatement.

The following chart shows the total revenues, operating and nonoperating, for the fiscal year ended, June 30, 2025.



Total revenue of the Institute increased by $8.8 million in FY 2025.

State Appropriations increased $11.0 million, from 26% to 33%, as previously explained in the *Statement of* Revenues, *Expenses, and Changes in Net Position* section. A significant portion of this increase, $6.9 million, is due to the E&G cash reversion and reappropriation from FY 2024 to FY 2025.

Gifts, Grants and Contributions increased by $2.9 million. Scholarship revenue from the VMI Alumni Agencies increased $2.4 million. The balance of the increase, $0.5 million, is from federal Pell grants.

Student tuition and E&G fee revenue, net of the scholarship allowance deduction, increased $1.2 million over the previous year. The new scholarship allocation applies less of the allowance to the E&G fee revenue line and more to the Auxiliary Enterprise revenue line item.

Auxiliary Enterprise revenue, after the scholarship allowance reduction, decreased $5.0 million from the previous fiscal year. The new scholarship allocation applies more of the allowance to the Auxiliary fee line than in the prior year under the old calculation method.

Unique Military Activities (UMA) revenue remained flat with no increase over the prior year.

Decreases in investment income, other operating and non-operating income resulted in $1.3 million less in revenue from these other sources.

The following chart provides a summary comparison of operational expenses for FY 2025 compared to FY 2024.

Operating Expenses by major classification	Year Ended 30 June		Increase (Decrease)	
	2025	2024	Amount	%
Compensation & Benefits	$ 68,301,220	$ 60,099,028	$ 8,202,192	13.6%
Operational Goods & Services	38,720,506	37,693,943	1,026,563	2.7%
Student Aid	854,195	1,685,746	(831,551)	-49.3%
Depreciation/Amortization	20,432,776	19,288,281	1,144,495	5.9%
Total Operating Expenses	$ 128,308,697	$ 118,766,998	$ 9,541,699	8.0%

Across all programs, employee compensation and benefit costs increased 13.6%. The State approved a 3% pay increase effective the July 1 pay date. The 3% salary increase caused approximately $1.5 million of this increase. Additionally, compensation costs increased due to bonuses ($1.2 million), medical insurance cost increases ($1.1 million), salary adjustments and the creation of 8 new positions ($2.8 million), increased benefit costs resulting from salary increases ($0.8 million), and the change in the Indirect Cost Recovery rate ($0.8 million).

Non-personnel operational expenses (Supplies, Utilities and Other Services/Expenses) increased by $1.0 million, or 2.7% with inflationary cost increases affecting all areas of operations.

Scholarship expense increased $1.5 million in FY 2025 to $22.1 million from $20.6 million in FY 2024. . The scholarship allowance increased by $2.3 million from $18.8 million in FY 2024 to $21.2 million in FY 2025. After applying the scholarship allowance to the scholarship expense in FY 2025 the net decrease in student aid expense is $0.8 million compared to FY 2024.

Depreciation and amortization expenses increased $1.1 million, 5.9%. Depreciation expense increased $0.7 million and amortization expense increased $0.4 million.

Total operational expenses of the Institute increased 8.0%, $9.4 million over the previous fiscal year.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the Institute's cash activity during the year. Cash flows from operating activities will always differ from the operating loss on the SRECNP. The SRECNP is prepared using the accrual basis of accounting and includes noncash items such as depreciation and amortization, whereas the Statement of Cash Flows presents cash inflows and outflows as received or disbursed, without consideration of accruals. The Statement of Cash Flows should assist readers in assessing the Institute's ability to generate cash flows sufficient to meet its obligations. It is divided into five parts: operating activities, noncapital financing activities, capital and related financing activities, investing activities, and a reconciliation of net operating expenses as reflected on the SRECNP to net cash used by operating activities.

Statement of Cash Flows				
	30 June 2025	30 June 2024	Variance	
Net cash provided/(used) by operating activities	$ (61,959,387)	$ (47,543,958)	$ (14,415,429)	30.3%
Net cash provided/(used) by noncapital financing activities	66,029,645	56,795,838	9,233,807	16.3%
Net cash provided/(used) by capital and related financing activities	(8,924,170)	(9,094,452)	170,282	-1.9%
Net cash provided /(used) by investing activities	1,764,186	1,412,671	351,515	24.9%
Net increase (decrease) in cash	(3,089,726)	1,570,099	(4,659,825)	-296.8%
Cash - beginning of year	33,405,199	31,835,100	1,570,099	4.9%
Cash - end of year	$30,315,473	$33,405,199	($3,089,726)	-9.2%

Cash flows from operating activities will always result in net use for the Institute as Commonwealth appropriations and private gifts are a cash source for noncapital or capital financing activities as opposed to operating funds. In summary, collective Institute cash balances decreased $3.1 million or 9.2% during FY 2025.

Net cash used by operating activities increased $14.4 million, based on the following factors: employee cost increase of $8.2 million, supplies and services cost increase of $2.9 million, decrease in tuition and other operating revenue of $3.3 million.

Net cash provided by non-capital financing activities increased $9.2 million. State Appropriations increased $11.1 million, and Federal grants increased by $1.2 million. Private gifts decreased by $3.1 million due to the timing of the receipt of the final Keydet Club scholarship bill for FY 2025. The funds were not received before the year-end bank deposit deadline, therefore, they were received and deposited in July 2025.

Net cash used by capital projects and related financing activities decreased by $0.2 million. The final Crozet debt payment was made in FY 2024, resulting in lower debt service payments in FY 2025 compared to FY 2024.

The cash provided by investing activities increased $0.4 million. The Institute has two endowment funds. The Collins endowment helps support the operations of the museum at New Market. The General endowment fund provides scholarship funds for cadets.

Capital Asset and Debt Administration

The Institute has debt service remaining on South Institute Hill Parking and several small repair and improvement projects. The remaining projects have been financed with State funds, auxiliary funds, or private gifts and contributions resulting in no debt obligations for the Institute. As of 30 June 2025, the debt outstanding on these projects totaled $15.1 million with annual debt service payments of $1.6 million. VMI's Board of Visitors adopted debt guidelines in August 2005 to help ensure sound management and control of debt and annually monitors the Institute's position relative to those guidelines. These guidelines state the unrestricted net assets, exclusive of the impact of recording pension and OPEB liabilities, shall equal at least 25% of the total direct debt as well as the maximum annual debt service should not exceed 10% of the total annual operating expenses. The calculation of these ratios occurs upon the completion of the financial statement audit. For the fiscal year ended 30 June 2025, VMI met both ratios. The unrestricted net assets to total direct debt were 197%, well above the 25% requirement. Annual debt service as a percentage of total operating expenses was below the maximum 10% at 1.9%.

The Institute's long-term debt consists of $15.1 million of notes payable. The Institute's notes payable consists of debt obligations between VCBA and the Institute. VCBA issued bonds through its Pooled Bond Program and used the proceeds to purchase debt obligations (notes) of the Institute. Notes related to the South Institute Hill Parking project were issued in 2010 at an average coupon rate of 4.8% and are payable over 20 years through 2031. Notes related to the Post Improvements Phases I, II, and III projects were issued in 2013, 2014, and 2015, respectively, at an average coupon rate of 4.2% and are payable over 20 years through 2036. Improve Post Infrastructure Phases I, II, & III include $3.2 million financed through VCBA pooled bonds sold in 2018 with an average coupon rate of 4.6%, payable over 20 years, with final payment in FY 2039. The South Institute Hill Parking and Post Improvements project notes will be paid from Auxiliary Enterprises Program reserve funds, which consist primarily of Cadet fees. Financing for the Lackey Parking project, which consist of $3.3 million in VCBA pooled bonds sold in 2019 with an average coupon rate of 4.3%, is payable over 20 years with final payment in FY 2040.

Leases and Subscription Based Information Technology Arrangements (SBITAs) add additional capital asset liabilities for future payments under contractual agreements. The amount reported for Leases includes the office space at the George C. Marshall Foundation for the Office of Institutional Effectiveness. Other leases include copiers and a postage/mail machine. The SBITAs are for software contracts with term agreements for more than 12 months. Combined, leases and SBITAs add an additional $3.9 million to long-term liabilities. For FY 2025, there are three right to use asset leases and fifty-three active SBITAs for various software programs meeting the capitalization threshold. Both assets amortized over the life of the agreements. See Note 10 of the *Notes to the Financial Statements.*

Economic Outlook

FY 2026 will be a challenging year. The Board of Visitors voted to hold tuition at the same rate as FY 2025 with approved fee increases of 2.9% to 3.0%. Another challenge presented itself when the actual enrollment for the incoming class of 2029 arrived at 28 less than budgeted and the enrollment for the returning classes lagged 15 cadets below projected levels. The Virginia and non-Virginia split is another contributing factor as the Virginia enrollment percentage continues to increase resulting in less tuition revenue. Overall, the Institute is anticipating a $1.0 million loss of tuition revenue, a $0.4 million loss in Auxiliary fee revenue, and a $0.1 million loss in UMA fees.

The operational budget for FY 2026 does not include any additional funds for new initiatives. After increasing budgets for the State-approved pay increase and changes to overhead costs such as utilities and insurance, the majority of operational budgets remained flat. With increased inflationary costs, holding operational budgets flat is by nature a budget reduction. The expectation is that departments will look for ways to save money by holding vacant positions open as long as possible and examining every expenditure for effectiveness and necessity. Cost containment measures are on-going while continuing to examine program effectiveness and savings strategies.

Across the State, enrollment continues to be a challenge as the pool of new students becomes smaller and is expected to continue to decline. To be successful, VMI needs to focus on its unique mission and military style educational experiences to enroll a larger share of the available incoming students.

With the appointment of a new Superintendent, the Institute will be given new directions and areas of focus for growth opportunities as well as a revised strategic plan. Key factors in fulfillment of the plan will be the continued funding commitment from the State and growing support from the VMI Alumni Agencies.

The Institute is confident that our educational mission continues to serve the Commonwealth well by providing strong leaders in the civilian workforce for those graduates that seek employment within the State. For those that commission into the military, the Institute maintains a solid reputation for providing excellent service men and women fit for military service.

FINANCIAL STATEMENTS

VIRGINIA MILITARY INSTITUTE
Statement of Net Position
As of 30 June 2025

ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	$ 26,071,178
Cash equivalents held by Treasurer of Virginia (Note 2)	2,475,479
Accounts receivable, *Net of allowance for doubtful accounts of $123,910* (Note 3)	556,749
Due from Component Unit (Note 4)	3,128,927
Due from the Commonwealth (Note 5)	2,682,955
Due from federal government	790
Prepaid expenses	423,180
Inventories (Note 6)	9,037,822
Loans receivable	1,823
Total current assets	44,378,903
Noncurrent assets	
Cash and cash equivalents (Note 2)	1,768,816
Investments held with trustees (Note 2)	18,335,581
Appropriations Available	15,542,562
Due from component unit (Note 4)	1,067,921
Nondepreciable capital assets (Note 7)	31,931,805
Depreciable capital assets, *Net of accumulated depreciation* (Note 7)	403,568,058
Right-to-use lease assets, *Net of accumulated amortization* (Note 7)	740,232
Right-to-use subscription assets, *Net of accumulated amortization* (Note 7)	3,783,168
Net OPEB Asset (Note 15)	1,349,990
Total noncurrent assets	478,088,133
Total assets	522,467,036
DEFERRED OUTFLOW OF RESOURCES	
Loss on refunding	83,703
Deferred outflows related to OPEB (Note 15)	1,888,530
Deferred outflows related to pensions (Note 14)	7,063,427
Total deferred outflow of resources	9,035,660
Total assets and deferred outflows	531,502,696
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses (Note 9)	14,266,048
Unearned revenue	936,604
Obligations under securities lending	2,475,479
Deposits held for others	294,384
Long-term liabilities-current portion (Note 10)	961,404
Long-term debt-current portion (Note 10, Note 11)	1,160,000
Long-term lease liabilities-current portion (Note 8, Note 10)	160,301
Long-term subscription liabilities-current portion (Note 8, Note 10)	891,567
OPEB Liability-current portion (Note 15)	214,575
Total current liabilities	21,360,362
Noncurrent liabilities	
Federal loan program contributions refundable	(12,814)
Long-term liabilities-noncurrent portion (Note 10)	1,150,452
Long-term debt-noncurrent portion (Note 10, Note 11)	13,979,804
Net Pension Liability (Note 14)	21,543,143
Lease liabilities-noncurrent portion (Note 8, Note 10)	604,137
Long-term subscription liabilities-noncurrent portion (Note 8, Note 10)	2,280,586
OPEB Liability (Note 15)	7,500,744
Total noncurrent liabilities	47,046,052
Total liabilities	68,406,414
DEFERRED INFLOWS OF RESOURCES	
Gain on refunding	4,580
Deferred inflows related to OPEB (Note 15)	2,368,217
Deferred inflows related to pensions (Note 14)	3,131,811
Total deferred inflow of resources	5,504,608
Total liabilities and deferred inflows	73,911,022

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

VIRGINIA MILITARY INSTITUTE
Statement of Net Position
As of 30 June 2025

NET POSITION	
Net investment in capital assets	421,035,474
Restricted-nonexpendable	
Endowment	1,274,020
Restricted-expendable	
Scholarships and other	2,900,876
Loan funds	707,981
Quasi-endowment-restricted	14,562,050
Capital projects	13,234,212
VSDP OPEB	1,242,118
	32,647,237
Unrestricted	2,634,943
Total net position	457,591,674
Total liabilities, deferred inflows and net position	$ 531,502,696

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

COMBINED STATEMENT OF FINANCIAL POSITION
Component Units of Virginia Military Institute
As of 30 June 2025

ASSETS	
Current assets:	
Cash and cash equivalents	$ 13,624,336
Contributions receivable (Note 20, Note 21)	5,739,578
Accounts receivable	120,507
Other	229,280
Total current assets	19,713,701
Noncurrent assets:	
Contributions receivable (Note 20)	6,278,254
Investments held by trustees (Note 20)	803,840,892
Investments, other (Note 20)	23,915,463
Cash surrender of life insurance	5,097,457
Property and equipment, net of accumulated depreciation	34,178
Total noncurrent assets	839,166,244
Total assets	858,879,945
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,695,179
Long-term liabilities-current portion:	
Trust and annuity obligations	615,756
Total current liabilities	2,310,935
Noncurrent liabilities:	
Long-term liabilities-noncurrent portion:	
Long-term debt-noncurrent portion (Note 20)	36,317,005
Trust and annuity obligations	4,050,698
Total noncurrent liabilities	40,367,703
Total liabilities	42,678,638
NET ASSETS	
Without donor restrictions	179,689,621
With donor restrictions	636,511,686
Total net assets	816,201,307
Total liabilities and net assets	$ 858,879,945

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

VIRGINIA MILITARY INSTITUTE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended 30 June 2025

Operating revenues:		
Tuition and fees, *Net of scholarships allowances of $6,268,883*	$	24,904,678
Federal grants and contracts		91,286
State and private grants and contracts		151,256
Sales and services of educational departments		475,519
Auxiliary enterprise, *Net of scholarship allowances of $13,798,096*		17,829,570
Unique military activities, *Net of scholarships allowances of $1,143.811*		2,743,178
Other sources:		
Museum programs		752,005
Rents and commissions		482,545
Miscellaneous		538,303
Total operating revenues		47,968,340
Operating expenses:		
Educational and general		
Instruction		33,219,210
Research		313,205
Public service		1,937,716
Academic support		10,839,031
Student services		6,318,036
Institutional support		10,689,750
Operation and maintenance of physical plant		14,761,010
Scholarships and related expense		1,000,912
Auxiliary enterprises		35,103,260
Unique military activities		14,033,144
Loan cancellations and write-offs bad debt expense		93,423
Total operating expenses (Note 12)		128,308,697
Net operating income (loss)		(80,340,357)
Nonoperating revenues/(expenses):		
State appropriations (Note 13)		39,704,612
Gifts and contributions		27,327,218
Federal student financial aid (Pell)		2,072,490
Federal stabilization funds (Build America Bonds Subsidy)		(8,538)
Investment income (loss)		2,186,398
Interest on capital asset - related debt		(422,459)
Gain/(loss) on disposal of plant assets		(14,674)
Other nonoperating revenue		249,037
Net nonoperating revenues		71,094,084
Income (loss) before other revenues and extraordinary items		(9,246,273)
Other revenues and reductions:		
State appropriations-capital		3,795,492
Grants and contributions-capital		12,672,843
Investment income-capital		3,630
Total other revenues and reductions		16,471,965
Increase/(Decrease) in net position		7,225,692
Net position beginning of the year, as previously reported		450,447,082
Adjustments to net position (Note 19)		(81,100)
Net position beginning of the year, restated		450,365,982
Net position end of year	$	457,591,674

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

COMBINED STATEMENT OF ACTIVITIES
Component Units of Virginia Military Institute
For the Year Ended 30 June 2025

	Unrestricted	Restricted	Total
REVENUES			
Amounts raised on behalf of VMI	$ 10,440,861	$ 12,216,214	$ 22,657,075
Grants, contributions and contracts	1,940,715	113,663	2,054,378
Indirect cost reimbursement	84,928	-	84,928
Investment income	4,689,639	5,718,629	10,408,268
Actuarial gain/(loss) on trust and annuity obligations	(38,638)	(450,637)	(489,275)
Net assets released from restrictions and reclassifications	21,081,619	(21,081,619)	-
Total revenues	38,199,124	(3,483,750)	34,715,374
EXPENSES			
Amounts remitted directly to or on behalf of VMI:			
Unrestricted	6,740,892	-	6,740,892
Designated	22,129,891	-	22,129,891
Cost of operations	8,243,354	-	8,243,354
Conference, research and education	2,223,378	-	2,223,378
Total expenses	39,337,515	-	39,337,515
Change in net assets before net realized and unrealized gain/(loss) on investments	(1,138,391)	(3,483,750)	(4,622,141)
Net realized and unrealized gain/(loss) on investments	17,032,349	44,341,489	61,373,838
Change in net assets	15,893,958	40,857,739	56,751,697
NET ASSETS			
Beginning	163,969,294	595,480,316	759,449,610
Ending	$ 179,863,252	$ 636,338,055	$ 816,201,307

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

VIRGINIA MILITARY INSTITUTE
Statement of Cash Flows
For the Year Ended 30 June 2025

Cash provided/(used) by operating activities:	
Tuition and fees	$ 25,039,886
Federal grants and contracts	91,286
State and private grants and contracts	151,256
Sales and services-educational and general	362,796
Auxiliary charges	17,816,619
Unique military activity charges	2,744,431
Other operating receipts	1,726,024
Payments to employees for salaries and benefits	(69,984,559)
Payments for supplies and services	(39,023,832)
Payments for scholarships and fellowships	(860,197)
Loan funds issued to students	(1,193)
Refunds to the federal government (Perkins loan contributions)	(6,662)
Other custodial receipts	122,781
Other custodial disbursements	(138,023)
Federal Direct Lending Program-receipts	5,177,190
Federal Direct Lending Program-disbursements	(5,177,190)
Net cash provided/(used) by operating activities	(61,959,387)
Cash provided/(used) by noncapital financing activities:	
State appropriations	39,704,612
Nonoperating grants and contracts	2,189,471
Gifts and contributions for other than capital purposes	24,135,562
Net cash provided/(used) by noncapital financing activities	66,029,645
Cash provided/(used) by capital and related financing activities:	
Capital appropriations	6,554,873
Contributions from the Commonwealth	11,137,194
Purchase and construction of capital assets	(22,870,142)
Principal paid on capital debt, leases and installments	(3,144,871)
Interest paid on capital debt, leases and installments	(604,854)
Investment income-capital	3,630
Net cash provided/(used) by capital and relating financing activities	(8,924,170)
Cash provided/(used) by investing activities:	
Interest on investments	15,557
Investment/Endowment income	961,612
Sale of investments	787,017
Net cash provided/(used) by investing activities	1,764,186
Net increase/(decrease) in cash	(3,089,726)
Cash and cash equivalents-beginning of year, restated	33,405,199
Cash and cash equivalents -end of year	$ 30,315,473

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

VIRGINIA MILITARY INSTITUTE
Statement of Cash Flows
For the Year Ended 30 June 2025

Reconciliation of net operating loss to net cash used by operating activities:

Operating loss	$	(80,340,357)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation and amortization expense		20,432,776
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable		363,332
Due from Component Unit		(301,318)
Inventories		(823,579)
Prepaid expenditures		403,873
Loans receivable		211,892
Deferred outflows of resources related to pensions		(1,039,461)
Deferred outflows of resources related to OPEB		33,269
Accounts payable and accrued liabilities		478,740
Unearned revenue		(100,217)
Compensated absences		110,171
Federal loan program contributions refundable		(249,133)
Net OPEB Asset		(159,192)
OPEB Liability		(511,123)
Net Pension Liability		(660,864)
Deferred inflows related to OPEB		(728,695)
Deferred inflows related to pensions		935,742
Scholarships, student and other custodial receipts		66,846
Scholarships, student and other custodial disbursements		(82,088)
Net cash used in operating activities	$	(61,959,386)

Noncash investing, noncapital financing, and capital related financing transactions:

Change in fair value of investments recognized as a component of investment income	$	1,383,824
Amortization of bond premium/discount and gain/loss on debt refinancing		(71,838)
Loss on disposal of capital assets		(14,674)
Change in retainage payable as a component of capital assets		426,728
Capital assets acquired through the assumption of a liability (long-term leases and SBITAs)		2,473,361
Change in pension and OPEB liability recognized as a component of non-operating revenue		249,037
Change in custodial receipts recognized as part of Component Unit accrual		3,066,138

Reconciliation of cash and cash equivalents to the Statement of Net Position:

Cash and cash equivalents classified as current assets	$	28,546,657
Cash and cash equivalents classified as noncurrent assets		1,768,816
	$	30,315,473

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

- NOTES TO FINANCIAL STATEMENTS -

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Military Institute believes that the measure of a college lies in the quality and performance of its graduates and their contributions to society. Therefore, it is the mission of the Virginia Military Institute to produce educated, honorable men and women prepared for the varied work of civil life, imbued with love of learning, confident in the functions and attitudes of leadership, possessing a high sense of public service, advocates of the American Democracy and free enterprise system, and ready as citizen-soldiers to defend their country in time of national peril.

To accomplish this result, Virginia Military Institute shall provide to qualified young men and women undergraduate education of highest quality – embracing engineering, science, and the arts – conducted in, and facilitated by, the unique VMI system of military discipline.

The Institute is part of the Commonwealth of Virginia's statewide system of public higher education. The VMI Board of Visitors, appointed by the Governor, is responsible for overseeing the Institute's governance. An Annual Comprehensive Financial Report (ACFR) is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or can exercise oversight authority. The Institute, as a component unit of the Commonwealth of Virginia, is included in the general-purpose financial statements of the Commonwealth.

The Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units,* provides guidance to determine whether certain organizations for which the Institute is not financially accountable should be reported as component units. Generally, it requires reporting as a component unit an organization that raises and holds economic resources for the direct benefit of the Institute.

The VMI Alumni Agencies is a legally separate, tax-exempt entity whose purpose is to organize the alumni of the Institute and to aid in the promotion of its welfare and the successful execution of its educational purpose. It accomplishes this through fund-raising to supplement tuition and fees charged to Cadets and the support VMI receives from the Commonwealth of Virginia. Because the VMI Alumni Agencies' resources are held almost entirely for the benefit of the Institute and these resources are considered significant to the Institute, the VMI Alumni Agencies are included as a component unit.

The VMI Research Laboratories (VMIRL) is a legally separate, tax-exempt entity whose purpose is to administer contract and grant research at the Institute. Because of this relationship to the Institute, it has also been determined to be a component unit of VMI. Both the VMI Alumni Agencies and the VMIRL have been presented in these statements in accordance with GASB Statement 39.

Because the VMI Alumni Agencies and the VMIRL report under a different reporting model, the Financial Accounting Standards Board (FASB) standards, the VMI Board of Visitors and the administration of the Institute believe the Institute's financial statements should be presented on a separate page from the Institute's component units as allowable by GASB Statement 39. Separate financial statements for the VMI Alumni Agencies may be obtained by visiting www.vmi.edu/foundation/stewardship or by writing the Chief Financial Officer, VMI Foundation, Inc., 304 Letcher Avenue, P.O. Box 932, Lexington, Virginia 24450. Separate financial statements for the VMI Research Laboratories, Inc., may be obtained by writing the Treasurer, VMI Research Laboratories, Inc., Virginia Military Institute, Lexington, Virginia 24450.

B. Reporting Basis

The financial statements have been prepared in accordance with GASB standards, including GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*

The VMI Alumni Agencies and the VMI Research Laboratories, Inc. are private, nonprofit organizations that report under FASB standards including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the VMI Alumni Agencies' or the VMI Research Laboratories' financial information included in the Institute's financial report for these differences.

C. Basis of Accounting

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

D. Cash, Cash Equivalents, and Investments

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, cash represents cash with the Treasurer, cash on hand, and cash deposits, including certificate of deposits, and temporary investments with original maturities of three months or less.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

In accordance with GASB Statement 72, *Fair Value Measurement and Application,* fair value is defined as 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. Fair value of covered assets or liabilities is measured by either the market, cost or income approaches and is disclosed in accordance with the prescribed fair value hierarchy. The fair value hierarchy is categorized based upon the observability of inputs to valuation techniques used in measurement.

E. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment, infrastructure assets, such as sidewalks, steam tunnels, and electrical and computer network cabling systems, and intangible assets. The Institute capitalizes construction costs that have a value or cost more than $100,000 at the date of acquisition. Renovations more than $100,000 are capitalized if they significantly extend the useful life of the existing asset. Expenses for major capital assets and improvements are capitalized within construction in progress until the project is substantially complete. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are expensed as incurred.

The Institute capitalizes moveable equipment that has a value or initial cost of $5,000 or more and an estimated useful life more than one year. Buildings and equipment are stated at cost, where determinable, or appraised value upon initial recognition. Land is stated at cost. Library materials are initially valued using published average prices for library acquisitions. Intangible assets are capitalized with an acquisition cost of $100,000 and a useful life of one or more years.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Average useful lives by asset categories are listed below:

Buildings	50 years
Bld/Other improvements	10-30 years
Equipment	3-20 years
Library materials	10 years
Intangible assets	5 years to indefinite

Assets purchased in aggregate are capitalized and depreciated if significant in value. VMI's policy is to record assets purchased in the aggregate if the total invoice is $5,000 or more and the individual assets cost at minimum, $500 each. Any items below the $500 threshold are considered consumable.

The Institute does not capitalize works of art, historical treasures, and similar assets. Such items are held for public exhibition, education, or research in the furtherance of public service rather than financial gain. Institute collections may be sold but the proceeds must be used for the acquisition of similar type Institute collections. Exceptions to this requirement must be pre-approved by the VMI Deputy Superintendent for Finance and Support.

Leases and Subscription-Based Information Technology Arrangements (SBITA)

Leases and Subscription-Based Information Technology Arrangements (SBITAs) in-scope under GASB Statement No 87 and 96 are required to be reported on the Statement of Net Position. Under GASB 87 leases are classified as in-scope if the agreement is valued at greater than $50,000 and is longer than 12 months in duration. Under GASB 96 SBITAs are classified as in-scope if the agreement is valued at greater than $5,000 and is longer than 12 months in duration. Agreements falling below these thresholds are recognized as expenses during the period in which the related payments occur. In-scope situations in which the Institute acts as the Lessee are recorded as leases/SBITAs payable at the discounted present value of the fixed payment streams stipulated by the related agreement. A corresponding 'right-to-use' intangible asset is recorded and amortized straight-line over the life of the related agreement.

Situations in which the Institute acts as the Lessor are recorded as leases receivable at the discounted present value of the fixed payment streams. A corresponding deferred inflow of resources is recorded at the same value and amortized to current year inflows of resources straight-line over the life of the lease. Changes to lease terms can result in effects of those changes impacting current year inflows/outflows of resources as reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

F. Inventories

The Institute maintains inventory in its Military Store, Museums, Post Hospital and Physical Plant. The Military Store inventory is valued at cost using the first-in first-out method and obsolete inventory is valued at lower of cost or market. Inventory for the Museum, Post Hospital and Physical Plant are valued at cost determined by using the weighted average method.

G. Prepaid Expenses

The Institute has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2025. Payments of expenses that extend beyond fiscal year 2026 are classified as a non-current asset. Prepaid expenses included items such as insurance premiums, membership dues, publication subscriptions, and information technology maintenance contracts.

H. Receivables

Receivables consist of tuition and fee charges to Cadets and amounts due for auxiliary enterprise services provided to Cadets, faculty, and staff. Receivables also include amounts due from federal, state, and local governments and non-governmental sources, in connection with reimbursement of allowable expenses made pursuant to the Institute's grants and contracts. Receivables are recorded net allowance for doubtful accounts.

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

J. Unearned Revenue

Unearned revenue represents revenues collected but not earned as of 30 June 2025. This is primarily composed of revenue for Cadet tuition and fees received in advance of the semester or term.

K. Accrued Compensated Absences

The amount of leave earned, but not taken by employees, is recorded as a liability on the Statement of Net Position. The amount reflects, as of 30 June 2025, all unused vacation leave, overtime leave, and compensatory leave. GASB 101 *Compensated Absences* requires that other types of compensatory leave be considered in the accrual: maternity and parental leave, sabbatical leave, military leave, and additional requirements for sick leave. The biggest change is the calculation of expected sick leave to be used between July 1 and January 9 when the leave year ends. The accrual is based on a five-year average usage rate applied to the leave balances. The applicable share of employer-related taxes and any retirement contributions payable on the eventual termination payments is also included.

L. Federal Financial Assistance Programs

The Institute participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, and Direct Loans programs. Federal programs are audited in accordance with Title 2, Part 200 of the U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Federal Perkins Loan program liquidation process by the Institute began in FY 2025.

M. Deferred Inflows of Resources

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

N. Net Position

The Institute's net position is classified as follows:

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

Restricted net position – nonexpendable: Nonexpendable restricted net position consists of endowment funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Restricted net position – expendable: Restricted expendable net position includes resources for which the Institute is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from Cadet tuition and fees, Commonwealth appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute and may be used at the discretion of the Board of Visitors for any lawful purpose in support of the Institute's primary mission. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for Cadets, faculty, and staff. Also included in unrestricted net position are funds that have been set aside by the Board of Visitors as quasi-endowments. These funds are treated like true endowment funds, however, unlike true endowments, they may be expended.

The Institute’s practice regarding flow assumption has been to allow Department Heads to determine which assets (restricted or unrestricted) will be used when both restricted and unrestricted assets are available for the same purpose. Historically, unrestricted assets have been spent prior to the expenditure of restricted assets.

O. Classification of Revenues and Expenses

The Institute has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) Cadet tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on Cadet loans.

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

Operating expenses: Operating expenses include expenses necessary for the operation of the Institute including compensation and benefits, services and supplies, and operation and maintenance of plant, as well as any expense not classified as nonoperating.

Nonoperating expenses: Nonoperating expenses include interest on debt related to the purchase or construction of capital assets and losses on disposal of capital assets.

Scholarship Discounts and Allowances*:* Cadet tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the Institute and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the Institute has recorded a scholarship discount and allowance. The new National Association of College and University Business Officers (NACUBO) guidance on scholarship allowances resulted in a shift in the allowance applied to the Education and General (E&G) operations with more of the allowance applied to Auxiliary and UMA fees. The new calculation aims to better align the scholarship expense with the fees that are being paid. The Institute's payment priority provides full payment of all Auxiliary and UMA fees first, with the balance applied to tuition.

P. 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 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 Virginia Law Officers' System (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 are reported at fair value.

Q. Other Post-Employment Benefits (OPEB)

The Institute participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. VMI also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth, and administered by the Department of Human Resources Management. Descriptions of these plans are as follows:

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 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 Group Life Insurance 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 Group Life Insurance OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and additions to/deductions from the VRS Group Life Insurance 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 Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 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 State Employee Health Insurance Credit 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 State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit 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.

VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program 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 Disability Insurance Program is a managed care program that provides sick, family, and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program 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.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 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 Line of Duty Act 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 Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act 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.

Pre-Medicare Retiree Healthcare Plan

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

R. Recently Adopted Accounting Pronouncements

In fiscal year 2025, the following GASB statements of standards became effective: Statement 101 *Compensated Absences* and GASB 102 *Certain Risk Disclosures*. GASB 101 required a restatement for FY 2024 of the compensated absences accrual. The recalculation resulted in a net position adjustment of $81,100 (see Note 19). Any risks to the Institute requiring disclosure under GASB 102 are reported in the Notes to the Financial Statements (see Note 18).

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40, *Deposit and Investment Risk Disclosures* requires the disclosure of the credit quality ratings of all investments subject to credit risk. The Institute does not have any investments subject to credit risk.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. Disclosure of investments with any one issuer that represents five percent or more of total investments is required. However, investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are excluded from the requirement. The Institute does not have investments subject to risks due to concentration of credit.

Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The Institute does not have any investments or deposits that are sensitive to interest rate changes.

Foreign Currency Risk – 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 Institute has shares in pooled investments, which may be subject to foreign currency risk.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the Institute are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by VMI are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*.

Cash and cash equivalents consist of the following balances as of 30 June 2025:

	Current	Noncurrent	Total
Cash with Treasurer of Virginia	$ 18,980,333	$ 1,491,606	$ 20,471,939
Truist public fund checking	7,087,145	277,210	7,364,355
Securities under Securities Lending/Treasurer VA	2,475,479	-	2,475,479
Petty cash	3,700	-	3,700
Total cash and cash equivalents	$ 28,546,657	$ 1,768,816	$ 30,315,473

Investments

Investments include endowment and similar funds pooled and invested with VMI affiliates. Investments consist of the following balances as of 30 June 2025:

	Current	Noncurrent	Total
Investments with trustees:			
Investments pooled with VMI affiliates	$ -	$ 18,335,581	$ 18,335,581
Total investments	$ -	$ 18,335,581	$ 18,335,581

Fair Value Measurement

Accounting standards establish general principles for measuring fair value, standards of accounting and financial reporting for assets and liabilities measured at fair value and a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques utilized need to maximize the use of observable inputs and minimize the use of unobservable inputs. All assets reported at fair value have been valued using the market approach (i.e., using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities). As of fiscal year end, VMI did not hold any assets categorized as Level 1, 2, or 3.

The following table sets forth by level, within the fair value hierarchy, the Institute's assets at fair value at 30 June 2025. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been categorized in the fair value hierarchy. The amounts presented are intended to permit reconciliation of the fair value hierarchy to the Statement of Net Position.

	Balance at 30 June 2025	**Fair value established using Net Asset Value (NAV)**	**Amounts not measured at fair value**
Cash with Treasurer of Virginia	$ 20,471,939	$ -	$ 20,471,939
Truist public fund checking	7,364,355	-	7,364,355
Securities under Securities Lending/Treasurer VA	2,475,479	-	2,475,479
Petty Cash	3,700	-	3,700
Investments held with trustees:			
Investments pooled with VMI affiliates*	18,335,581	18,335,581	-
Total cash, cash equivalents and investments	$ 48,651,054	$ 18,335,581	$ 30,315,473

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)	**Fair Value at 30 June 2025**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Investments pooled with VMI affiliates	18,335,581	(a)	(a)
	$ 18,335,581		

*(a) See * and Note 20 for additional discussion regarding VMI Investment Holdings, LLC operations.*
VMI does not have any unfunded commitments related to the investments pooled with the VMI affiliates.

*VMI's endowment, loan and similar funds are pooled for investment purposes with the endowment funds of its affiliate, the VMI Alumni Agencies (the VMI Foundation, Inc., the VMI Development Board, Inc., and the VMI Keydet Club) and the George C. Marshall Foundation. VMI owns units in the pooled fund (the "Fund") that operates like a mutual fund. VMI Investment Holdings, LLC (LLC) manages and operates the unitized investment pool with Northern Trust serving as custodian. The VMI Foundation, Inc. is the sole member of the LLC and acts as an intermediary between the LLC, VMI and the other agencies. Deposits to and withdrawals from the pool by VMI and the other agencies are made through the LLC. There are currently no official restrictions regarding redemption frequency or required notification. A separate board of directors manages the LLC. The board has approved an investment policy that outlines the standards and disciplines adopted, and the investment objectives, principles, and guidelines for managing the Fund. Authorized investments are set forth in the Uniform Prudent Management of Institutional Funds Act, Section 64.2-1100 et seq. of the *Code of Virginia* and may include any real or personal property, whether it produces a current return, including mortgages, stocks and bonds, debentures, and other securities of profit or nonprofit corporations, shares in or obligations of associations, partnerships, or individuals, and obligations of any government or subdivision.

The market value of the Fund as of 30 June 2025 was $831.7 million, of which, VMI owned $18.4 million or 2.2 percent of the Fund assets. The Fund annually approves an asset allocation which directs how assets are invested amongst major categories of investments. The Fund held $60.9 million in US Treasuries with maturities of under five years, and $29.7 million to listed Business Development Companies, which provides diversified allocation to variable rate, middle-market corporate loans, the majority of which are unrated by nationally recognized rating organizations. The Fund held $324.8 million in US equity investments. The Fund held $63.9 million in developed markets international funds with equities denominated primarily in the Euro, the Pound, and the Yen. The Fund held $43.8 million in absolute return fund investments, which may also hold fixed income and equity securities. The Fund held $295.6 million in private investments. The remaining investments are held in cash and other diversifying instruments. The custodians for the Fund are independently audited annually.

Funds Held in Trust by Others

Individual assets of funds held by trustees for the benefit of the Institute are not reflected in the accompanying Statement of Net Position. The Institute has irrevocable rights to all or a portion of the income of these funds. However, individual assets of the funds are not under the management discretion of the Institute according to the trust agreements. Income from funds held by trustees for the benefit of the Institute totaled $136,180 for fiscal year 2025 and is included in the endowment income.

Securities Lending Transactions

Collateral held for securities lending and the securities lending transactions reported on the financial statements represent the Institute's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report.* The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at 30 June 2025:

	Current	Noncurrent	Total
Student tuition and fees	$ 222,230	$ -	$ 222,230
Other educational and general	127,203	-	127,203
Auxiliary enterprises	127,812	-	127,812
Unique military activity	7,056	-	7,056
Agency funds	31,514	-	31,514
Other operating	164,844	-	164,844
	$ 680,659	$ -	$ 680,659
Less: Allowance for doubtful accounts	(123,910)	-	(123,910)
Total accounts receivable, net	$ 556,749	$ -	$ 556,749

NOTE 4: DUE FROM COMPONENT UNIT

Due from component unit consisted of the following on June 30, 2025:

Due from Component Units	Current	Noncurrent	Total
VMI Alumni Agencies	$ 3,066,138	-	$ 3,066,138
VMI Research Labs, Inc.	$ 62,789	$ 1,067,921	$ 1,130,710
Total Due from Component Units	$ 3,128,927	$ 1,067,921	$ 4,196,848

NOTE 5: COMMONWEALTH REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During the 2025 fiscal year, funding has been provided to the Institute from two programs (21st Century Program and the Equipment Trust Fund) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the Institute for expenses incurred in the acquisition of equipment and facilities.

The line item, “Due from the Commonwealth” on the Statement of Net Position for the year ended 30 June 2025 represents pending reimbursements from the following programs.

VCBA Equipment Trust Fund program	$ -
VCBA 21st Century program	2,682,955
Total Due from Commonwealth	$ 2,682,955

NOTE 6: INVENTORIES

Inventories consisted of the following balances at 30 June 2025:

Military Store	$ 8,366,540
Physical Plant	407,105
Museums	231,762
VMI Hospital	32,415
Total	$ 9,037,822

NOTE 7: CAPITAL ASSETS

A summary of changes in the various capital asset categories is presented as follows:

	Beginning Balance 1 July 2024	Additions	Reductions	Ending Balance 30 June 2025
Non-Depreciable Capital Assets:				
Land	$ 3,742,372	$ -	$ -	$ 3,742,372
Construction in progress	10,016,914	21,817,539	(3,645,020)	28,189,433
Total Non-Depreciable Capital Assets	13,759,286	21,817,539	(3,645,020)	31,931,805
Depreciable Capital Assets:				
Buildings	537,041,924	3,284,892	-	540,326,816
Improvements other than buildings	56,015,160	363,608	-	56,378,768
Leasehold Improvements	287,268	-	-	287,268
Equipment	31,241,337	2,838,500	(2,044,972)	32,034,865
Library books	11,069,224	235,363	(355,172)	10,949,415
Total Depreciable Capital Assets	635,654,913	6,722,363	(2,400,144)	639,977,132
Less Accumulated Depreciation for:				
Buildings	165,570,638	13,131,756	-	178,702,394
Improvements other than buildings	24,164,611	2,948,807	-	27,113,418
Leasehold Improvements	57,454	28,726	-	86,180
Equipment	20,388,948	2,799,518	(1,992,167)	21,196,299
Library books	9,336,603	329,352	(355,172)	9,310,783
Total Accumulated Depreciation	219,518,254	19,238,159	(2,347,339)	236,409,074
Depreciable Capital Assets, Net	416,136,659	(12,515,796)	(52,805)	403,568,058
Leased Assets:				
Right-to-Use Assets - Equipment	53,407	655,592	(2,860)	706,139
Right-to-Use Assets - Office Space	301,849	-	(40,446)	261,403
Total Leased Assets	355,256	655,592	(43,306)	967,542
Less Accumulated Amortization for:				
Right-to-Use Assets - Equipment	31,197	119,375	(1,683)	148,889
Right-to-Use Assets - Office Space	53,459	26,140	(1,178)	78,421
Total Accumulated Amortization	84,656	145,515	(2,861)	227,310
SBITA Assets:				
Right-to-Use Assets - Intangibles	4,157,588	1,627,118	(127,598)	5,657,108
Less Accumulated Amortization for:				
Right-to-Use Assets - Intangibles	898,894	1,049,102	(74,058)	1,873,938
Amortizable Capital Assets, Net	3,529,294	1,088,093	(93,985)	4,523,402
Total All Capital Assets, Net	$ 433,425,239	$ 10,389,836	$ (3,791,810)	$ 440,023,265

NOTE 8: RIGHT-TO-USE ASSETS (GASB 87 and GASB 96)

GASB 87 Leases requires treatment of leases for more than 12 months with no transfer of ownership at the end of the lease term as a lease liability and a Right-to-Use lease asset on the lessee's financial statements. The Institute currently has three Right-to-Use lease agreements as of 30 June 2025.

GASB 96 Subscription-Based Information Technology Arrangements require financial recordation of a Right-to-Use subscription asset and corresponding liability for third-party information technology software. VMI uses several third-party vendors for various software programs such as Microsoft Office and Adobe Pro. The applicable principal and interest amortization schedules under both GASB standards are presented in the following charts.

GASB 87 Leased Assets Principal and Interest Payments

Year	Principal	Interest	Total
2026	$ 160,301	$ 20,810	181,111
2027	156,198	15,994	172,192
2028	160,960	11,238	172,198
2029	166,791	6,331	173,122
2030	53,754	2,579	56,333
2031-2035	66,434	2,118	68,552
Total	**$ 764,438**	**$ 59,070**	**$ 823,508**

GASB 96 Subscription Assets Principal and Interest Payments

Fiscal Year	Principal	Interest	Total
2026	$ 891,567	$ 167,098	1,058,665
2027	847,728	121,158	968,886
2028	798,275	77,356	875,631
2029	549,982	34,256	584,238
2030	58,264	5,753	64,017
2031-2035	26,337	3,660	29,997
Total	$3,172,153	$409,281	3,581,434

NOTE 9: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at 30 June 2025:

	Current	Noncurrent	Total
Employee salaries, wages and benefits payable	$ 5,938,310	$ -	$ 5,938,310
Vendors and supplies accounts payable	7,725,086	-	7,725,086
Accrued interest payable	150,657	-	150,657
Retainage payable	451,995	-	451,995
Total accounts payable and accrued expenses	$ 14,266,048	$ -	$ 14,266,048

NOTE 10: LONG-TERM LIABILITIES SUMMARY

The Institute's long-term liabilities primarily consist of long-term debt (further described in Note 11) and accrued compensated absences. A summary of changes in long-term liabilities for the year ending 30 June 2025 is presented as follows:

	Beginning Balance 1 July 2024	Additions	Reductions	Ending Balance 30 June 2025	Current Portion 30 June 2025
Long-term debt:					
Bonds payable	$ 901,654	-	$ (901,654)	$ -	$ -
Notes payable	16,331,894	-	(1,192,090)	15,139,804	1,160,000
Total long-term debt	17,233,548	-	(2,093,744)	15,139,804	1,160,000
Leases liabilities	270,600	629,206	(135,368)	764,438	160,301
Subscription liabilities	2,740,118	1,446,538	(1,014,503)	3,172,153	891,567
Net pension liability	22,204,007	-	(660,864)	21,543,143	-
OPEB liability	8,475,479	-	(760,160)	7,715,319	214,575
Accrued compensated absences *	2,001,685	1,923,906	(1,813,734)	2,111,857	961,404
Total long-term liabilities	$ 52,925,437	$ 3,999,650	$ (6,478,373)	$ 50,446,714	$ 3,387,847

* The beginning balance was restated by $81,100 for the implementation of GASB 101, *Compensated Absences*.

NOTE 11: LONG-TERM INDEBTEDNESS DETAIL

Notes payable:

Notes payable consists of debt obligations between the Virginia College Building Authority (VCBA) and the Institute. The VCBA issued bonds through the Pooled Bond Program and used the proceeds to purchase debt obligations (notes) of the Institute. South Institute Hill Parking, Post Infrastructure Improvement, and Lackey Parking notes will be paid from auxiliary reserve funds, which consist of Cadet fees.

Notes Payable:	Interest Rates (%)	Maturity Fiscal Year	Balance 30 June 2025
South Institute Hill Parking:			
Series 2010A1/2, issued $2,850,000	5.0 - 5.50	2031	$ 1,144,840
Improve Post Facilities I:			
Series 2021A/B, issued $2,910,000	0.61-2.01	2034	2,530,558
Improve Post Facilities II:			
Series 2014A, issued $3,565,000	5.00	2025	-
Series 2021A/B, issued $2,875,000	0.61-2.01	2035	2,655,750
Improve Post Facilities III:			
Series 2015A, issued $3,915,000	3.00 - 5.00	2036	2,807,063
Improve Post Infrastructure I, II, III:			
Series 2018A, issued $3,240,000	4.00 - 5.00	2039	2,884,433
Lackey Parking:			
Series 2019A, issued $3,340,000	2.25 - 5.00	2040	3,117,160
			$ 15,139,804

Maturities on notes and bonds payable for years subsequent 30 June 2025 are as follows:

Year	Notes Payable
2026	1,160,000
2027	1,195,000
2028	1,235,000
2029	1,270,000
2030	1,305,000
2031-2035	5,950,000
2036-2040	2,330,000
Total principal payments	14,445,000
Unamortized premium	694,804
Total long-term debt, net	$ 15,139,804

A summary of future interest commitments for fiscal years after 30 June 2025 is presented as follows:

Year	Notes Payable
2026	$ 434,385
2027	397,591
2028	357,816
2029	317,627
2030	277,151
2031-2035	805,646
2036-2040	160,456
Total future interest requirements	$ 2,750,672

Long-term Debt Defeasance

In prior years, in accordance with GASB Statement 7, *Advance Refundings Resulting in the Defeasance of Debt*, the Institute excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased "in-substance." As of June 30, 2025, no defeased debt is outstanding.

Capital Improvement Commitments

As of 30 June 2025, the Institute had outstanding construction contract commitments of $24,134,020. This amount represents the value of obligations remaining on capital improvement project contracts. These obligations are for future efforts and, as such, have not been accrued as expenses or liabilities on the Institute's financial statements. The Institute had several large capital projects in the construction phase during FY 2025. For this reason, the outstanding obligations are significantly higher than the prior year.

NOTE 12: EXPENSES BY NATURAL CLASSIFICATION

The Institute's operating expenses by natural classification were as follows for the year ended 30 June 2025:

Program	Compensation and benefits	Supplies, Equipment, Utilities and Other Services	Student Aid	Other Expenses	Amortization and Depreciation	Total
Instruction	$ 27,499,171	$ 1,177,224	$ -	$ 129,483	$ 4,413,332	$ 33,219,210
Research	110,953	53,902	-	148,350	-	313,205
Public service	991,795	532,408	-	238	413,275	1,937,716
Academic support	5,726,377	2,375,477	-	38,642	2,698,535	10,839,031
Student services	4,057,065	1,333,549	-	563,888	363,534	6,318,036
Institutional support	7,833,500	1,680,854	-	206,833	968,564	10,689,751
Operation of plant	6,450,792	5,849,768	-	232,739	2,227,711	14,761,010
Scholarships and related expense	3,720	145,671	848,970	2,550	-	1,000,911
Auxiliary enterprises	8,389,870	15,409,462	5,225	5,705,561	5,593,142	35,103,260
Unique military	7,237,977	2,689,185	-	351,299	3,754,683	14,033,144
Loan administration	-	-	-	93,423	-	93,423
TOTAL	$ 68,301,220	$ 31,247,500	$ 854,195	$ 7,473,006	$ 20,432,776	$ 128,308,697

NOTE 13: STATE APPROPRIATIONS

The Institute receives State appropriations from the General Fund of the Commonwealth of Virginia. 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 the 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 VMI for disbursement.

During the fiscal year ended 30 June 2025, the Institute received the following supplemental appropriations and reversions in accordance with the Appropriation Act:

Original legislative appropriation:	
Educational and general (E&G) programs	$ 24,082,775
Unique military activity (UMA)	5,859,671
Student financial assistance	1,626,568
Adjustments:	
Affordable Access	836,100
UMA Funding	325,000
VMSDEP Waiver funding - E&G	945,713
VMSDEP Waiver funding - UMA	137,387
FY 2025 E&G Cash Reversion	(4,726,182)
FY 2024 E&G Cash Reappropriation	8,802,633
Adjustments-GF portion	704,322
ETF lease payment – NGF portion	(88,844)
Student financial assistance	153,450
Interest and credit card rebate	501,677
Debt service fee – Non-Virginia Cadets	(400,470)
Appropriation transfers:	
SCHEV programs	944,812
Adjusted appropriation	**$ 39,704,612**

NOTE 14: RETIREMENT AND PENSION SYSTEMS

General Information about the Pension Plan

Plan Description

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

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

Retirement Plan Provisions by Plan Structure		
Plan 1	**Plan 2**	**Hybrid Retirement Plan**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Members are in Plan 1 if their membership date is before	**Eligible Members** Members are in Plan 2 if their membership date is	**Eligible Members** Members are in the Hybrid Retirement Plan if their

<table>
<tr>
<td>July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election
VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td>
<td>from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Same as Plan 1.</td>
<td>membership date is on or after January 1, 2014. This includes:
Full-time permanent, salaried state employees*
Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.
*Non-Eligible Members
Some members are not eligible to participate in the Hybrid Retirement Plan. They include:
Members of the Virginia Law Officers’ Retirement System (VaLORS)
Those members 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.</td>
</tr>
<tr>
<td>Retirement Contributions
State members, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member</td>
<td>Retirement Contributions
Same as Plan 1.</td>
<td>Retirement Contributions
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</td>
</tr>
</table>

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 payments.		the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **<u>Defined Benefit Component</u>:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement if the employer offers the health insurance credit.

<table>
<tr><td></td><td></td><td><u>Defined Contributions Component</u>:
Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</td></tr>
<tr><td>Vesting
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.</td><td>Vesting
Same as Plan 1.</td><td>Vesting
<u>Defined Benefit Component</u>:
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

<u>Defined Contributions Component</u>:
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.

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

Upon retirement or leaving covered employment, a</td></tr>
</table>

		member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation 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 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**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 service credit earned, purchased, or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	**Service Retirement Multiplier** **<u>Defined Benefit Component</u>:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component</u>:** 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** **<u>Defined Benefit Component</u>:** **VRS:** Same as Plan 2 **VaLORS:** Not applicable. **<u>Defined Contribution Component</u>:** 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 service credit or at age 50 with at least 30 years of service credit. **VaLORS:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **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 Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. **VaLORS:** Age 50 with at least five years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **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.
Cost-of-Living Adjustment (COLA) in Retirement 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%.	**Cost-of-Living Adjustment (COLA) in Retirement** 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%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.

<table>
<tr>
<td><u>Eligibility</u>:
For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</td>
<td><u>Eligibility</u>:
Same as Plan 1.</td>
<td><u>Eligibility</u>:
Same as Plan 1 and Plan 2.</td>
</tr>
<tr>
<td><u>Exceptions to COLA Effective Dates</u>:
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
The member retires on disability.
The member retires directly from short-term or long-term disability.
The member is involuntarily separated from employment for causes other than job performance or misconduct and is</td>
<td><u>Exceptions to COLA Effective Dates</u>:
Same as Plan 1.</td>
<td><u>Exceptions to COLA Effective Dates:</u>
Same as Plan 1 and Plan 2.</td>
</tr>
</table>

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.		
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception:

VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.		• Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year June 30, 2025, was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. These rates were the final approved General Assembly rates which were based on actuarially determined rates from an actuarial valuation as of June 30, 2023. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Institute to the VRS State Employee Retirement Plan were $3,258,266 and $3,068,370 for the years ended June 30, 2025, and June 30, 2024, respectively. Contributions from the Institute to the VaLORS Retirement Plan were $186,924 and $178,231 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $143,555 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll, which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $165,506 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $14,355,480 for the year ended June 30, 2025.

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

At June 30, 2025, the Virginia Military Institute reported a liability of $20,329,350 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,213,793 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. VMI's proportion of the Net Pension Liability was based on the Institute's actuarially determined employer contributions to the pension plans for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, VMI's proportion of the VRS State Employee Retirement Plan was 0.41273% as compared to 0.41925% at June 30, 2023. At June 30, 2024, the Institute's proportion of the VaLORS Retirement Plan was 0.18203% as compared to 0.15322% on June 30, 2023.

For the year ended June 30, 2025, Virginia Military Institute recognized pension expense of $2,398,292 for the VRS State Employee Retirement Plan and $295,220 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2023, and June 30, 2024, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022, measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

On June 30, 2025, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VRS Retirement Plan		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 3,334,671	$ 112,104
Net difference between projected and actual earnings on pension plan investments	-	2,672,196
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	140,916	252,716
Employer contributions after the measurement date	3,258,266	-
Total	$ 6,733,853	$ 3,037,016

VaLORS Retirement Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 70,480	$ -
Net difference between projected and actual earnings on pension plan investments	-	94,795
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	72,170	-
Employer contributions after the measurement date	186,924	-
Total	$ 329,574	$ 94,795

$3,445,190 reported as deferred outflows of resources related to pensions resulting from the Institute's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,		
	VRS Plan	VaLORS Plan
2026	$ (635,185)	$ 59,189
2027	1,907,487	27,641
2028	(267,070)	(18,570)
2029	(566,662)	(20,405)
2030	-	-

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates.

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

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the standard rates.

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2024, NPL amounts for the VRS State Employee Retirement Plan, and the VaLORS Retirement Plan, are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	$ 29,769,365	$ 2,743,541
Plan Fiduciary Net Position	24,843,784	2,076,732
Employers' Net Pension Liability (Asset)	$ 4,925,581	$ 666,809
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.45%	75.70%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement 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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP-Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		*Expected arithmetic nominal return	7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the Institute for the VRS State Employee Retirement Plan, and the VaLORS Retirement Plan, will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 102% of the actuarially determined contribution rate. From July 1, 2024, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Virginia Military Institute's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$34,652,576	$20,329,350	$8,384,569

The following presents VMI's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the Institute's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
Virginia Military Institute's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	$1,866,290	$1,213,793	$685,343

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/media/shared/pdf/publications/archive/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the System

Included in Accounts Payable and Accrued Expenses at June 30, 2025, are payables of $268,472 and $17,783 for the outstanding amount of pension and OPEB contributions for employees participating the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, respectively.

Optional Retirement Plan

Full-time faculty and contracted administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than traditional VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA) and VRS (through Voya Financial). The plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee (if applicable) contributions, plus net investment gains or losses. Employees hired prior to 1 July 2010 (Plan 1) have an employer required contribution rate of 10.4%. Employees hired on or after 1 July 2010 (Plan 2) have an employer required contribution rate of 8.5% and an employee required contribution rate of 5%. Individual contracts issued under the plans provide for full and immediate vesting of both the Institute's and the employee's contributions.

Total employer pension costs under optional retirement plans were approximately $2,001,465 for the year ended 30 June 2025. Contributions to the optional retirement plans were calculated using the base salary amount of approximately $20,222,063 for fiscal year 2025.

Deferred Compensation Plan

Employees of the Institute, as employees of the Commonwealth, may participate in Virginia's Deferred Compensation Plan (the Plan). Participating employees can contribute to the Plan each pay period, with the Commonwealth matching up to $20 per pay period ($40 per month). The dollar amount match may change depending on the funding available in the Commonwealth's budget. The Plan is a qualified defined contribution plan under Section 401(a) of the *Internal Revenue Code*. Employer contributions under the Plan were approximately $141,895 for the fiscal year 2025.

NOTE 15: POSTEMPLOYMENT BENEFITS

The Institute participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by VRS. These programs include the Group Life Insurance Program, Retiree Health Insurance Credit Program, Virginia Sickness and Disability Program, and Line of Duty Act Program. The Institute also participates in the Pre-Medicare Retiree Healthcare

Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management. Below are the detailed descriptions for each program.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The Group Life Insurance 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:
City of Richmond
City of Portsmouth
City of Roanoke
City of Norfolk
Roanoke City School Board
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.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the Group Life Insurance Program have several components.
<u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</td></tr>
</table>

- **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
    - Seatbelt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts
The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,532 as of June 30, 2025.

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Institute were $222,346 and $228,710 for the years ended June 30, 2025, and June 30, 2024, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2025, the Institute reported a liability of $1,863,367 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024, and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. VMI's proportion of the Net GLI OPEB Liability was based on the Institute's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, VMI's proportion of the VRS GLI OPEB Liability was 0.16698% as compared to 0.16756% on June 30, 2023.

For the year ended June 30, 2025, VMI recognized GLI OPEB expense of $58,352. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2025, the Institute reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Group Life Insurance OPEB	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$293,895	$45,516
Net difference between projected and actual earnings on GLI OPEB program investments	-	157,063
Change in assumptions	10,621	92,345
Changes in proportionate share	34,314	32,113
Employer contributions subsequent to the measurement date	222,346	-
Total	$561,176	$327,037

$222,346 reported as deferred outflows of resources related to the GLI OPEB resulting from the Institute's contributions after the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30	
	GLI OPEB
2026	$ (72,171)
2027	35,277
2028	5,002
2029	15,796
2030	27,892
Thereafter	-

Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation		2.50%
Salary increases, including inflation:		
	General state employees	3.50% - 5.35%
	Teachers	3.50% - 5.95%
	SPORS employees	3.50% - 4.75%
	VaLORS employees	3.50% - 4.75%
	JRS employees	4.00%
	Locality-General employees	3.50% - 5.35%
	Locality-Hazardous Duty employees	3.50% - 4.75%
Investment rate of return		6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – JRS Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of MP-2020 rates.

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years, 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$4,196,055
Plan Fiduciary Net Position	3,080,133
Net GLI OPEB Liability (Asset)	$1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability 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

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

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

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the Institute for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's 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 GLI OPEB liability.

Sensitivity of the Institute's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents VMI's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Institute's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Military Institute's proportionate share of the Group Life Insurance Program Net OPEB Liability	$2,897,777	$1,863,367	$1,027,699

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/media/shared/pdf/publications/archive/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the State Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees The State Employee Retiree Health Insurance Credit 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. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **<u>At Retirement</u>** – For State employees who retire, the monthly benefit is $4.25 per year of service per month with no cap on the benefit amount. • **<u>Disability Retirement</u>** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For State police officers with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

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

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2025, was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VMI to the VRS State Employee Health Insurance Credit Program were $525,520 and $477,742 for the years ended June 30, 2025, and June 30, 2024, respectively.

In June 2024, the Commonwealth made a special contribution of approximately $52.8 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 1, 2024 Acts of Assembly, Special Session I, and is classified as a special employer contribution. The Institute's proportionate share of these special contributions is reflected in the other nonoperating revenue line of our financial statements.

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

At June 30, 2025, VMI reported a liability of $3,345,263 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2024, and the total VRS State Employee Health Insurance Credit Program OPEB Liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. VMI's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Institute's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2024, VMI's proportion of the VRS State Employee Health Insurance Credit Program was 0.47166% as compared to 0.47982% on June 30, 2023.

For the year ended June 30, 2025, VMI recognized VRS State Employee Health Insurance Credit Program OPEB expense of $292,659. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2025, VMI reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

State Employee Health Insurance Credit OPEB		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 264,572
Net difference between projected and actual earnings on State HIC OPEB program investments	-	11,323
Change in assumptions	53,890	-
Changes in proportionate share and differences between actual and expected contributions	59,128	100,377
Employer contributions subsequent to the measurement date	525,520	-
Total	$ 638,538	$ 376,272

$525,520 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Institute's contributions after the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30	
	HIC OPEB
2026	$ (72,362)
2027	(60,769)
2028	(66,373)
2029	(47,983)
2030	(15,767)
Thereafter	-

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary Increases, including inflation:	
General state employees	3.50%- 5.35%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.00%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with the Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – JRS Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$ 1,094,073
Plan Fiduciary Net Position	384,820
State Employee Net HIC OPEB Liability (Asset)	$ 709,253
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	35.17%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability 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

The long-term expected rate of return on VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the Institute for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2024, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB 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 State Employee HIC OPEB liability.

Sensitivity of the Institute's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents VMI's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Institute's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Military Institute's Proportionate Share of the VRS State Employee HIC Net OPEB Liability	$3,834,786	$3,345,263	$2,925,083

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/media/shared/pdf/publications/archive/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the *VRS Disability Insurance Program*

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999, are automatically covered by the Disability Insurance Program (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 Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried 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 VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

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

- **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 (LTD)** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal

retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.

- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **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.

Disability Insurance Program (VSDP) Plan Notes:

- 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.
- 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.
- 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 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
    - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
    - Plan 1 employees non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
    - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%.
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
    - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (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 Disability Insurance Program (VSDP) for the year ended June 30, 2025, was 0.50% of covered employee compensation. This rate was the General Assembly approved rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits payable during the 2025 year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from VMI were $123,639 and $130,960 for the years ended June 30, 2025, and June 30, 2024, respectively.

Disability Insurance Program (VSDP) OPEB Liabilities (Assets), VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2025, VMI reported a liability (asset) of ($1,349,990) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2024, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The Institute's proportion of the Net VSDP OPEB Liability (Asset) was based on the Institute's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Institute's proportion was 0.3815% as compared to 0.3770% at June 30, 2023.

For the year ended June 30, 2025, VMI recognized VSDP OPEB expense of $3,416. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, VMI reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

Virginia Sickness and Disability OPEB		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 60,361	$ 148,497
Net difference between projected and actual earnings on VSDP OPEB program investments	-	64,375
Change in assumptions	1,772	4,382
Changes in proportionate share	3,649	80,039
Employer contributions subsequent to the measurement date	123,639	-
Total	$ 189,421	$ 297,293

$123,639 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Institute's contributions after the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year ended June 30	
	VSDP OPEB
2026	$ (103,063)
2027	(32,306)
2028	(35,356)
2029	(26,722)
2030	(13,371)
Thereafter	(20,693)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation			2.50%
Salary increases, including inflation:			
	General state employees		3.50% - 5.35%
	SPORS employees		3.50% - 4.75%
	VaLORS employees		3.50% - 4.75%
Investment rate of return			6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness & Disability Insurance Program
Total VSDP OPEB Liability	$339,007
Plan Fiduciary Net Position	692,870
VSDP Net OPEB Liability (Asset)	($353,863)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	204.38%

The total VSDP OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset 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

The long-term expected rate of return on 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the Institute to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 109% of the actuarially determined contribution rate. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program'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 VSDP OPEB liability.

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

The following presents VMI's proportionate share of the Net VSDP OPEB Liability (Asset) using the discount rate of 6.75%, as well as what the Institute's proportionate share of the Net VSDP OPEB Liability (Asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Military Institute's Proportionate Share of the Total VSDP Net OPEB Liability (Asset)	($1,257,250)	($1,349,990)	($1,432,122)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/media/shared/pdf/publications/archive/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information About the Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (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.

The specific information for the LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.
Benefit Amounts LODA provides death and health insurance benefits for eligible individuals: • **<u>Death</u>** – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $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. The benefit will be $75,000 for approved presumptive deaths occurring on or after January 1, 2025. o 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. • **<u>Health Insurance</u>** – The LODA program provides health insurance benefits. o 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.

Contributions

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 LODA Program for the year ended June 30, 2025, was $1,015 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2024, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the Institute were $12,180 and $9,141 for years ended June 30, 2025, and June 30, 2024, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2025, the Institute reported a liability of $238,376 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024, and the total LODA OPEB Liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. VMI's proportion of the Net LODA OPEB Liability was based on the Institute's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the Institute's proportion was 0.06057% as compared to 0.05652% on June 30, 2023.

For the year ended June 30, 2025, VMI recognized LODA OPEB expense of $35,322. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2025, the Institute reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

Line of Duty Act OPEB		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 8,294	$ 58,228
Net difference between projected and actual earnings on LODA OPEB plan investments	-	788
Change in assumptions	43,942	48,010
Changes in proportionate share	53,654	34,856
Employer contributions subsequent to the measurement date	12,180	-
Total	$ 118,070	$ 141,882

$12,180 reported as deferred outflows of resources related to the LODA OPEB resulting from the Institute's contributions subsequent to the measurement date will be recognized as a reduction to the Net LODA OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30	
	Line of Duty Act
2026	$ 1,263
2027	1,098
2028	1,245
2029	(7,875)
2030	(8,549)
Thereafter	(23,175)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

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

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scales that is 75% of the MP-2020 rates.

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

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

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality rates – VaLORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Largest 10 Locality Employers with Public Safety Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Mortality rates – Non- Largest 10 Locality Employers with Public Safety Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	$398,395
Plan Fiduciary Net Position	4,841
LODA Net OPEB Liability (Asset)	$393,554
Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability	1.22%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability 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

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the

VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

Discount Rate

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

Sensitivity of the Institute's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the Institute's proportionate share of the net LODA OPEB liability using the discount rate of 3.97%, as well as what the Institute's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.97%) or one percentage point higher (4.97%) than the current rate:

	1.00% Decrease (2.97%)	**Current Discount Rate (3.97%)**	**1.00% Increase (4.97%)**
Virginia Military Institute's proportionate share of the total LODA Net OPEB Liability	$264,258	$238,376	$216,120

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

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Institute's proportionate share of the net LODA OPEB liability using health care trend rate of 7.25 % decreasing to 4.25%, as well as what the Institute's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate:

	1.00% Decrease (6.25% decreasing to 3.25%)	Health Care Trend Rates (7.25% decreasing to 4.25%)	1.00% Increase (8.25% decreasing to 5.25%)
Virginia Military Institute's proportionate share of the total LODA Net OPEB Liability	$203,065	$238,376	$281,704

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/media/shared/pdf/publications/archive/2024-annual-report-.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare.

The following are eligibility requirements for Virginia Retirement System retirees:

- You are a retired state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefits immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

*For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and

- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

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

The Institute does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the Institute effectively subsidizes the costs of participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,235 retirees and 96,895 active employees in the program as of June 30, 2024. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

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

Valuation Date		Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date		June 30, 2024 (one year prior to the end of the fiscal year) .
Actuarial Cost Method		Entry Age Normal
Amortization Method		Level dollar, Closed
Effective Amortization Period		5.80 years
Discount Rate		3.93%
Projected Salary Increases		5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65		Medical & Rx: 7.50% to 4.50% Dental: 4.00%
Year of Ultimate Trend		2034
Mortality		Mortality rates vary by participant status and gender
	Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
	Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
	Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
	Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

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

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

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

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

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

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

<u>Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources</u>

On June 30, 2025, the Institute reported a liability of $2,268,313 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $356.5 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024. VMI's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2024, the Institute's proportion was 0.63627% as compared to 0.65271% on June 30, 2023. For the year ended June 30, 2025, VMI recognized a reduction in Pre-Medicare Retiree Healthcare OPEB expense of ($665,135).

On June 30, 2025, VMI reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

Pre-Medicare Retiree Healthcare OPEB Plan		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 45,472	$ 273,078
Changes in assumptions	44,478	798,222
Changes in proportion	85,028	154,433
Sub Total	174,978	1,225,733
Amounts associated with transactions subsequent to the measurement date	206,346	-
Total	$ 381,324	$ 1,225,733

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were $206,346.

These amounts will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ended June 30	Pre-Medicare Retiree Healthcare Plan
2026	$ (528,206)
2027	(313,257)
2028	(156,615)
2029	(35,315)
2030	(17,364)
Thereafter	-

<u>Sensitivity of the Institute's Proportionate Share of the OPEB Liability to Changes in the Discount Rate</u>

The following presents the Institute's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.93%, as well as what the Institute's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current rate:

	1.00% Decrease (2.93%)	Current Discount Rate (3.93%)	1.00% Increase (4.93%)
Virginia Military Institute's Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability	$2,406,368	$2,268,313	$2,137,443

<u>Sensitivity of the Institute's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates</u>

The following presents the Institute's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.50% decreasing to 4.50%, as well as what VMI's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.50% decreasing to 3.50%) or one percentage point higher (8.50% decreasing to 5.50%) than the current rate:

	1.00% Decrease (6.50% decreasing to 3.50%)	Current Trend Rate (7.50% decreasing to 4.50%)	1.00% Increase (8.50% decreasing to 5.50%)
Virginia Military Institute's Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability	$2,061,569	$2,268,313	$2,508,134

NOTE 16: RISK MANAGEMENT

The Institute is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Institute participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management, and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobiles, and air and watercraft plans. The Institute pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report (ACFR).

NOTE 17: CONTINGENCIES

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

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

NOTE 18: LITIGATION AND RISK DISCLOSURE

The Institute is typically named as a defendant in one or two lawsuits per year, most of which involve former employees. The final outcome of these lawsuits cannot be determined at this time. Institute management is of the opinion that any pending litigation or other liabilities resulting from such litigation will not have a material impact on the Institute's financial position. There are no other risk disclosures that need to be made.

NOTE 19: CHANGES TO OR WITHIN THE INSTITUTE

Change in accounting principle

The change in accounting principle is the implementation of GASB 101 *Compensated Absences.* The recalculation of the FY 2024 liability for compensated absences resulted in an $81,100 increase to current liabilities, resulting in an $81,100 reduction in beginning net position as of June 30, 2024.

Adjustments to and Restatements of Beginning Balance

During fiscal year 2025, changes to or within the financial reporting entity resulted in an adjustment to and restatement of beginning net position, as follows:

Net Position as originally stated, 30 June 2024:	$450,447,082
Change in Accounting Principle	
Current Liabilities	
Long-term liabilities, current portion	(81,100)
Net Position as restated, 30 June 2024:	$450,365,982

NOTE 20: VMI ALUMNI AGENCIES

The VMI Alumni Agencies (the "Agencies") are comprised of four organizations that share the common purpose of raising funds, investing funds, and performing other activities on behalf of VMI alumni and other donors in support of the Institute. Significant sources of revenue consist of contributions and investment returns. Due to their shared purpose, the Agencies have elected to present their financial statements on a combined basis. All significant interagency accounts and transactions have been eliminated. The individual organizations comprising the Agencies, and their purposes are as follows:

The VMI Alumni Association

The purpose of The VMI Alumni Association is to organize the alumni of VMI into one general body.

VMI Foundation, Incorporated and Subsidiary

The purpose of the VMI Foundation and Subsidiary ("Foundation") is to solicit and to accept various funds and to disburse such funds, or income earned from those funds, for the advancement of VMI and the Alumni Association. The Foundation is the sole member of VMI Investment Holdings, LLC and Neikirk Holdings, LLC.

VMI Alumni Agencies Board, Incorporated

The purpose of the VMI Alumni Agencies Board, Incorporated is to receive, hold, and manage assets for any purpose on behalf of the Agencies and VMI.

VMI Keydet Club

The purpose of the VMI Keydet Club, is to support, strengthen, and develop the intercollegiate athletic program at VMI.

Contributions Receivable

Contributions receivables consist of the following as of 30 June 2025:

Unconditional promises to give	$ 11,612,582
Current portion	(5,334,328)
Contributions receivable	$ 6,278,254
Gross amounts expected to be collected in:	
Less than one year	$ 5,937,865
One to five years	7,671,778
More than five years	305,698
	13,915,341
Less:	
Discount	(911,225)
Allowance for uncollectible contributions	(1,391,534)
Fair value	$ 11,612,582

The distribution of contributions receivable for each class of net assets as of 30 June 2025 is as follows:

Gross contributions receivable, beginning of year	$ 17,758,507
New contributions receivable	6,760,391
Payments received	(9,061,002)
Write-offs and other adjustments	(1,542,555)
Gross contributions receivable, end of year	$ 13,915,341

At 30 June 2025, the Agencies had also received bequests and other intentions of approximately $145 million. These intentions to give are not recognized as assets and, if they are received, they will generally be restricted for specific purposes stipulated by the donors.

For 2025, approximately 19% of the contributions receivable balance was from five donors.

Investments held by trustees

The Agencies participate in a combined investment fund (the "Fund") controlled by the VMI Investment Holdings, LLC. Northern Trust Company serves as custodian for the Fund's assets. The Fund's investments consist of the following as of 30 June 2025:

Equities	$	377,011,264	46.9	%
Private equities		284,387,597	35.3	
Fixed income		87,646,449	10.9	
Cash and cash equivalents		12,473,655	1.6	
Absolute return funds		42,321,927	5.3	
	$	803,840,892	100.0	%

These investments, which comprise the majority of the Agencies' assets, are subject to market risk. However, the Agencies' investment funds are managed by a number of investment managers, which limits the amount of risk in any one fund. VMI Investment Holdings, LLC establishes investment guidelines and performance standards which further reduce its exposure to market risk.

Investments held by trustees' activity for the year ended 30 June 2025 is reflected in the table below:

Investments, beginning of year	$ 747,802,698
	747,802,698
Investments returns:	
Dividends and interest	13,563,959
Net realized and unrealized gain	59,704,434
Investment fees	(4,030,199)
Total return on investments held by trustee, net	69,238,194
Net disbursements used to fund operations	(13,200,000)
Investments, ending of year	$ 803,840,892

VMI Investment Holdings, LLC

On 29 April 2009, VMI Investment Holdings, LLC (LLC) was formed to manage the investments held by trustees. The Foundation is the sole member of the LLC and acts as an intermediary between the LLC and the other agencies. As stated in the Deposit and Management Agreement, the LLC will operate the unitized investment pool and issue a number of units in the pool to each depositor based on the amount of its deposit divided by the then unit value. Each depositor is entitled to its pro rata share of the value, taking into account aggregate investment returns. Deposits to and withdrawals from the pool by the other agencies will be made through the Foundation. A separate board of directors was established to manage the LLC.

Investments, Other

Investments, other as of 30 June 2025, consist of the following:

	Held by Agent	Held by Foundation	Held in Irrevocable Trusts*	Total at Fair Value**
Equities	$ 2,300,403	$ 9	$ 12,255,216	$ 14,555,628
Real estate	-	3,549,220	-	3,549,220
Fixed income	4,877	5,891	3,959,960	3,970,728
Cash and cash equivalents	68,156	792	997,854	1,066,802
Alternative investments	-	-	191,151	191,151
Limited partnerships	-	17,128	-	17,128
	$ 2,373,436	$ 3,573,040	$ 17,404,181	$ 23,350,657

*Investments held in irrevocable trusts are not available for use until the occurrence of a future event as noted in the applicable trust agreements.

**For certain components of these investments, primarily real estate, limited partnerships, and common stocks of closely held companies where fair values were not readily determinable, cost was used.

Long-term Debt

Long-term debt consists of the following as of 30 June 2025:

Fixed Rate Educational Facilities Revenue Bonds, Series 2016, payable in full in December 2030	10,370,000
Fixed Rate Educational Facilities Revenue Bonds, Series 2021, payable in full in December 2036	25,810,000
Bond premiums, net	137,005
	36,317,005
Current maturities	-
	$ 36,317,005

Debt matures as follows for future years ending 30 June:

2026	$ -
2027	-
2028	-
2029	-
2030	10,370,000
Thereafter	25,810,000
	$ 36,180,000

The 2016 bonds bear fixed interest of 3.0% (on $4,370,000 of principal) and 4.0% (on $6,000,000 of principal). Interest payments are due each June 1 and December 1.

Effective July 1, 2021, the Industrial Development Authority of the City of Lexington, Virginia approved a request by the Agencies to issue its Educational Facilities Revenue Refunding Bonds Series 2021 in the amount of $25,810,000. The bonds were remarketed in two series: principal amount $15,810,000 with 2.0% coupon rate and principal amount $10,000,000 with a 3.0% coupon rate. These bonds mature December 2036 and were used to refund a portion of the Series 2016 bonds and cover the cost of issuance. Interest payments are due each June 1 and December 1.

Foundation management believes that the fair value of long-term debt on June 30, 2025, totaled approximately $30,627,600.

Bond premiums, net of expenses, totaling $230,311 on June 30, 2025, are being amortized over the life of the loan using the interest method.

Endowment Funds

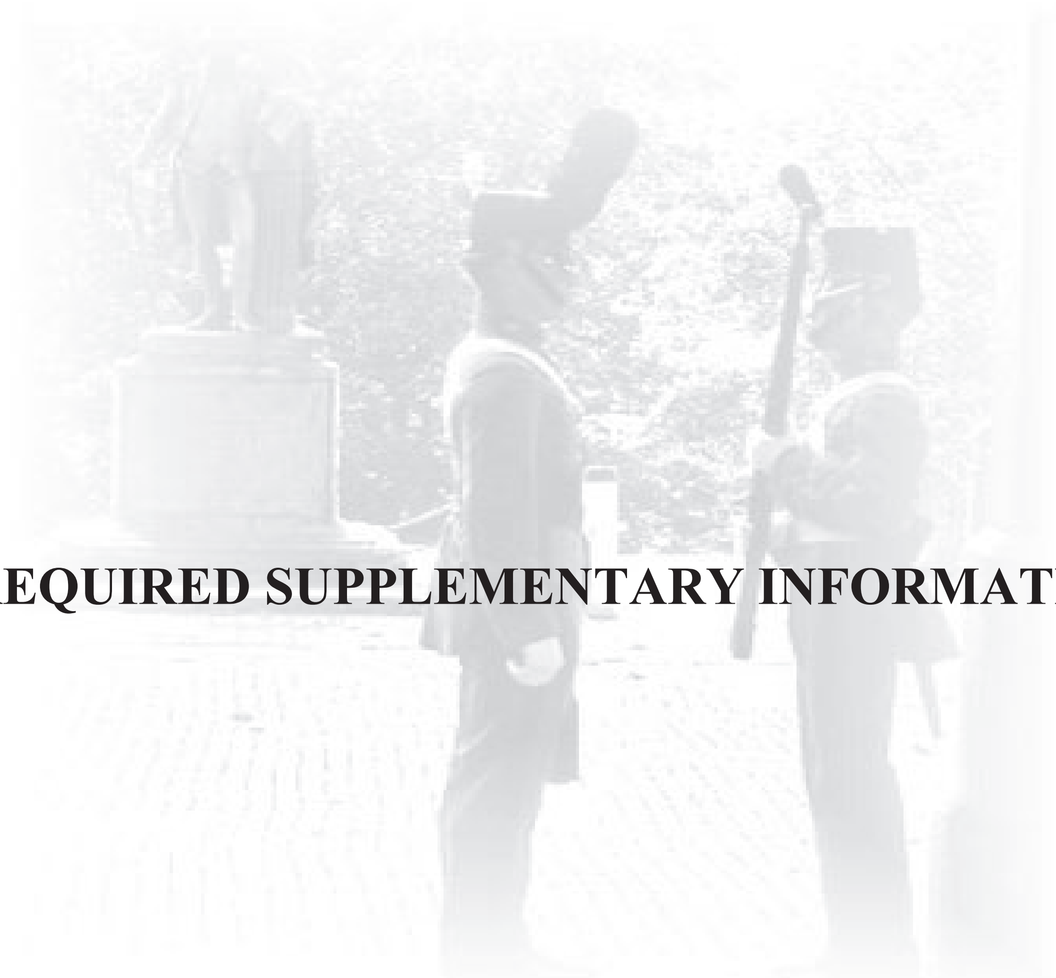
The Agencies employ a total return spending policy that establishes the amount of investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and increase the amount of return that is reinvested in the corpus of the fund to enhance its long-term value. For 2025 and 2024, the Board approved spending formula for the endowment provided for an annual spending rate of 4.25% of the average of the prior twelve quarters' market values adjusting these market values upward to reflect subsequent receipt of gifts, or downward to reflect extraordinary withdrawals. If cash yield (interest and dividends) is less than the spending rate, realized and unrealized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment. The primary investment objective is long-term capital appreciation and total return. The Agencies utilize diversified investment classes that provide the opportunity to achieve the return objective without exposing the funds to unnecessary risk.

NOTE 21: COMPONENT UNITS

Condensed financial statements for the component units of the Institute are as follows:

CONDENSED STATEMENTS OF FINANCIAL POSITION As of 30 June 2025	VMI Research Laboratories Inc.	VMI Alumni Agencies	TOTAL
Assets:			
Current assets	$ 1,317,048	$ 18,396,653	$ 19,713,701
Noncurrent assets	583,333	838,582,911	839,166,244
Total assets	1,900,381	856,979,564	858,879,945
Liabilities:			
Current liabilities	1,149,588	1,161,347	2,310,935
Noncurrent liabilities	-	40,367,703	40,367,703
Total liabilities	1,149,588	41,529,050	42,678,638
Net Assets:			
Without donor restrictions	595,436	179,094,185	179,689,621
With donor restrictions	155,357	636,356,329	636,511,686
Total net assets	750,793	815,450,514	816,201,307
Total net assets and liabilities	$ 1,900,381	$ 856,979,564	$ 858,879,945

CONDENSED STATEMENTS OF ACTIVITIES As of 30 June 2025	VMI Research Laboratories Inc.	VMI Alumni Agencies	TOTAL
Total revenues	$ 2,209,764	$ 32,505,610	$ 34,715,374
Total expenses	(2,296,561)	(37,040,954)	(39,337,515)
Total net realized and unrealized losses on investments	-	61,373,838	61,373,838
Total change in net assets	(86,797)	56,838,494	56,751,697
Total beginning net assets	837,590	758,612,020	759,449,610
Total ending net assets	$ 750,793	$ 815,450,514	$ 816,201,307



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Virginia Military Institute's (VMI) Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Measurement Dates of June 30, 2015 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
VMI's Proportion of the Net Pension Liability (Asset)	0.4127%	0.4193%	0.4141%	0.4088%	0.3993%	0.3990%	0.3965%	0.3971%	0.4032%	0.4140%
VMI's Proportionate Share of the Net Pension Liability (Asset)	$20,329,350	$21,212,796	$18,795,413	$14,828,841	$28,929,441	$25,218,261	$21,462,000	$23,140,000	$26,574,000	$25,348,000
VMI's Covered Payroll	$23,107,843	$21,002,942	$19,048,356	$17,685,134	$17,439,203	$16,436,290	$16,228,090	$15,765,510	$15,913,493	$15,953,744
VMI's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	87.98%	101.00%	98.67%	83.85%	165.89%	153.43%	132.25%	146.78%	166.99%	158.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.45%	82.19%	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%

Schedule of Virginia Military Institute's (VMI) Share of Net Pension Liability
VaLORS Employee Retirement Plan
For the Measurement Dates of June 30, 2015 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
VMI's Proportion of the Net Pension Liability (Asset)	0.1820%	0.1532%	0.1671%	0.1636%	0.1499%	0.1513%	0.1241%	0.1346%	0.1197%	0.1216%
VMI's Proportionate Share of the Net Pension Liability (Asset)	$1,213,793	$991,211	$1,057,472	$853,684	$1,172,589	$1,049,796	$774,000	$883,000	$927,000	$864,000
VMI's Covered Payroll	$724,518	$565,595	$565,921	$570,530	$554,901	$529,407	$428,862	$463,682	$413,573	$411,648
VMI's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	167.53%	175.25%	186.86%	149.63%	211.31%	198.30%	180.48%	190.43%	224.14%	209.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.70%	74.91%	74.41%	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%

Schedule of Virginia Military Institute's (VMI) Share of Net OPEB Liability
Group Life Insurance Plan (GLI)
For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
VMI's Proportion of the Net GLI OPEB Liability (Asset)	0.1670%	0.1675%	0.1693%	0.1672%	0.1679%	0.1635%	0.1633%	0.1608%
VMI's Proportionate Share of the Net GLI OPEB Liability (Asset)	$1,863,367	$2,009,570	$2,038,656	$1,946,429	$2,802,976	$2,661,230	$2,480,000	$2,419,000
VMI's Covered Payroll	$42,353,653	$39,469,847	$36,830,124	$34,516,924	$34,565,607	$32,058,567	$31,044,729	$29,616,765
VMI's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	4.40%	5.09%	5.54%	5.64%	8.11%	8.30%	7.99%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Virginia Military Institute's (VMI) Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
VMI's Proportion of the Net HIC OPEB Liability (Asset)	0.4717%	0.4798%	0.4842%	0.4765%	0.4782%	0.4692%	0.4604%	0.4586%
VMI's Proportionate Share of the Net HIC OPEB Liability (Asset)	$3,345,263	$3,942,304	$3,966,025	$4,023,899	$4,389,629	$4,331,050	$4,200,000	$4,175,000
VMI's Covered Payroll	$42,655,501	$39,362,973	$36,684,532	$34,334,894	$34,450,243	$31,973,247	$31,044,729	$29,616,765
VMI's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	7.84%	10.02%	10.81%	11.72%	12.74%	13.55%	13.53%	14.10%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	35.17%	25.46%	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Virginia Military Institute's (VMI) Share of Net OPEB Liability (Asset)
Disability Insurance Program (VSDP)
For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
VMI's Proportion of the Net VSDP OPEB Liability (Asset)	0.3815%	0.3770%	0.3635%	0.3474%	0.3311%	0.3294%	0.3284%	0.3248%
VMI's Proportionate Share of the Net VSDP OPEB Liability (Asset)	($1,349,990)	($1,190,798)	($1,072,997)	($1,197,386)	($730,588)	($646,207)	($739,000)	($666,000)
VMI's Covered Payroll	$21,468,690	$19,100,179	$16,733,132	$15,012,779	$14,345,127	$13,332,109	$13,117,989	$12,650,438
VMI's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-6.29%	-6.23%	-6.41%	-7.98%	-5.09%	-4.85%	-5.63%	-5.26%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	204.38%	199.05%	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Virginia Military Institute's (VMI) Share of Net OPEB Liability
Line of Duty Act Program
For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
VMI's Proportion of the Net LODA OPEB Liability (Asset)	0.0606%	0.0565%	0.0630%	0.0625%	0.0571%	0.0631%	0.0426%	0.0526%
VMI's Proportionate Share of the Net LODA OPEB Liability (Asset)	$238,376	$226,588	$238,276	$275,708	$239,269	$226,394	$133,000	$138,000
VMI's Covered Payroll*	$724,518	$567,250	$568,791	$571,648	$554,901	$530,829	$433,008	$513,301
VMI's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	32.90%	39.94%	41.89%	48.23%	43.12%	42.65%	30.72%	26.88%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.22%	1.31%	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2024 is the eighth year for this presentation, there are only eight years 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 using a per capita-based contribution versus a payroll based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2016 through 2025

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll*
2025	$3,258,266	$3,258,266	$0	$26,024,491	12.52%
2024	$3,341,394	$3,341,394	$0	$23,107,843	14.46%
2023	$3,037,025	$3,037,025	$0	$21,002,942	14.46%
2022	$2,754,392	$2,754,392	$0	$19,048,356	14.46%
2021	$2,557,270	$2,557,270	$0	$17,685,134	14.46%
2020	$2,357,780	$2,357,780	$0	$17,439,203	13.52%
2019	$2,164,054	$2,164,054	$0	$16,436,260	13.17%
2018	$2,189,169	$2,189,169	$0	$16,228,090	13.49%
2017	$2,126,767	$2,126,767	$0	$15,765,510	13.49%
2016	$2,231,534	$2,231,534	$0	$15,913,493	14.02%

* Rate includes contributions (mandatory and match on voluntary) to the defined contribution portion of the hybrid plan for fiscal years 2024-2016.

Schedule of Employer Contributions
VaLORS Employee Retirement Plan
For the Years Ended June 30, 2016 through 2025

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2025	$186,924	$186,924	$0	$759,855	24.60%
2024	$178,231	$178,231	$0	$724,518	24.60%
2023	$139,137	$139,137	$0	$565,595	24.60%
2022	$123,937	$123,937	$0	$565,921	21.90%
2021	$124,946	$124,946	$0	$570,530	21.90%
2020	$119,914	$119,914	$0	$554,901	21.61%
2019	$114,404	$114,404	$0	$529,407	21.61%
2018	$90,275	$90,275	$0	$428,862	21.05%
2017	$97,605	$97,605	$0	$463,682	21.05%
2016	$77,936	$77,936	$0	$413,573	18.84%

Schedule of Employer Contributions
Group Life Insurance OPEB Plan
For the Years Ended June 30, 2018 through 2025*

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2025	$222,346	$222,346	$0	$47,307,674	0.47%
2024	$228,710	$228,710	$0	$42,353,653	0.54%
2023	$211,194	$211,194	$0	$39,469,847	0.54%
2022	$198,883	$198,883	$0	$36,830,124	0.54%
2021	$186,392	$186,392	$0	$34,516,924	0.54%
2020	$180,809	$180,809	$0	$34,565,607	0.52%
2019	$169,521	$169,521	$0	$32,058,567	0.53%
2018	$162,824	$162,824	$0	$31,044,729	0.52%

*Schedule is intended to show information for 10 years. Since 2018 was the first year for the presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Health Insurance Credit - State
For the Years Ended June 30, 2018 through 2025*

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2025	$525,520	$525,520	$0	$46,921,468	1.12%
2024	$477,742	$477,742	$0	$42,655,501	1.12%
2023	$440,367	$440,367	$0	$39,362,973	1.12%
2022	$410,866	$410,866	$0	$36,684,532	1.12%
2021	$384,551	$384,551	$0	$34,334,894	1.12%
2020	$402,445	$402,445	$0	$34,450,243	1.17%
2019	$377,684	$377,684	$0	$31,973,247	1.18%
2018	$365,735	$365,735	$0	$31,044,729	1.18%

*Schedule is intended to show information for 10 years. Since 2018 was the first year for the presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Virginia Sickness and Disability Program (VSDP)
For the Years Ended June 30, 2018 through 2025*

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2025	$123,639	$123,639	$0	$24,727,964	0.50%
2024	$130,960	$130,960	$0	$21,468,690	0.61%
2023	$115,945	$115,945	$0	$19,100,179	0.61%
2022	$102,072	$102,072	$0	$16,733,132	0.61%
2021	$91,578	$91,578	$0	$15,012,779	0.61%
2020	$88,653	$88,653	$0	$14,345,127	0.62%
2019	$82,947	$82,947	$0	$13,322,109	0.62%
2018	$86,579	$86,579	$0	$13,117,989	0.66%

*Schedule is intended to show information for 10 years. Since 2018 was the first year for the presentation, there are only eight years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Line of Duty Act Program (LODA) OPEB Plan
For the Years Ended June 30, 2018 through 2025*

Year	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll**	Contributions as a % of Covered-Employee Payroll**
2025	$12,180	$12,180	$0	$759,855	1.60%
2024	$9,141	$9,141	$0	$724,518	1.26%
2023	$7,500	$7,500	$0	$567,250	1.32%
2022	$8,671	$8,671	$0	$568,791	1.52%
2021	$8,608	$8,608	$0	$571,648	1.51%
2020	$7,763	$7,763	$0	$554,901	1.40%
2019	$8,469	$8,469	$0	$530,829	1.60%
2018	$4,539	$4,539	$0	$433,008	1.05%

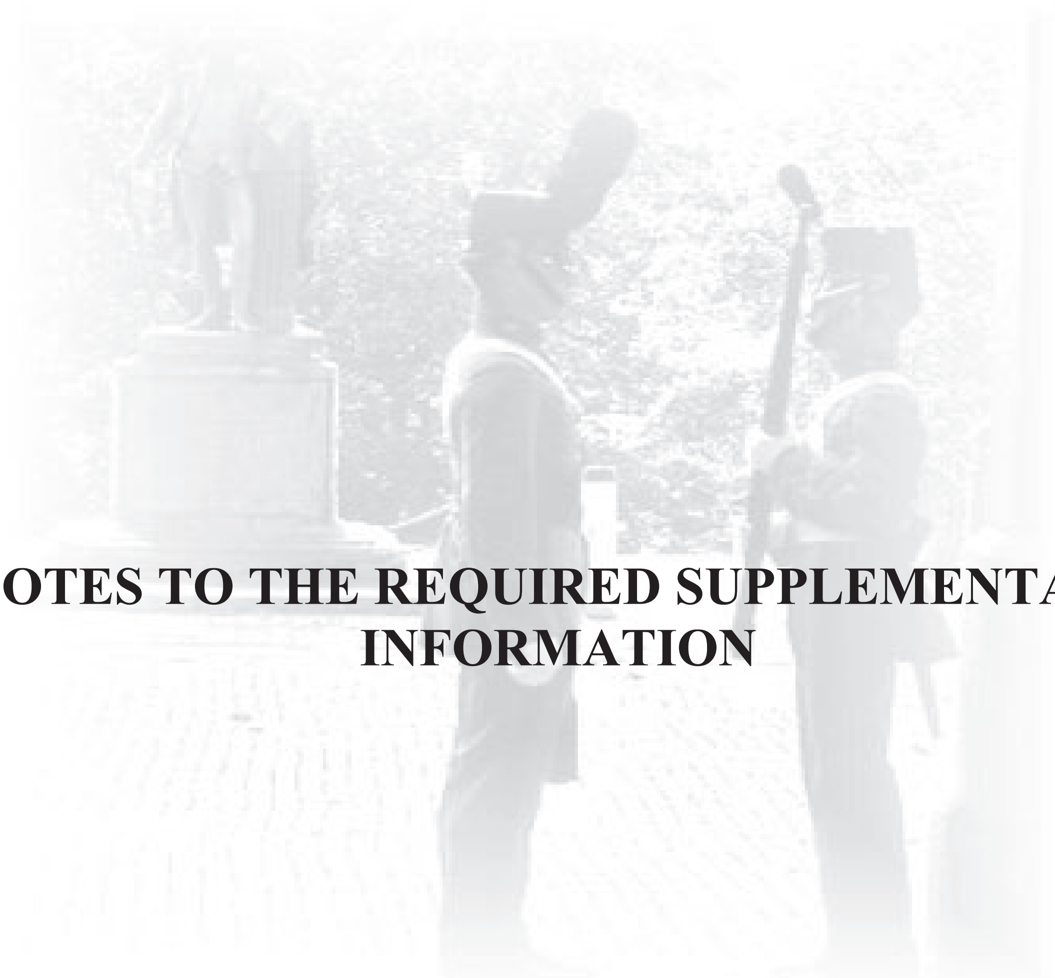
*Schedule is intended to show information for 10 years. Since 2018 was the first year for the presentation, there are only eight years available. However, additional years will be included as they become available.

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

Schedule of Virginia Military Institute's (VMI) Share of Total OPEB Liability
Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees OPEB Plan
For the Measurement Dates of June 30, 2017 through 2024

	2024	2023	2022	2021	2020	2019	2018	2017
VMI's Proportion of the collective total OPEB Liability	0.6363%	0.6527%	0.6584%	0.6466%	0.6435%	0.6544%	0.6456%	0.6402%
VMI's Proportionate Share of the collective total OPEB Liability	$2,268,313	$2,297,017	$2,392,891	$2,902,417	$3,660,385	$4,442,517	$6,492,695	$8,315,358
VMI's Covered-Employee Payroll	$39,735,230	$37,672,019	$35,061,847	$32,555,364	$32,041,702	$28,231,936	$28,176,703	$29,053,361
VMI's proportionated share of the collective total OPEB Liability as a percentage of its covered payroll	5.71%	6.10%	6.82%	8.92%	11.42%	15.74%	23.04%	28.62%

Schedule is intended to show information for 10 years. Since 2017 was the first year for the presentation, there are only eight years available. However, additional years will be included as they become available.



NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PENSIONS

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

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

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

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

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

POST EMPLOYMENT BENEFITS

Group Life Insurance

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

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

General State Employees

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

Teachers

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

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees

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

JRS Employees

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

Largest 10 Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest 10 Locality Employers - General Employees

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

Largest 10 Locality Employers – Hazardous Duty Employees

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better

	fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

State Employee Health Insurance Credit Program

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

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

General State Employees:

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

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change

Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

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

JRS Employees:

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

Virginia Sickness and Disability Plan

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

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

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

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

<u>Line of Duty Act Program</u>

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees:

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

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

VaLORS Employees:

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

Employees in the Largest 10 Locality Employers with Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees in the Non- Largest 10 Locality Employers with Public Safety Employees

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

<u>Pre-Medicare Retiree Healthcare</u>

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

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

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

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

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

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

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 27, 2026

The Honorable Abigail D. Spanberger
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Military Institute

Lieutenant General David J. Furness
Superintendent, Virginia Military Institute

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

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

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

We did not audit the financial statements of the aggregate discretely presented component units of the Institute, which are discussed in Notes 1, 20, and 21. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the Institute, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 10; the Schedule of Virginia Military Institute's (VMI) Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 115, 120 and 126; the Schedule of Virginia Military Institute's (VMI) Share of Net OPEB Liability (Asset), the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 116 through 119, 121 through 124, and 127 through 134; the Schedule of Virginia Military Institute's (VMI) Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 125 and 134. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 July 27, 2026, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Institute's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

SDB/vks

VIRGINIA MILITARY INSTITUTE

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