LONGWOOD UNIVERSITY

FINANCIAL STATEMENTS

For Year Ended June 30, 2020

AUDITED

LONGWOOD UNIVERSITY
ANNUAL FINANCIAL REPORT 2019 – 2020

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LONGWOOD UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

INSTITUTIONAL PROFILE

Founded in 1839 as the Farmville Female Seminary Association, Longwood's history has been one of constant growth and evolution. The institution had a series of names over its early history, becoming Longwood College in 1949, turning fully co-ed in 1976, and in 2002, becoming Longwood University. As one of the hundred-oldest colleges and universities in our country, Longwood has its roots in educating teachers, but now offers a comprehensive liberal arts education paired with experiential learning opportunities. As a proud Virginia public institution, Longwood University is committed to providing a quality, affordable education.

Longwood's deep history is closely interwoven with major historical moments of our nation. The Civil War wound down at one end of campus, with one of the last skirmishes of the war occurring at High Bridge, a few miles outside town. On April 7, 1865, General Lee held one of his final war meetings in Farmville, just steps from Longwood's campus. Two days later, when Lee surrendered a few miles west at Appomattox, the war came to an end. Nearly a century later, the modern civil rights movement arguably began also just a few steps from campus, with a student-led strike at Moton High School over conditions at their segregated school. Those students eventually became one of five groups of plaintiffs in the Brown vs. Board of Education lawsuit, and were the only group of protesters led by schoolchildren, rather than parents. Today, Moton is a National Historic Landmark and award-winning museum that works closely with the university. Through coursework and service-learning opportunities, hundreds of Longwood students visit Moton each year.

In 2016 Longwood and the Farmville community made history again when Longwood hosted the nation's 2016 Vice Presidential Debate. The debate garnered estimated 37 million viewers and created the equivalent of over $83 million in exposure for the University.

Longwood's academic profile and reputation has increased substantially in recent years. Between 2013 and 2020, it ascended from No. 12 to No. 7 in the U.S. News and World Report college rankings among regional public universities in the South, with a high ranking of No. 6 in 2019. Among all universities, public and private, in the Southern regional category, Longwood was ranked No. 16, down from No. 13 a year previously. Longwood was also one of only four public Virginia institutions named in the magazine's Best Value ranking of regional Southern universities.

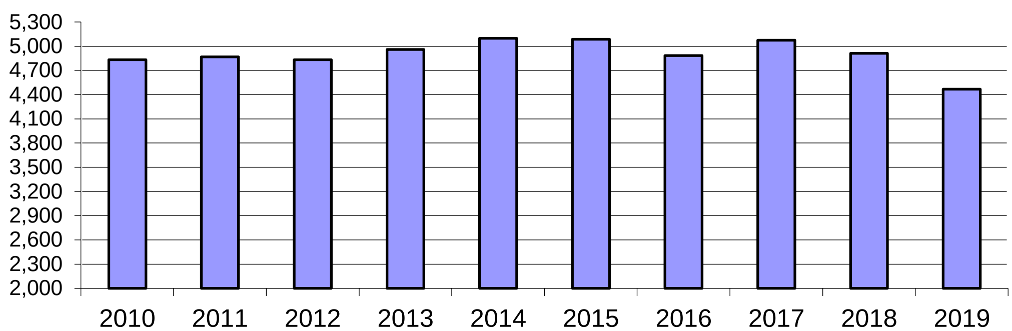
Longwood students enjoy dozens of majors across three undergraduate academic colleges and a graduate college, supported by an honors college. Traditions, extra-curricular activities and Division 1 athletics play a powerful role in the primarily residential college experience. Faculty are known for their commitment to personalized teaching, and their ranks include winners of state and national teaching awards. A distinctive new core curriculum, called Civitae, serves as Longwood's general education program. Featuring small class sizes and shaped around creative, interdisciplinary subjects, Civitae provides integrated learning experiences that connect general education courses to students' majors and explicitly work to prepare them both for their careers and the responsibilities of citizenship.

Longwood is an agency of the Commonwealth of Virginia and is, therefore, included as a component unit in the State's Comprehensive Annual Financial Report (CAFR). The thirteen members of Longwood's Board of Visitors govern University operations. Members of the Board are appointed by the Governor of Virginia.

ENROLLMENT AND ADMISSIONS

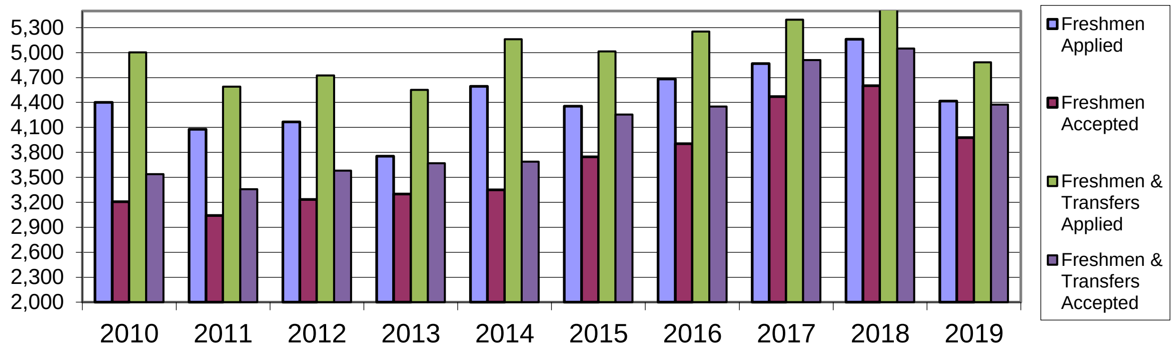
A significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Over the past ten years student headcount has held relatively steady, ranging from 5,087 students in the fall of 2015 to 4,468 students in the fall of 2019. One of the reasons for the decline in fall 2019 headcount was the additional instate students that were accepted by our sister institutions.

Fall Enrollment Statistics



The fall 2019 entering freshmen class remained academically competitive with a grade-point average of 3.52, an average SAT score of 970 - 1130, and an average ACT score of 17 - 23. Over the past ten years freshman applications have ranged from 3,755 in fall 2013 to a high of 5,160 in fall 2018. Total freshman applications decreased from 5,160 in fall 2018 to 4,417 in fall 2019.

Fall Applications



FINANCIAL OVERVIEW

Management's Discussion and Analysis (MD&A) is a supplement to the University's financial statement designed to assist readers in understanding the financial information presented. This MD&A provides an analysis of the institution's financial position and performance during the fiscal year ended June 30, 2020, with comparative information presented for the fiscal year ended June 30, 2019, where applicable. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service. Net position accumulates only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the accompanying financial statements and notes that follow. The financial statements, notes and this discussion are the responsibility of management. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB). GASB principles establish standards for external reporting for public colleges and universities. The University's financial report is comprised of three basic financial statements and related notes. Those statements include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

Note that although the University's foundations, identified as component units under Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, are reported in the financial statements, they are excluded from this MD&A; however, additional detail regarding their financial activities can be found in the **Notes to Financial Statements**. The University has three foundations whose consolidated financial information is presented in the statements under the column titled "Component Units". While affiliated foundations are not under the direct control of the University's Board of Visitors, this presentation provides a more holistic view of resources available to support the University and its mission. Transactions between the University and these component units have not been eliminated in the financial statements.

Summary of the Change in Net Position

	Year Ended June 30,			Increase/(Decrease)	
	2020	2019		Amount	Percent
Total operating revenues	$ 85,492,265	$ 90,554,776		$ (5,062,511)	(5.59%)
Total operating expenses	136,342,952	135,554,138		788,814	0.58%
Operating (loss)	(50,850,687)	(44,999,362)		(5,851,325)	(13.00%)
Net nonoperating revenues & expenses	44,279,341	38,006,013		6,273,328	16.51%
Other revenue	17,457,641	22,172,298	(1)	(4,714,657)	(21.26%)
Total increase/(decrease)	$ 10,886,295	$ 15,178,949		$ (4,292,654)	(28.28%)

Note (1): FY 19 amount was restated to include FY 20 beginning balance adjustments

Evaluation of Summary of the Change in Net Position for Fiscal Years 2019 and 2020

On a summary basis, operating revenues decreased by $5.1 million or 5.6% from fiscal year 2019 to fiscal year 2020. This decrease was mainly due to a $3.0 million decrease in student tuition and fees, net of scholarship allowance due to a decrease in enrollment, along with a $1.4 million decrease in nongovernmental grants and contracts, which were transfers from the Longwood Foundation of donations and gifts for department operations. Operating expenses increased slightly by $0.8 million or approximately 0.58% from fiscal year 2019 to fiscal year 2020.

Because state appropriations are considered non-operating revenue, the University will consistently experience an operating loss. The increase in the operating loss was due to the decreased operating revenue as previously explained. However, the operating loss was offset by $44.3 million in net non-operating revenues and expenses and $17.5 million in other revenues. Net non-operating revenues and expenses consisted of $37.1 million state appropriations, which was in increase of $3.3 million from fiscal year 2019. $4.9 million in Pell revenue, which was a decrease of $0.3 million from fiscal year 2019. During fiscal year 2020 the University received $2.7 million in CARES Act funding which was considered non-operating revenue. These funds were issued to students in the form of student aid and used to reimburse the University for lost revenue due to the change in the mode of instructional delivery and the closure of many of the University auxiliary services due to COVID-19. Other non-operating revenues include $1.4 million in insurance and investment revenue offset by interest on capital asset related debt of $1.8 million. Other revenues consisted of $17.4 million in capital appropriation for various construction projects on campus which was a $1.6 million increase from fiscal year 2019. In fiscal year 2019, $6.3 million in capital grants and contributions were received from the Longwood University Foundation for the University Center construction that was funded by donor gifts; because the University Center construction was completed in fiscal year 2019, this type of funding was not received in fiscal year 2020.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows, liabilities, and deferred inflows of the institution. The difference between total assets and deferred outflows, and total liabilities and deferred inflows is net position, which is an indicator of the current financial condition of the University. The purpose of this statement is to present to the financial statement readers a fiscal snapshot as of June 30, 2020. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, "Net investment in capital assets," depicts the University's equity in property, plant, and equipment, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The second "Restricted" category is divided into two sub-categories, expendable and nonexpendable. Expendable restricted resources are available for expenditure by the University, but must be spent for purposes as determined by donors and/or other entities that have placed restrictions on the use of the assets. The corpus of nonexpendable restricted resources is available only for investment purposes. The third, "Unrestricted" category represents resources available to the University for any lawful purpose of the institution.

Summary of the Statement of Net Position

	Year Ended June 30,			Increase/(Decrease)	
	2020	**2019**		**Amount**	**Percent**
Assets					
Current assets	$32,023,051	$11,409,210		$20,613,841	180.68%
Noncurrent assets:					
Restricted cash and cash equivalents	6,789,359	6,846,037		(56,678)	(0.83%)
Restricted Appropriations Available	12,105	54,130		(42,025)	(77.64%)
Capital assets, net	285,929,838	277,111,429	(1)	8,818,409	3.18%
Other	1,285,486	1,641,362		(355,876)	(21.68%)
Total noncurrent assets	294,016,788	285,652,958	(1)	8,363,830	2.93%
Total assets	326,039,839	297,062,168	(1)	28,977,671	9.75%
Deferred Outflows of Resources					
Deferral on Debt Defeasance - loss	1,633,669	2,059,267		(425,598)	(20.67%)
Deferred outflows of resources	11,657,167	7,090,217		4,566,950	64.41%
Total Deferred Outflows of Resources	13,290,836	9,149,484		4,141,352	45.26%
Liabilities					
Current liabilities	21,966,272	21,988,399	(1)	(22,127)	(0.10%)
Noncurrent liabilities	131,706,976	110,409,068	(1)	21,297,908	19.29%
Total liabilities	153,673,248	132,397,467	(1)	21,275,781	16.07%
Deferred Inflow of Resources					
Defferal on Debt Defeasance - gain	22,700	-		22,700	100.00%
Deferred inflows of resources	10,010,657	9,076,410		934,247	10.29%
Total Deferred Inflows of Resources	10,033,357	9,076,410		956,947	10.54%
Net position					
Net investment in capital assets	235,532,831	218,647,348	(1)	16,885,483	7.72%
Restricted expendable	5,777,164	4,449,931		1,327,233	29.83%
Unrestricted	(65,685,925)	(58,359,504)		(7,326,421)	(12.55%)
Total net position	$175,624,070	$164,737,775	(1)	$ 10,886,295	6.61%

Note (1): FY 19 amount was restated to include FY 20 beginning balance adjustments.

Evaluation of Statement of Net Position for Fiscal Years 2019 and 2020

The University's current assets increased by $20.6 million or 180.68% due mainly to the ground lease between the University and the Longwood Real Estate Foundation for the University owned housing units. The 40-year ground lease was prepaid by the Longwood University Real Estate Foundation in late June 2020 in the amount of $23,000,000. This prepayment will be reflected on the University Statement of Net Position as unearned revenue and revenue will be recognized as earned over the 40-year lease period. The purpose of the ground lease was to create management efficiencies by having all of the student housing managed under the Longwood University Real Estate Foundation.

The $8.4 million or 2.93% increase in noncurrent assets was the result of continued construction on campus. During fiscal year 2020 the new academic building, Allen Hall, was under construction as well as improvements to the steam tunnel infrastructure on campus. Both projects resulted in increased construction in progress.

As a result of the accounting for and financial reporting of the University's defined benefit pension plans, and other postemployment benefits, the University recognized $11.7 million of deferred outflows of resources and $10.0 million of deferred inflows of resources on the *Statement of Net Position*. The deferred outflows of resources represent, in part, the fiscal year 2020 employer contributions made by the University to the pension plans after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Note 8, Note 12, Note 17 and Note 18 of the *Notes to Financial Statements* and the *Required Supplementary Information* includes additional information regarding the University's pension obligations and other postemployment benefits, and related deferred outflows and inflows of resources.

The University's noncurrent liabilities increased by $21.3 million between fiscal years 2019 and 2020 mainly due to the $23.0 million unearned revenue, of which $22.4 million is noncurrent, for the ground lease between the University and the Longwood University Real Estate Foundation discussed previously. The noncurrent net pension liability increased $6.6 million between fiscal years 2019 and 2020. Noncurrent long-term debt decreased $4.9 million and noncurrent optional postemployment benefits decreased $2.4 million between fiscal years 2019 and 2020.

The University's net investment in capital assets net position increased by $16.9 million or 7.72% due mainly to the completion of the Radcliff Admissions Building in fiscal year 2020 and the continued construction of the academic building Allen Hall and improvements to the steam tunnel infrastructure. Restricted expendable net position increased by $1.3 million or 29.83% due mainly to increased balances of unspent transfers from the Longwood Foundation of donations and gifts for departmental operating expenses. Unrestricted net position decreased by $7.3 million or 12.55% due mainly to the $3.0 million decrease in student tuition, net of scholarship allowance, which was the result of decreased enrollment.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the operating results as well as the non-operating revenues and expenses of the University. State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

In general, operating revenues are received for providing goods and services to students and other constituencies of the University. Operating expenses are incurred in the acquisition or production of those goods and services. Non-operating revenues are comprised of items such as investment earnings and state appropriations. They do not require the production of goods or services. For example, the University's state appropriations are non-operating because they are provided by the General Assembly without the Commonwealth directly receiving commensurate goods and services for those revenues.

Summary of the Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,			Increase/(Decrease)	
	2020	2019		Amount	Percent
Operating revenues	$ 85,492,265	$ 90,554,776		$ (5,062,511)	(5.59%)
Operating expenses	136,342,952	135,554,138		788,814	0.58%
Operating (loss)	(50,850,687)	(44,999,362)		(5,851,325)	(13.00%)
Nonoperating revenues/(expenses)					
State appropriations	37,127,978	33,847,694		3,280,284	9.69%
Pell grant revenue	4,865,109	5,184,079		(318,970)	(6.15%)
Other nonoperating revenues and expenses	2,286,254	(1,025,760)		3,312,014	322.88%
Net nonoperating revenues and expenses	44,279,341	38,006,013		6,273,328	16.51%
Income/(loss) before other revenues and reductions	(6,571,346)	(6,993,349)		422,003	6.03%
Capital appropriations	17,429,071	15,825,484		1,603,587	10.13%
Capital grants and contributions	28,570	6,346,814	(1)	(6,318,244)	(99.55%)
Total other revenues	17,457,641	22,172,298		(4,714,657)	(21.26%)
Total increase in net position	10,886,295	15,178,949		(4,292,654)	(28.28%)
Net position, beginning of year as restated	164,737,775	149,558,826		15,178,949	10.15%
Net position, end of year	$175,624,070	$164,737,775		$10,886,295	6.61%

Note (1): FY 19 amount was restated to include FY 20 beginning balance adjustments.

For explanations of the revenue fluctuations, see the "Evaluation of Summary of the Change in Net Position for Fiscal Years 2019 and 2020" previously provided. The revenue and the operating expenditure amounts noted in the above table are broken down further with explanations of the variances between fiscal year 2019 and 2020 in the following tables.

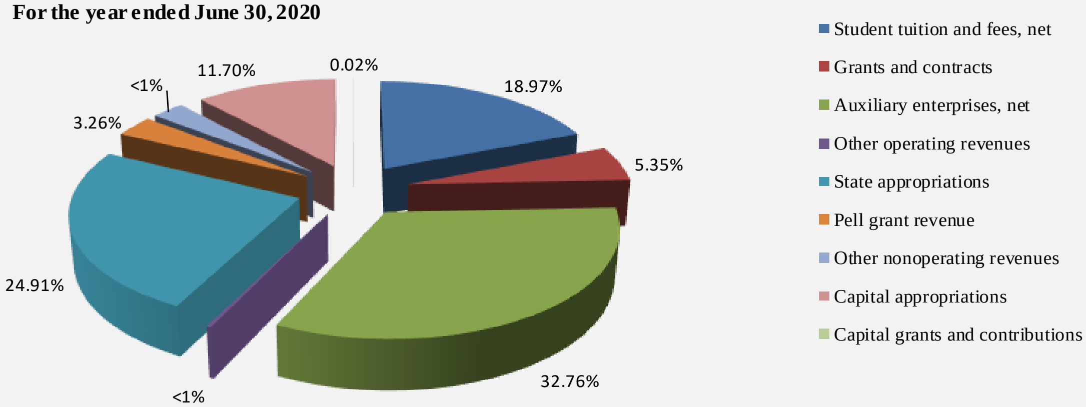
Evaluation of Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Years 2019 and 2020

Summary of Revenues

As noted above in the "Evaluation of the Summary of the Change in Net Position," operating revenues decreased by $5.1 million or 5.6% from fiscal year 2019 to fiscal year 2020. This decrease was mainly due to a $3.0 million decrease in student tuition and fees, net of scholarship allowance due to a decrease in enrollment, along with a $1.4 million decrease in nongovernmental grants and contracts, which were transfers from the Longwood Foundation of donations and gifts for department operations. There was only a slight decrease in auxiliary enterprise revenue, mainly due to the CARES Act funding that replaced the lost auxiliary revenue. Also there was a slight decrease in other operating revenues.

Non-operating revenues consisted of $37.1 million state appropriations, which was in increase of $3.3 million from fiscal year 2019; $4.9 million in Pell revenue, which was a decrease of $0.3 million from fiscal year 2019. During fiscal year 2020 the University received $2.7 million in CARES Act funding which is included in other non-operating revenues, this represents a $2.7 million increase in non-operating revenue over fiscal year 2019. These funds were issued to students in the form of student aid and used to reimburse the University for lost revenue due to the change in the mode of instructional delivery and the closure of many of the University auxiliary services due to COVID-19. Other non-operating revenues include $1.4 million in insurance and investment revenue, which represents a $1.4 million increase over fiscal year 2019 due mainly to insurance reimbursements for Hurricane Michael damage. Other revenues consisted of $17.4 million in capital appropriation for various construction projects on campus which was a $1.6 million increase from fiscal year 2019. In fiscal year 2019, $6.3 million in capital grants and contributions were received from the Longwood University Foundation for the University Center construction that was funded by donor gifts; because the University Center construction was completed in fiscal year 2019, this type of funding was not received in fiscal year 2020.

Summary of Revenues



Summary of Revenues

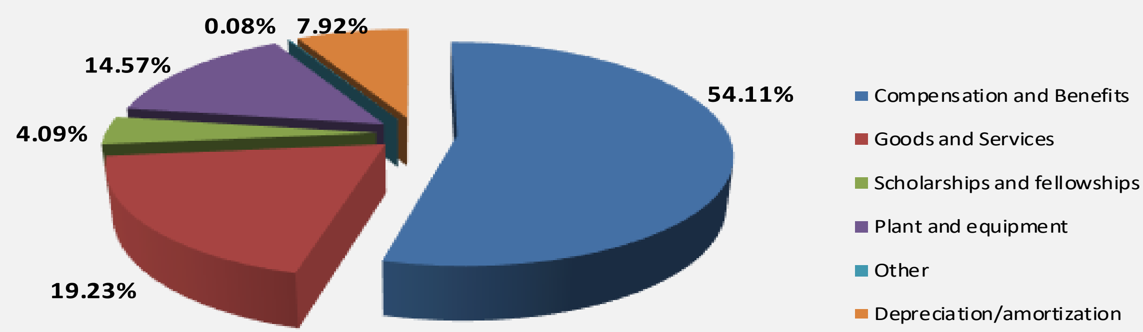
	Year Ended June 30,			Increase/(Decrease)	
	2020	2019		Amount	Percent
Operating revenues:					
Student tuition and fees, net	$28,276,643	$31,265,784		$ (2,989,141)	(9.56%)
Grants and contracts	7,969,538	9,387,551		(1,418,013)	(15.11%)
Auxiliary enterprises, net	48,813,492	49,458,967		(645,475)	(1.31%)
Other operating revenues	432,592	442,474		(9,882)	(2.23%)
Total operating revenues	85,492,265	90,554,776		(5,062,511)	(5.59%)
Nonoperating revenues:					
State appropriations	37,127,978	33,847,694		3,280,284	9.69%
Pell grant revenue	4,865,109	5,184,079		(318,970)	(6.15%)
Other nonoperating revenues	4,079,814	241,614		3,838,200	1,588.57%
Total nonoperating revenues	46,072,901	39,273,387		6,799,514	17.31%
Other revenues					
Capital appropriations	17,429,071	15,825,484		1,603,587	10.13%
Capital grants and contributions	28,570	6,346,814	(1)	(6,318,244)	(99.55%)
Total other revenues	17,457,641	22,172,298		(4,714,657)	(21.26%)
Total revenues	$149,022,807	$152,000,461		$ (2,977,654)	(1.96%)

Note (1): FY 19 amount was restated to include FY 20 beginning balance adjustments.

Summary of Operating Expenses

A summary of the University's operating expenses by natural classification for the years ended June 30, 2019 and 2020 is shown below. Overall, total operating expenses increased approximately $0.8 million in fiscal year 2020 compared to the previous fiscal year. This represents a 0.6% increase. As reflected in the chart below, compensation and benefits increased $3.0 million or 4.19%, this was largely due to the pension and other post-employment benefits (OPEB) changes between fiscal years. In fiscal year 2019, the net effect of these entries reduced benefits by $2.4 million; however, in fiscal year 2020, the net effect of these entries increased benefits by $0.6 million. Goods and services decreased by $7.3 million or 21.76% due in part to the operational changes in response to COVID-19. In March 2020, the University switched to online instruction, stopped many of its auxiliary services, the majority of employees began teleworking, all non-essential travel was eliminated, events such as graduation were cancelled, all of these changes contributed to the decrease in goods and services expenditures. The increase in scholarship and fellowship expenses was the direct result of the $1.6 million in student aid from the CARES Act funding that the University received in fiscal year 2020. The $3.0 million increase in plant and equipment is due mainly to lease payments for Johns Hall, the newly renovated Longwood University Real Estate owned high-rise dormitory that was put in service at the beginning of fiscal year 2020.

Summary of Operating Expenses by Natural Classification
For the year ended June 30, 2020

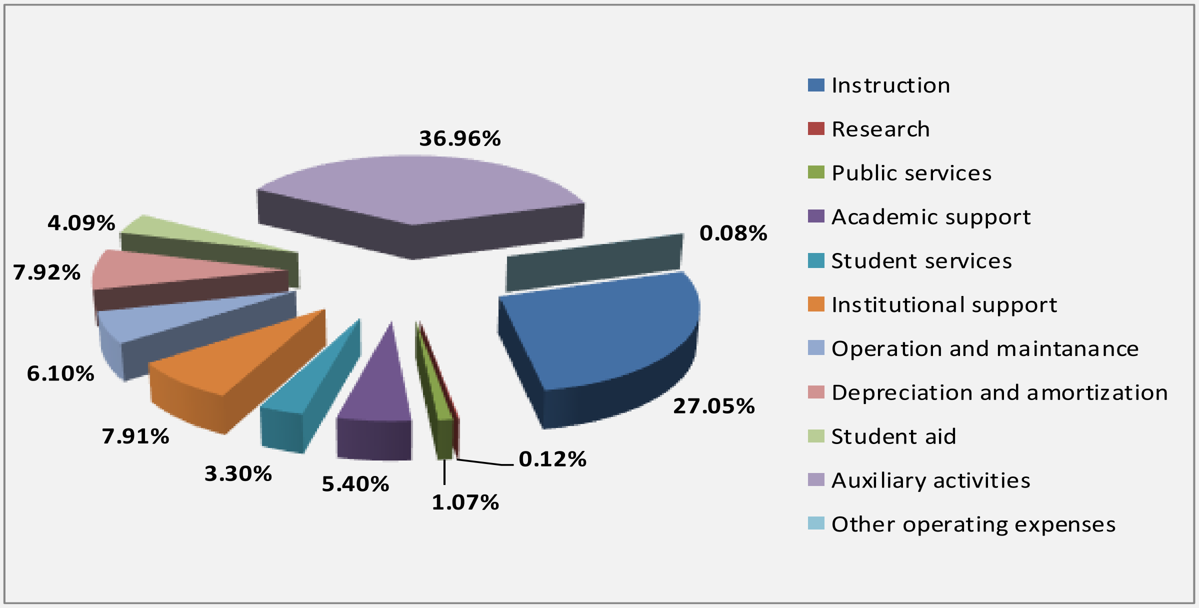


Operating Expenses by Natural Classification

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Amount	Percent
Compensation and Benefits	$ 73,772,864	$ 70,805,061	$ 2,967,803	4.19%
Goods and Services	26,219,295	33,511,005	(7,291,710)	(21.76%)
Scholarships and fellowships	5,571,544	3,917,039	1,654,505	42.24%
Plant and equipment	19,862,445	16,878,281	2,984,164	17.68%
Other	113,239	33,359	79,880	239.46%
Depreciation/amortization	10,803,565	10,409,393	394,172	3.79%
Total operating expenses	$ 136,342,952	$ 135,554,138	$ 788,814	0.58%

A summary of the University's operating expenses by functional classification for the years ended June 30, 2019 and 2020 is shown below. The explanations noted above explain the variances, the below chart reflects how each functional expense classification was affected.

Summary of Operating Expenses by Function
For the year ended June 30, 2020



Operating Expenses by Function

	For the Year Ended June 30,		Increase/(Decrease)	
	2020	**2019**	**Amount**	**Percent**
Operating expenses:				
Instruction	$36,877,227	$34,872,141	$ 2,005,086	5.75%
Research	160,691	230,000	(69,309)	(30.13%)
Public services	1,462,643	1,443,210	19,433	1.35%
Academic support	7,366,742	7,316,911	49,831	0.68%
Student services	4,494,429	4,541,076	(46,647)	(1.03%)
Institutional support	10,780,315	11,644,672	(864,357)	(7.42%)
Operation and maintanance	8,316,364	9,249,706	(933,342)	(10.09%)
Depreciation and amortization	10,803,565	10,409,393	394,172	3.79%
Student aid	5,571,544	3,917,039	1,654,505	42.24%
Auxiliary activities	50,396,193	51,896,631	(1,500,438)	(2.89%)
Other operating expenses	113,239	33,359	79,880	239.46%
Total operating expenses	$ 136,342,952	$ 135,554,138	$ 788,814	0.58%

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the University's cash activity during the year. The

Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis and includes non-cash items such as depreciation expense, while the Statement of Cash Flows strictly represents cash inflows and outflows. The Statement of Cash Flows enables readers to assess the ability of the institution to generate future cash flows necessary to meet obligations and to evaluate the need for additional financing.

The Statement of Cash Flows is divided into five sections. The first section, cash flows from operating activities, details the net cash used by operating activities. The second section reflects the cash flows from non-capital financing activities, and includes state appropriations and Pell grant revenues for the University's educational and general programs and financial aid. The third section, cash flows from capital financing activities, details the cash used for the acquisition and construction of capital and related items. The fourth section is cash flows from investing activities which includes interest earned on investments. The last section reconciles the net operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position to the cash used by operating activities.

Condensed Statement of Cash Flows

	Year Ended June 30, 2020	2019	Increase/ (Decrease)
Cash Provided (used) by:			
Operating activities	$ (17,047,591)	$ (35,377,927)	$18,330,336
Noncapital financing activities	44,705,476	38,923,574	5,781,902
Capital financing activities	(8,141,206)	(7,663,695)	(477,511)
Investing activities	162,541	180,302	(17,761)
Net increase/(decrease) in cash	19,679,220	(3,937,746)	23,616,966
Cash - Beginning of year	11,594,654	15,532,400	(3,937,746)
Cash - End of year	$31,273,874	$11,594,654	$19,679,220

Evaluation of Statement of Cash Flows for Fiscal Years 2019 and 2020

The $18.3 million increase between fiscal year 2019 and fiscal year 2020 in cash provided by operating activities was mainly due to the prepayment by the Longwood University Real Estate Foundation of the 40-year ground lease for the University owned housing units. This resulted in $23.0 million being received by the University. Offsetting this increase were increases in payments for scholarships and fellowships in the amount of $1.6 million for student aid from the CARES Act. Payments for operation and maintenance of facilities increased $4.0 million due largely to the increase in housing lease payments with Johns Hall, one of the renovated high-rise dorms, coming back on line during fiscal year 2020. Another factor affecting the increase in operation and maintenance of facilities was the decrease in related prepaid expenses, in fiscal year 2018, prepaid expenses totaled $700,000, compared to $4,000 in both fiscal years 2019 and 2020. The result of this was a decreased outflow of cash in fiscal year 2019.

Cash provided by noncapital financing activities increased $5.8 million between fiscal year 2019 and fiscal year 2020. This cash consisted of $37.1 million state appropriations, which was an increase of $3.3 million from fiscal year 2019; $4.9 million in Pell revenue, which was a decrease of $0.3 million from fiscal year 2019. During fiscal year 2020 the University received $2.7 million in CARES Act funding which is included in this category.

Changes between fiscal year 2019 and fiscal year 2020 in cash provided by capital financing activities and cash provided by investing activities were minimal.

Capital and Debt Activities

Renewal and replacement of facilities on campus remains an integral part of the University's Strategic Plan. The University continues to implement strategies to support its commitment to creating state-of-the-art learning environments that contribute to the overall development of students. Additional investments are planned to improve student residential lifestyles and the quality of student life.

Note 7 of the **Notes to Financial Statements** describes the University's significant investment in capital assets. From fiscal year 2019 to fiscal year 2020, Buildings increased overall by $13.3 million and Construction in Progress increased a net $5.0 million overall due primarily to the ongoing construction activities related to the New Academic Building (Allen Hall) and the steam tunnel infrastructure replacement project.

Note 10 of the **Notes to Financial Statements** notes that Long-term debt decreased from $58.4 million in 2019, to $53.6 million in 2020. The University utilizes the SCHEV formula (debt service to unrestricted expenditures and mandatory transfers) to calculate its debt ratio. This ratio was 4.58% at the end of fiscal year 2019 and 5.91% at the end of fiscal year 2020. Per Board-approved policy, the University will maintain a debt burden ratio of 9 percent or less.

ECONOMIC OUTLOOK

Longwood University is a model for liberal arts education in a residential learning environment that has thrived since 1839. Despite the challenges and uncertainties facing the nation in 2020, Longwood is in a position of strength. It has been able to withstand the test of time as one of the nation's hundred-oldest institutions of higher learning and the third oldest public higher education institution in Virginia. Longwood is located in a state that continues to grow and prosper, as evidenced by Amazon's decision to locate in Northern Virginia. Additionally, the state of Virginia's economic and political support for higher education in general and Longwood in particular continues to be strong and unwavering. These attributes have helped stabilize enrollment, combat the impacts of COVID-19, as well as strengthen Longwood University in general for the future.

Enrollment

The University's overall enrollment trend over the last two decades has been positive, thanks to a rising national reputation and profile, and the strong economic and demographic profile of the Commonwealth of Virginia. The modest dip in headcount for the fall semester of 2019 was due primarily to the enrollment of an unusually small freshman class, which the University believes was substantially attributable to an aggressive over-enrollment strategy implemented at another university in the Commonwealth. This over-enrollment created a ripple effect across other Virginia institutions, more than absorbing the small overall increase in incoming freshmen at public universities statewide. Another contributing factor to the modest dip in headcount in fall of 2019 was the increase in Longwood's 4-year graduation rates (from 48% to 52% year over year). This accelerated graduation rate, while a positive educational trend, resulted in a decline in upperclassman enrolled at the University.

The University's new strategic plan that was approved in spring of 2019 focuses on the need to "intensify enthusiasm" around enrollment. Longwood strategically made several changes to better position itself in regards to recruitment and retention including: (i) the adoption of the Common App, (ii) earlier and more transparent communication of merit aid and award packages, (iii) a major initiative to deploy private scholarship dollars more effectively during the admissions cycle to persuade prospective students to enroll, (iv) a cross-divisional effort on campus to develop programs with strong prospects for marketplace interest, and (v) revamped its payment plan program to make paying for college more flexible for families. As a result of these efforts, the preliminary fall 2020 total headcount numbers have increased to 4,828 students, which is an approximate 9% increase over the fall 2019 headcount. This equates to an increase of 105 undergraduates and 255 graduates. Notably, Longwood's retention rate from freshman to sophomore year is estimated to have increased from 75% in fall of 2019 to 77% in fall 2020.

Longwood continues to aggressively pursue innovation in its enrollment strategies. In September 2020, the Board of Visitors reduced its out of state tuition from $24,620 to $20,000 to be more in line with other Virginia schools and help increase future enrollment. This change in tuition rates will go into effect for the fall of 2021.

<u>COVID-19</u>

COVID-19 has created many difficulties for Longwood, but modifications were made and the institution adapted and rose to the challenges. In the spring of 2020, like many other institutions, Longwood made the decision to move classes online and send students home. As a result, Longwood was faced with housing and dining refunds. It was decided to split the refunds into two payments totaling $1,101,950 in fiscal year 2020 and $1,210,864 in fiscal year 2021. Longwood was the beneficiary of $3.2 million in CARES Act Funding, half was sent directly to students and half was used to help offset COVID-19 related expenses at Longwood. Longwood continues to pursue strategies to secure outside funding for its additional COVID-19 related expenses.

Longwood developed its COVID-19 Campus Preparedness Plan to guide campus operations and the management of a residential campus amidst the COVID-19 pandemic. This plan was reviewed by the State Council of Higher Education during the summer of 2020 and was found to be compliant in containing the required components of the "Higher Education Reopening Guidance". Longwood remains committed to in-person learning and was able to provide approximately 83% of its fall 2020 courses either fully in-person or with an in-person component. Longwood is prepared to replicate this model in the spring of 2021 if necessary, for continued safety and health of its students, faculty and staff. In order to afford the increased costs and lost revenue associated with COVID-19, Longwood proactively implemented mandatory salary reductions for all faculty and staff. This action was projected to save approximately $3.0 million in operating spending over the course of fiscal year 2021. These funds were used to offset increased operating costs and balance the budget going into an uncertain fiscal year 2021. At this time, there are still many unknowns related to COVID-19, such as the duration of its impact on Longwood's operations, the total financial impacts that will be seen as the pandemic runs its course, and the necessary adjustments Longwood will need to make to its operations and budgets to respond in a fiscally responsible manner.

Overall financial stability

Longwood University is in a strong financial position itself and enjoys the support of the Commonwealth of Virginia. This is evidenced in its state support which saw an appropriation increase of nearly 10% from fiscal year 2019 to fiscal year 2020. While the General Assembly's Special Session of 2020 has not concluded, significant state cuts are not in discussion for higher education. Longwood's cash position has seen an increase of over $19 million from fiscal year 2019 to 2020. This is due to efficiency efforts in the housing enterprise. Longwood continues to be the beneficiary of state funding for construction. Allen Hall, a $23 million multidisciplinary, academic building opened its doors in August of 2020. A $20 million Environmental Health and Safety Facilities Annex Building is on target to be completed in 2023 and a $65 million music education building is scheduled to be open in 2026. Additionally, the Longwood University Real Estate Foundation completed its renovation of 800 student housing beds in Johns and Moss Halls in August of 2020. As a result of prudent financial management and aggressive development, Longwood's net position increased almost $11 million from fiscal year 2019 to 2020.

Moving forward Longwood University will continue to efficiently manage its resources and develop Citizen Leaders that the Commonwealth of Virginia can be proud of.

FINANCIAL STATEMENTS

Longwood University
STATEMENT OF NET POSITION
As of June 30, 2020

Assets	Longwood University	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 26,222,598	$ 20,781,600
Short-term investments	-	37,363,775
Accounts receivable, net of allowance for doubtful accounts of $335,529 (Note 4)	1,858,440	3,590,967
Notes receivable, (Note 4)	173,021	4,057
Contributions receivable, net (Note 22)	-	857,103
Due from Foundation (Note 5)	204,939	-
Due from the Commonwealth (Note 6)	2,597,418	-
Inventory	464,815	-
Prepaid expenses	501,820	462,878
Total current assets	$ 32,023,051	$ 63,060,380
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	6,789,359	302,956
Restricted Appropriations Available/Due From Commonwealth	12,105	-
Restricted Investments	-	94,766,516
Other non-current assets (Note 18)	839,637	209,762
Notes receivable, net of allowance for doubtful accounts of $154,761 (Note 4)	445,849	703,996
Contributions receivable, net (Note 22)	-	1,949,721
Non-depreciable capital assets, net (Note 7)	30,130,781	44,203,303
Depreciable capital assets, net (Note 7)	255,799,057	128,224,180
Total noncurrent assets	294,016,788	270,360,434
Total assets	$ 326,039,839	$ 333,420,814
Deferred Outflow of Resources		
Deferral on Debt Defeasance - loss (Note 8)	1,633,669	-
Deferred outflows of resources - OPEB and Pension (Notes 8, 17 & 18)	11,657,167	-
Total Deferred Outflows of Resources	$ 13,290,836	-
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (Note 9)	10,671,360	10,994,869
Line of Credit	-	660,307
Unearned revenue (Note 2)	2,804,517	-
Obligations under securities lending	1,738,083	-
Deposits held in custody for others	503,420	12,229
Long-term liabilities - current portion (Note 10)	6,248,892	14,295,816
Total current liabilities	21,966,272	25,963,221
Noncurrent liabilities (Note 10)	131,706,976	234,897,591
Total liabilities	$ 153,673,248	$ 260,860,812
Deferred Inflow of Resources		
Deferral on Debt Defeasance - gain (Note 12)	22,700	-
Deferred inflows of resources -OPEB and Pension (Notes 12, 17 & 18)	10,010,657	-
Total Deferred Inflows of Resources	$ 10,033,357	-
Net Position		
Net Investment in capital assets	235,532,831	(18,418,010)
Restricted:		
Nonexpendable:		
Permanently restricted	-	55,848,962
Expendable:		
Loans	101,451	-
Temporarily restricted	-	20,220,398
Other	5,675,713	944,261
Unrestricted	(65,685,925)	13,964,391
Total net position	$ 175,624,070	$ 72,560,002

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	Longwood University	Component Units
Operating revenues:		
Student tuition and fees, Net of scholarship allowances of $8,666,173	$ 28,276,643	$ -
Gifts and contributions	-	8,352,465
Federal grants and contracts	1,644,504	-
State grants and contracts	405,358	-
Nongovernmental grants and contracts	5,919,676	-
Auxiliary enterprises, net of scholarship allowances of $8,318,195	48,813,492	-
Other operating revenues	432,592	17,093,038
Total operating revenues	85,492,265	25,445,503
Operating expenses (Note 16)		
Instruction	36,877,227	-
Research	160,691	-
Public service	1,462,643	-
Academic support	7,366,742	-
Student services	4,494,429	-
Institutional support	10,780,315	5,827,238
Operation and maintenance - Plant	8,316,364	5,403,755
Depreciation	10,597,745	4,986,443
Amortization	205,820	-
Student aid	5,571,544	1,787,816
Auxiliary activities	50,396,193	-
Administrative and fundraising	-	2,243,856
Other expenditures	113,239	231,082
Total operating expenses	136,342,952	20,480,190
Operating gain (loss)	(50,850,687)	4,965,313
Nonoperating revenues (expenses):		
State appropriations (Note 15)	37,127,978	-
Pell Grant Revenue	4,865,109	-
Grants and Contracts	2,712,389	
Insurance Revenue	1,204,884	-
Investment revenue	162,541	1,167,906
Interest on Capital Asset-Related Debt	(1,793,560)	(8,393,907)
Other Revenue	-	906,373
Unrealized gain on swap	-	2,341,957
Gain (loss)on disposal/sale of plant assets	-	520,550
Net nonoperating revenues/(expenses)	44,279,341	(3,457,121)
Income before other revenues, expenses, gains or losses	(6,571,346)	1,508,192
Contributions to permanent endowments	-	2,160,305
Contributions to term endowments	-	641,377
Capital appropriations (Note 6)	17,429,071	-
Capital Grants and Contributions	28,570	-
Other Gifts	-	106,242
Net other revenues	17,457,641	2,907,924
Increase (decrease) in net position	10,886,295	4,416,116
Net position - Beginning of year (Note 2) as restated	164,737,775	68,143,886
Net position - End of year	$ 175,624,070	$ 72,560,002

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Student tuition and fees	$ 28,476,453
Grants and contracts	7,546,278
Auxiliary enterprises	71,655,653
Payments to employees	(73,487,030)
Payments to suppliers and utilities	(26,383,597)
Payments for operation and maintenance of facilities	(19,940,887)
Payments for scholarships and fellowships	(5,571,544)
Collection of loans to students	332,022
Other operating receipts	432,592
Payments for other expenses	(113,239)
Custodial receipts	658,906
Custodial disbursements	(653,198)
PLUS/Direct loan - receipts	30,938,367
PLUS/Direct loan - disbursements	(30,938,367)
Net cash provided (used) by operating activities	(17,047,591)
Cash flows from noncapital financing activities:	
State appropriations	37,127,978
Other non-operating revenues	7,577,498
Net cash provided (used) by noncapital financing activities	44,705,476
Cash flows from capital and related financing activities:	
Capital appropriations	18,347,737
Proceeds from Capital Debt	1,782,210
Insurance payments	1,204,884
Acquisition and construction of capital assets	(21,565,300)
Principal paid on capital debt, leases, and installments	(6,551,245)
Interest paid on capital debt, leases, and installments	(1,359,492)
Net cash provided (used) by capital financing activities	(8,141,206)
Cash flows from investing activities:	
Investment/interest revenue	162,541
Net cash provided (used) by investing activities	162,541
Net increase in cash	19,679,220
Cash and cash equivalents - Beginning of the year	11,594,654
Cash and cash equivalents - End of the year	$ 31,273,874

The accompanying notes to financial statements are an integral part of this statement.

Longwood University
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Operating (loss)	$ (50,850,687)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	10,803,565
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Receivables, net	(290,885)
Inventory	1,406
Prepaid expenses	9,268
Notes receivable, net	332,022
Accounts payable and accrued expenses	(612,030)
Unearned revenue	23,168,029
Custodial funds	5,708
Federal Loan (Perkins) Contributions	(258,433)
Deferred outflows of resources from net pension obligation & OPEB	(4,566,950)
Deferred inflows of resources from net pension obligation & OPEB	934,247
Net pension liability	6,577,869
OPEB liability	(2,439,912)
OPEB asset	134,363
Accrued compensated absences	4,829
Net cash provided (used) by operating activities	$ (17,047,591)

NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:

Gift of capital assets	$	28,570
Amortization of bond discount	$	(425,598)
Capitalization of interest revenue and expenses, net	$	(83,304)
Retainage payable	$	836,282

The accompanying notes to financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

Longwood University
Financial Statement Footnotes
For the Year Ended June 30, 2020

1. REPORTING ENTITY

Longwood University is a state-assisted, coeducational, and comprehensive University offering programs leading to bachelor's and master's degrees. Longwood offers courses both on the main campus and at educational sites in other locations as well as online courses. The University is oriented to liberal arts and to professional and pre-professional programs.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

The University has three component units, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. These organizations are described in Note 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, fiduciary activities are immaterial and thus fiduciary statements are not included. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That Use Proprietary Fund Accounting*, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity date of three months or less.

Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, and GASB Statement 72, *Fair Value Measurement and Application*, 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 non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Prepaid Expenses

Prepaid expenses of the University include such items as insurance premiums, membership dues, and registrations for next fiscal year that were paid in advance, as well as publications, subscriptions, and contracts which include initial and renewal annual subscriptions that continue into the next fiscal year.

Inventories

Inventories are reported using the consumption method, and valued using the first-in, first out (FIFO) method. Inventories consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure, and intangible assets are stated at acquisition value at date of donation. Library materials are valued at actual cost and average cost at time of purchase or donation. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Construction in progress, equipment and intangibles in process are capitalized at actual cost as expenses are incurred. Equipment costing $5,000 or more with a useful life greater than one year is capitalized. Software related intangibles costing $25,000 or more and other intangibles costing $100,000 or more are capitalized. Renovation costs are capitalized when expenses total greater than $100,000. Normal repairs and maintenance are expensed in the year in which the expense is incurred.

Construction period interest cost in excess of earnings associated with related debt proceeds is capitalized as a component of the final asset. The University incurred and capitalized net interest expense related to the construction of capital assets totaling $83,304 for the fiscal year.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The general range of estimated useful lives is 5 to 50 years for buildings and fixtures and 3 to 20 years for equipment. The estimated useful life of Library materials is 10 years. The general range of estimated useful lives for infrastructure is 5 to 30 years. The estimated useful life of software is 5 years; all other intangibles vary based on type and expected useful life.

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position.

Deferred Outflows and Inflows

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

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.

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 Virginia Retirement System (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.

Financial Statement Presentation

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

Recently Adopted and Future Accounting Pronouncements

The following GASB statements are effective for fiscal year 2020 and thereafter:

- GASB 84 – *Fiduciary Activities,*
- GASB 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and
- GASB 92 – *Omnibus 2020,* only paragraphs 11 and 13 effective upon issuance – January 2020.

The current year implementations of GASB statements 84, 90 and 92 had no significant effect on the University's financial statements for the current year.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but are related to the period(s) after June 30, 2020. At the close of fiscal year 2020, the University received a payment in the amount of $23,000,000 from the Longwood University Real Estate Foundation for a 40 year lease of all University owned student housing, the amount that will be earned in the next 12 months, $575,000, is included in the Auxiliary unearned revenue noted below; the remaining $22,417,123 is recorded as a non-current long term liability and will be recognized as revenue when earned (see Note 10).

	2020
Student tuition and related fees	$ 2,213,402
Auxiliary enterprise fees	591,115
Total	$ 2,804,517

Accrued Compensated Absences

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

Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Perkins Loans, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. 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*.

Net Position

The University's net position is classified as follows:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- **Restricted net position, expendable** – Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The University's restricted net position is expendable.
- **Restricted net position, nonexpendable** – Nonexpendable restricted net position is comprised of endowment and similar types where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- **Unrestricted net position** – Unrestricted net position represents resources derived primarily from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources, and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

Income Taxes

The University, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, and nongovernmental grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment and interest income.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship and allowances are the difference between the actual charge for goods and services provided by the University and the amount that are paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discounts and allowances on a university-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Noncurrent Liabilities

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

Bond premiums are deferred and amortized over the life of the bond. Bonds payable are reported including unamortized bond premiums. The amortization of bond premiums are reported as debt service expenditures. The debt as shown in the Statement of Net Position is divided between current and non-current liabilities (see Note 10). The Statement of Revenues, Expenses, and Changes in Net Position reflects the interest expense which is recognized as a non-operating expense when paid.

Beginning Balance Adjustment

The University's beginning net position as of July 1, 2019 has been adjusted. The adjustment is due to a correction to prior year historical cost to buildings, equipment and construction in progress. Prior year balances were not restated for the corrections, only the beginning balances for fiscal year 2020 were adjusted. The adjustment is as follows:

Net Position, July 1, 2019	$ 164,728,047
Construction in progress correction	(315,084)
Building Correction	286,132
Accumulated Depreciation – Building Correction	15,925
Equipment Correction	113,382
Accumulated Depreciation – Equipment Correction	(2,740)
Long Term Liability correction	(87,887)
Adjusted Net Position, July 1, 2019	$ 164,737,775

Other Postemployment Benefits

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 and managed by the Virginia Department of Human Resources Management. After retirement, Longwood University 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.

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 Program 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 VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Certain deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*, or covered by depository insurance. Under this Act, banks holding public deposits in excess of amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits. Cash and cash equivalents represent cash with the Treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program® (SNAP®). This program offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79. SNAP® investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows or Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

At June 30, 2020, the carrying amount of cash with the Treasurer of Virginia was $25,835,092. The carrying amount of cash not held by the Treasurer of Virginia is $4,487,019. The carrying amount not held by the Treasurer consists of bank balances reported at June 30, 2020, in the amount of $4,836,567 adjusted for reconciling items such as: outstanding checks and deposits in transit. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

Summary of the University's Cash and Cash Equivalents

	Value As of June 30, 2020	Credit Rating
Cash and cash equivalents	26,222,598	
Restricted cash and cash equivalents	6,789,359	
Total Cash and Cash Equivalents	**33,011,957**	
Treasurer of Virginia	25,835,092	
Held in custody of others	4,487,019	
SNAP program	2,689,846	S&P AAAm
Total Cash and Cash Equivalents	**33,011,957**	

Investments

The majority of University funds is held by the Treasurer of Virginia and, therefore, is not invested by the University. Local funds held by the University are available for investment, per the Board of Visitors approved investment policy. In fiscal year 2020, local funds were not invested. Rather, they were held in a governmental checking account.

Concentration of Credit Risk

Concentration of credit risk requires the disclosures by amount and issuer of any investments in any one issuer that represent 5 percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2020, the University did not have any investments other than money market funds held by the Treasurer of Virginia; therefore, the University does not have a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. Due to the lack of investments outside of those held by the Treasurer of Virginia, this risk does not apply to the University.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not invest in funds outside of investing bond proceeds in the State Non-Arbitrage Program (SNAP). These proceeds held by the Treasurer of Virginia are invested in money market funds and do not need to be categorized as to risk. At June 30, 2020, the carrying amount of the cash equivalents held in the SNAP program was $2,689,846 and with the Treasurer of Virginia was $0.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Longwood University does not have investments in foreign currency.

Securities Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of $1,738,083 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The Commonwealth's policy is to record unrealized gain 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.

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2020:

Student tuition and fees	$ 1,357,487
Auxiliary enterprises	660,589
Federal, state, and nongovernmental grants and contracts	175,893
Total	$ 2,193,969
Less: Allowance for doubtful accounts	(335,529)
Net accounts receivable	$ 1,858,440

Notes receivable consisted of the following at June 30, 2020:

Current portion:	173,021
Federal student loans	173,021
Non-current portion:	
Federal student loans	600,610
Less allowance for doubtful accounts	(154,761)
Net non-current notes receivable	$ 445,849

5. DUE FROM FOUNDATION/TRUST

Due from foundation consisted of the following at June 30, 2020:

Longwood University Foundation	$ 12,672
Longwood University Real Estate Foundation	192,267
Total Due from Foundations	$204,939

6. CAPITAL APPROPRIATIONS, COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT 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 fiscal year 2020, funding has been provided to the University from two programs: 21st Century bond program and Equipment Trust Fund program (ETF). Both the 21st Century bond and Equipment Trust Fund programs are managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2020, in the "Capital Appropriations" line item for equipment and facilities obtained with funding under these two programs.

Capital Appropriations

VCBA 21st Century Program	$16,559,450
VCBA ETF Program	869,621
	$17,429,071

The line item, "Due from the Commonwealth," on the *Statement of Net Position* for the year ended June 30, 2020, represents pending reimbursements from the following program:

21st Century Bonds	$2,590,401
ETF	7,017.00
Total Due from Commonwealth of Virginia	$2,597,418

7. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ended June 30, 2020, is presented as follows:

	Beginning Balance 6/30/2019	Additions	Reductions	Ending Balance 6/30/2020
Non-Depreciable Capital Assets				
Land	$5,061,819		-	$5,061,819
CIP (1)	20,072,002	18,548,248	(13,551,288)	25,068,962
Total Non-Depreciable Capital Assets	25,133,821	18,548,248	(13,551,288)	30,130,781
Depreciable Capital Assets				
Buildings (2)	313,615,252	13,272,975	-	326,888,227
Equipment (3)	20,274,579	760,242	(19,782)	21,015,039
Infrastructure	52,738,408	18,119	(13,754)	52,742,773
Library Materials	12,637,575	307,921	(64,610)	12,880,886
Software Projects	6,970,385	265,122	-	7,235,507
Total Depreciable Capital Assets, Cost	406,236,199	14,624,379	(98,146)	420,762,432
Accumulated Depreciation				
Buildings (4)	88,706,360	7,665,734	(1,921)	96,370,173
Equipment (5)	15,598,238	1,256,976	(17,874)	16,837,340
Infrastructure	33,232,600	1,206,987	(14,376)	34,425,211
Library Materials	10,162,064	468,048	(64,610)	10,565,502
Software Projects	6,559,329	205,820	-	6,765,149
Total Accumulated Depreciation	154,258,591	10,803,565	(98,781)	164,963,375
Depreciable Capital Assets, Net	251,977,608	3,820,814	635	255,799,057
All Capital Assets, Net	$277,111,429	$22,369,062	($13,550,653)	$285,929,838

Note (1): Beginning balances have been restated by ($315,084) for item moved from CIP to Building. See Note 2.
Note (2): Beginning balances have been restated by $286,132 for item moved from CIP and a disposed asset. See Note 2.
Note (3): Beginning balances have been restated by $113,382 for additional assets. See Note 2.
Note (4): Beginning balances have been restated by ($15,925) as discussed in Note 2.
Note (5): Beginning balances have been restated by $2,740 as discussed in Note 2.

8. DEFERRED OUTFLOWS OF RESOURCES

The composition of deferred outflows of resources as June 30, 2020, is summarized as follows:

Deferred loss - 9 (c) General Obligation Bonds Refundings	$683,953
Deferred loss - VCBA Pooled Notes Payable Refundings	949,716
Deferral on Debt Defeasance	1,633,669
Deferred Pension Liability	8,956,389
Deferred Other Post Employment Benefits	2,700,778
Total deferred outflows of resources:	$11,657,167

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2020:

Employee salaries, wages, and fringe benefits payable	$4,407,716
Vendors and suppliers accounts payable	4,816,329
Retainage payable	836,282
Interest payable	611,033
Total accounts payable and accrued expenses	$10,671,360

10. NONCURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 11), and other non-current liabilities. A summary of changes in non-current liabilities for the year ending June 30, 2020, is presented as follows:

Category	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long Term Debt:					
9 (c) General Obligation Bonds	$ 9,674,560	$ 1,665,000	$ 2,859,264	$ 8,480,296	$1,119,218
Unamortized Premium	1,255,322	117,210	321,754	1,050,778	199,350
	10,929,882	1,782,210	3,181,018	9,531,074	1,318,568
VCBA Pooled Notes	44,150,000	-	2,880,000	41,270,000	3,125,000
Unamortized Premium	3,198,888	-	451,461	2,747,427	432,844
	47,348,888	-	3,331,461	44,017,427	3,557,844
Installment Purchases	108,952 (1)	-	38,766	70,186	17,138
Total Long Term Debt	58,387,722	1,782,210	6,551,245	53,618,687	4,893,550
Accrued Compensated Absences	1,740,261	980,399	975,570	1,745,090	1,090,454
Federal Loan Program Contributio	1,282,642	-	258,433	1,024,209	-
Unearned Revenue		23,000,000	7,877	22,992,123	575,000 (4)
Net Pension Liability	35,885,000	6,577,869 (2)	-	42,462,869	-
OPEB - HIC	6,307,000	94,684 (2)	-	6,401,684	-
OPEB - GLI	3,726,000	199,455 (2)	-	3,925,455	
OPEB - LODA	284,000	74,463 (2)	-	358,463	9,344
OPEB - DHRM	8,810,802		2,808,514 (3)	6,002,288	255,544
Total OPEB Liability	19,127,802	368,602	2,808,514	16,687,890	264,888
Total Long Term Liabilities	$116,423,427	$32,709,080	$10,601,639	$138,530,868	$6,823,892

Note (1): Beginning balance has been restated by $87,887 as discussed in Note 2.
Note (2): Additions reflect net increase.
Note (3): Reduction reflects net decrease.
Note (4): The current amount is included in the Unearned Revenue line iem on the Statement of Net Position.

11. LONG-TERM INDEBTEDNESS

9(c) General Obligation Bonds Payable

Longwood University bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. The following bonds of the University are Section 9(c) bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. The interest rates listed below are the rates at issuance.

General Obligation bonds payable at June 30, 2020, consist of the following:

Residence Hall:	Interest Rates	Maturity	Amount
2012 A 2 - Housing Facilities Ren. - 2005 Ref Portion	5.00%	2024	$ 544,804
2013 B 1 - Housing Facilities Ren - 2005A Ref Portion	4.00%	2025	285,300
2013 B 2 - Housing Facilities Ren - 2006B Ref Portion	4.00%	2026	1,577,864
2013 B 3 - Ren Cox Hall - 2007B Ref Portion	4.00 - 5.00%	2025	1,834,155
2015 B 1 Renovate Cox Hall - 2007B Ref Portion	5.00%	2027	790,900
2015 B 2 Renovate Cox Hall - 2008B Ref Portion	5.00%	2028	2,327,273
2019 B 1 Housing Facilities Ren - 2005A Ref Portion	5.00%	2022	460,000
2019 B 1 Ren Housing Facilities - 2006B Ref Portion	5.00%	2022	660,000
	Total bonds payable		$ 8,480,296

A summary of future principal and interest requirements of long-term debt for General Obligation bonds payable as of June 30, 2020 follows:

Year ending June 30	**Principal**	**Interest**
2021	1,119,218	389,101
2022	1,180,347	333,140
2023	1,271,204	277,920
2024	1,327,285	221,783
2025	1,378,659	164,104
2026-2030	2,203,583	177,790
Total	$ 8,480,296	$ 1,563,838
Add: Unamortized Premium	1,050,778	
Total	$ 9,531,074	

VCBA Pooled Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9 (d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes. The interest rates listed below are the rates at issuance.

The following schedule describes each of the notes outstanding:

	Interest Rates	Maturity	Amounts
2009 A - Athletic offices, Heating Plant Phase III, Student Union	3.75%	9/2020	10,000
2010 B - Fitness center and Parking Garage	5.00%	9/2022	1,450,000
2012 A - Fitness Center, Lacrosse/field hockey, Soccer fields, Lancer gym, Blackwell and Heating plant II	3.00 – 5.00%	9/2024	6,525,000
2014 B - Fitness center, Lacrosse/field hockey complex, Soccer fields, Lancer gym, Baseball/softball, Blackwell and Phase II and III Heating Plant	4.00 – 5.00%	9/2025	5,035,000
2015 A - University Center	3.00 – 5.00%	9/2045	21,680,000
2015 B - Heating Plant III, Student Union 2009 A	3.00 – 5.00%	9/2028	1,225,000
2016 A – Refunding of 2006 A and 2007 A - Lacrosse/Field Hockey Complex, Baseball/Softball, Heating Plant Phase II & III, Fitness Center, Blackwell Hall & Bookstore	3.00 – 5.00%	9/2027	2,490,000
2018 A – Wheeler Mall Replace Steam Dist. System	4.00 – 5.00%	9/2038	2,855,000
	Total notes payable		$41,270,000

A summary of future principal and interest requirements of VCBA Pooled Notes Payable as of June 30, 2020, follows:

Year ending June 30	Principal	Interest
2021	3,125,000	1,658,456
2022	3,245,000	1,499,269
2023	3,415,000	1,332,769
2024	3,150,000	1,168,644
2025	2,965,000	1,032,569
2026-2030	8,000,000	3,857,843
2031-2035	4,830,000	2,846,013
2036-2040	5,550,000	1,896,222
2041-2045	5,705,000	844,587
2046-2050	1,285,000	25,700
Total	41,270,000	$16,162,072
Add: Unamortized Premium	2,747,427	
Total	$44,017,427	

12. DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources at June 30, 2020 are as follows:

Deferral on debt defeasance - gain - bond refunding	$	22,700
Deferred Inflows - Pension		2,168,113
Deferred Inflows - Other Postemployment Benefits		7,842,544
Total Deferred Inflows - Pension & OPEB		10,010,657
Total Deferred Inflows	$	10,033,357

13. COMMITMENTS

Construction Contracts

As of June 30, 2020, outstanding commitments for capital outlay projects totaled approximately $9,555,391.

Operating Leases

The University is committed under various operating lease agreements primarily for buildings and equipment. Rental expense for the fiscal year ended June 30, 2020, was $1,512,729. The University has, as of June 30, 2020, the following total future minimum rental payments due under the above leases:

Fiscal Year	Operating Leases
2021	$919,180
2022	440,201
2023	431,645
2024	431,776
2025	169,999
2026 - 2030	54,092
2031 - 2035	30,346
2036 - 2040	30,346
2041 - 2045	30,346
Total	$2,537,931

Installment Purchase Agreements

The University has entered into an installment purchase contract to finance the acquisition of equipment. The remaining length of the purchase agreement is four years. Payment on this commitment is as follows:

Fiscal Year	Installment Purchase
2021	17,138
2022	17,942
2023	18,783
2024	16,323
Total	$ 70,186

Other Contractual Agreements

The University was committed to pay Longwood University Real Estate Foundation $28,351,554 pursuant to a support agreement related to all student housing. The University was also contractually committed to payments totaling $99,121 relative to an energy performance contract. The University has, as of June 30, 2020, the following total future payments due under the above agreements:

Fiscal Year	Contractual Agreements
2021	$ 26,200,060
2022	2,182,542
2023	16,251
2024	16,756
2025	17,276
2026	17,790
Total	$ 28,450,675

14. LONG-TERM DEBT DEFEASANCE

On August 14, 2019, the Commonwealth of Virginia, on behalf of the University, issued $1,665,000 of General Obligation Refunding Bonds, Series 2019B, with an interest rate of 5%. The bonds, issued at a premium of $117,210, were used to refund the following:

- $720,000 of outstanding General Obligation Bonds, Series 2009D-1 with an interest rate of five percent. The advance refunding resulted in the recognition of a deferred accounting gain of $13,600 in fiscal year 2020, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by $51,144 over this and the next two years and obtained an economic gain (equal to the difference between the present value of the old and new debt service payments) of $50,257, discounted at a rate of 1.069%.

- $1,040,000 of outstanding General Obligation Bonds, Series 2009D-2 with an interest rate of five percent. The advance refunding resulted in the recognition of a deferred accounting gain of $19,500 in fiscal year 2020, which is being amortized to interest expense over the life of the new debt. The University in effect reduced its aggregate debt service obligation by $71,487 over this and the next two years and obtained an economic gain (equal to the difference between the present value of the old and new debt service payments) of $70,114, discounted at a rate of 1.069%.

For financial reporting purposes, the bonds designated above as being refunded are considered to be defeased and have been removed from the non-current liabilities line in the Statement of Net Position.

Certain Higher Education Bonds were defeased by the University in prior years. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. Therefore, the related assets in trust as well as the defeased bonds are excluded from the Statement of Net Position. As of June 30, 2020, $0 of the defeased bonds are outstanding.

15. STATE APPROPRIATIONS

During the year ended June 30, 2020, the following changes were made to the University's original operating appropriation, including supplemental appropriations received in accordance with the Virginia Acts of Assembly, Chapter 854.

Original Appropriation:	
Educational and General Programs	$29,329,452
Student Financial Assistance	5,789,779
Supplemental Adjustments:	
Central Fund Adjustments	803,851
Tuition Moderation Adjustment	975,000
VIVA	5,439
SVRTC	108,905
Military Survivors	81,329
2-Year Transfer Grant	43,000
Credit card rebates and interest	157,649
Ch. 854 Grad Outcome Transfer	(3,000)
Adjustment - Chapter 1283	(2,531)
HEETF Payment	(54,746)
Capital Out-of-State Fee	(106,149)
Adjusted Appropriations	$ 37,127,978

16. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Goods and Services	Scholarships and Fellowships	Plant and Equipment	Other	Depreciation/ Amortization	Total
Instruction	$34,413,743	$ 1,545,529	$ -	$ 917,955	$ -	$ -	$ 36,877,227
Research	55,634	103,338	-	1,719	-	-	160,691
Public service	1,093,523	326,568	-	42,552	-	-	1,462,643
Academic support	5,167,878	1,113,823	-	1,085,041	-	-	7,366,742
Student services	3,748,521	604,480	-	141,428	-	-	4,494,429
Student aid	-	-	5,571,544	-	-	-	5,571,544
Institutional Support	9,192,268	1,021,754	-	566,293	-	-	10,780,315
Operation & Maintenance of Plant	4,446,924	2,828,437	-	1,041,003	-	-	8,316,364
Depreciation	-	-	-	-	-	10,597,745	10,597,745
Amortization	-	-	-	-	-	205,820	205,820
Auxiliary activities	15,654,373	18,675,366	-	16,066,454	-	-	50,396,193
Other Expenses	-	-	-	-	113,239	-	113,239
Total	$73,772,864	$26,219,295	$5,571,544	$19,862,445	$113,239	$10,803,565	$136,342,952

17. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

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** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**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 Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the

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.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	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 employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**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 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.	**Service Credit** Same as Plan 1.	**Service Credit** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior

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 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. **<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.
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 account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**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 member is eligible to withdraw a

		percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution 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** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** 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%.	**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.	**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: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**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** **<u>Define Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** 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:** 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** **<u>Defined Benefit Component:</u>** **VRS:** Age 60 with at least five years (60 months) of service credit. **VaLORS:** Not Applicable. **<u>Defined Contribution Component:</u>**

		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 increases (up to 4%) up to a maximum COLA of 5%. **<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. **<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 eligible to retire under the Workforce Transition Act	**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%. **<u>Eligibility:</u>** Same as Plan 1 **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. 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** 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 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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** 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 fiscal year ended June 30, 2020 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $3,584,000 and $3,519,000 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the University to the VaLORS Retirement Plan were $162,000 and $170,000 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the University reported a liability of $40,905,733 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $1,557,136 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion of the VRS State Employee Retirement Plan was 0.65% as compared to 0.64% at June 30, 2018. At June 30, 2019, the University's proportion of the VaLORS Retirement Plan was 0.22% as compared to 0.22% at June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $5,137,462 for the VRS State Employee Retirement Plan and $265,705 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, 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.

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERP			VaLORS	
	Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	852,354	1,100,418		15,735	17,953
Net difference between projected and actual earnings on pension plan investments	-	1,022,718		-	24,690
Change in assumptions	3,224,341	-		88,276	2,334
Changes in proportion and differences between Employer contributions and proportionate share of contributions	967,320	-		62,363	-
Employer contributions subsequent to the measurement date	3,584,000	-		162,000	-
Total	$8,628,015	$2,123,136		$328,374	$44,977

A total of $3,746,000 ($3,584,000 for SERP and $162,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from the University'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, 2021. 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	SERP	VaLORS	Total
FY 2021	1,410,156	93,940	1,504,096
FY 2022	358,219	25,082	383,301
FY 2023	1,071,403	114	1,071,517
FY 2024	81,101	2,261	83,362
FY 2025	-	-	-

Actuarial Assumptions - SERP

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent

Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – VaLORS

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 1 year.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, 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	$25,409,842	$2,190,025
Plan Fiduciary Net Position	19,090,110	1,495,990
Employers' Net Pension Liability (Asset)	$ 6,319,732	$ 694,035
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	68.31%

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)	**Target Allocation**	**Arithmetic Long-Term Expected Rate of Return**	**Weighted Average Long-Term Expected Rate of Return**
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi – Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

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, 2019, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University'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%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	60,090,174	40,905,733	24,778,553

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University'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%)
University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	2,186,765	1,557,136	1,036,957

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2020, the University had accrued retirement contributions payable to the pension plan of $150,093 including $140,500 payable to the VRS State Employee Retirement Plan and $9,593 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2020, but not yet paid to the plan.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in defined contribution plans as authorized by the *Code of Virginia*, offered by Teacher Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services. These plans are fixed-contribution programs where the retirement benefits received are based upon employer and employee contributions, plus interest and dividends. Employees hired prior to July 1, 2010 (Plan 1) have an employer required contribution rate of 10.4 percent. Employees hired on or after July 1, 2010 (Plan 2) have an employer required contribution rate of 8.5 percent and an employee required contribution rate of 5 percent.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under these plans were approximately $1,639,978 for the year ended June 30, 2020. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $19,585,637 for fiscal year 2020.

Included in Accounts Payable and Accrued Expenses at June 30, 2020 are payables of $83,098 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, were approximately $184,792 for the fiscal year ended June 30, 2020.

18. OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions

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

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

Group Life Insurance (GLI) program - All full-time, salaried, permanent employees of the University are automatically covered by the GLI program upon employment. (NOTE: In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills the University directly for the premiums. The University deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI program postemployment benefit.)

Retiree Health Insurance Credit (HIC) program – All full-time, salaried permanent employees of the University are automatically covered by the HIC program. Members earn one month of service credit toward the benefit for each month they are employed and for which the University pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Plan Provisions

PMRH program
Eligible employees

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

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

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

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

- be a terminating state employee who is eligible for a benefit from one of the qualified ORP vendors, and

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

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

There are no assets accumulated in a trust to pay benefits for this program.

VSDP program
Eligible employees

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

Eligible employees are enrolled automatically upon employment. They include:

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

Benefits 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 –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.
- 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 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the board, from the date of the commencement of the disability to the date of retirement.

- 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%

For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement

- 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%

GLI program

Eligible employees

The GLI program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and 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 member contributions and accrued interest.

Benefit amounts

The benefits payable under the GLI program have several components:

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

Reduction in benefit amounts

The benefit amounts provided to members covered under the GLI program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,463 effective June 30, 2020.

Retiree HIC program

Eligible employees

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

Benefit amounts

The HIC program provides the following benefits for eligible employees:

- At Retirement – For employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount
- Disability Retirement – For employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers with a non-work-related disability who retire on disability or go on long-term disability under VSDP, the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For State police officers with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the Virginia Line of Duty Act (LODA). However, they may receive the credit for premiums paid for other qualified health plans.

HIC program notes

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

LODA program

Eligible employees

The eligible employees of the LODA program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals.

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

- $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001

Health insurance benefits – The Line of Duty Act program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act

<u>Contributions</u>

PMRH program
The University 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 University effectively subsidizes the costs of the participating retirees' healthcare through payment of the University'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. PMRH is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Virginia Department of Human Resource Management. There were approximately 4,800 retirees and 89,000 active employees in the program in fiscal year 2019. There are no inactive employees entitled to future benefits who are not currently receiving benefits.

VSDP program
The contribution requirements for the VSDP are governed by §51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for VSDP for the year ended June 30, 2020 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was

expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were $108,088 and $103,000 for the years ended June 30, 2020 and June 30, 2019, respectively

GLI program

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from the University were $251,853 and $246,000 for the years ended June 30, 2020 and June 30, 2019, respectively.

Retiree HIC program

The contribution requirement for active employees is governed by §51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 1.17% of covered employee compensation for employees in the Retiree HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the Retiree HIC program were $566,004 and $553,000 for the years ended June 30, 2020 and June 30, 2019, respectively

LODA program

The contribution requirements for the LODA program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2020 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were $12,704 and $13,000 for the years ended June 30, 2020 and June 30, 2019, respectively

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

At June 30, 2020, the University reported the following liabilities (assets) for its proportionate share of these programs:

PMRH	$	6,002,288
VSDP	$	(839,637)
GLI	$	3,925,455
HIC	$	6,401,684
LODA	$	358,463

These liabilities (assets) were measured as of June 30, 2019 and the total OPEB liability used to calculate each net liability (asset) was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. For VSDP, GLI, and HIC programs, the University's proportionate share of each liability (asset) was based on the University's actuarially determined employer contributions to each plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2019, the University's proportion share was:

PMRH	0.88% as compared to 0.88% at June 30, 2018
VSDP	0.43% as compared to 0.43% at June 30, 2018
GLI	0.24% as compared to 0.25% at June 30, 2018
HIC	0.69% as compared to 0.69% at June 30, 2018
LODA	0.10% as compared to 0.09% at June 30, 2018

At June 30, 2020, the University recognized the following expenses for these programs:

PMRH	$	(565,161)
VSDP	$	64,917
GLI	$	90,642
HIC	$	568,796
LODA	$	40,061

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

At June 30, 2020, the University reported deferred outflows/inflows of resources related to these programs from the following sources:

Program	**Source**		Deferred Outflow		Deferred Inflows
PMRH	Differences between expected and actual experience	$	-	$	3,045,638
	Change in assumptions		-		4,158,474
	Changes in proportion		438,876		-
	Amounts associated with transactions subsequent to measurement date		255,544		-
	Total	$	694,420	$	7,204,112
VSDP	Differences between expected and actual experience	$	107,503	$	33,800
	Net difference between projected and actual earnings on VSDP OPEB program investments		-		32,424
	Change in assumptions		15,239		47,819
	Changes in proportion		8,117		26,861
	University contributions subsequent to measurement date		108,088		-
	Total	$	238,947	$	140,904
GLI	Differences between expected and actual experience	$	261,066	$	50,917
	Net difference between projected and actual earnings on GLI OPEB program investments		-		80,632
	Change in assumptions		247,830		118,370
	Changes in proportion		71,700		77,207
	University contributions subsequent to measurement date		251,853		-
	Total	$	832,449	$	327,126
HIC	Differences between expected and actual experience	$	3,490	$	77,780
	Net difference between projected and actual earnings on HIC OPEB program investments		-		2,515

	Change in assumptions		131,743		43,837
	Changes in proportion		80,015		14,487
	University contributions subsequent to measurement date		566,004		-
	Total	$	781,252	$	138,619
LODA	Differences between expected and actual experience	$	52,102	$	(2)
	Net difference between projected and actual earnings on LODA OPEB program investments		-		710
	Change in assumptions		16,819		31,075
	Changes in proportion		72,085		-
	University contributions subsequent to measurement date		12,704		-
	Total	$	153,710	$	31,783

The following amounts reported as deferred outflows of resources related to each program, resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of each programs net liability (asset) in the fiscal year ending June 30, 2021.

PMRH	$	255,544
VSDP	$	108,088
GLI	$	251,853
HIC	$	566,004
LODA	$	12,704

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

Year ended June 30:		PMRH		VSDP		GLI		HIC		LODA
2021	$	(1,570,240)		(15,955)		13,818		9,424		15,028
2022	$	(1,570,240)		(15,950)		13,821		9,419		15,030
2023	$	(1,570,240)		1,282		47,972		13,293		15,140
2024	$	(1,277,259)		2,575		82,354		26,387		15,256
2025	$	(641,271)		4,056		76,457		16,301		15,291
Thereafter	$	(135,984)		13,947		19,048		1,805		33,478

Actuarial Assumptions (PMRH)

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2019. 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 7.00 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 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, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.50% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029
Mortality rates	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year, and females setback 1 year
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2019.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2018 valuation based on the recent experience study are as follows:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of June 30, 2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

<u>Actuarial Assumptions (VSDP, GLI, HIC, LODA)</u>

VSDP, GLI, HIC programs
The total liability for these programs was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent – 5.35 percent
Teachers (GLI only)	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees (GLI and HIC only)	4.5 percent
Locality – General employees (GLI only)	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees (GLI only)	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%.

However, since the difference was minimal, a more conservative 6.75% investment return assumption has been used.

LODA program

The total liability for this program was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50 percent
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.25 percent – 4.75 percent
Ages 65 and older	5.50 percent – 4.75 percent
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50 percent, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Mortality rates – Teachers (GLI)

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Mortality rates – JRS Employees (GLI, HIC)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change

Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Net OPEB Liability (Asset)

The net OPEB liability/(asset) (NOL/NOA) for the VSDP, GLI, HIC and LODA represents each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL/NOA amounts for each program are as follows (amounts expressed in thousands):

	VSDP	GLI	HIC	LODA
Total OPEB Liability	$ 292,046	$ 3,390,238	$ 1,032,094	$ 361,626
Plan Fiduciary Net Position	488,241	1,762,972	109,023	2,839
Employers' Net OPEB Liability (Asset)	$ (196,195)	$ 1,627,266	$ 923,071	$ 358,787
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	167.18%	52.00%	10.56%	0.79%

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

Long-Term Expected Rate of Return

VSDP, GLI, HIC programs

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%

* Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

LODA program
The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% 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 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

PMRH program
The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2019.

VSDP and HIC programs
The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made 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, 2019, the rate contributed by the University for each of these programs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB fiduciary net position for these programs was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability for each of these programs.

GLI program
The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in

accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for this program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB fiduciary net position for this program was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability for this program.

LODA program
The discount rate used to measure the total OPEB liability was 3.50%. 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the University 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

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

The following presents the University's proportionate share of the OPEB liability/(asset) for PMRH using the discount rate of 3.51%; VSDP, GLI, and HIC using the discount rate of 6.75%; and LODA using the discount rate of 3.50%. As well, the University's proportionate share of the OPEB liability (asset) is presented as it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

University's Proportionate Share of OPEB Liability (Asset)

		1.00% Decrease		Current Discount Rate		1.00% Increase
		2.51%		3.51%		4.51%
PMRH	$	6,420,355	$	6,002,288	$	5,610,216
		5.75%		6.75%		7.75%
VSDP	$	(762,383)	$	(839,637)	$	(908,084)
GLI	$	5,156,960	$	3,925,455	$	2,926,737
HIC	$	7,095,178	$	6,401,684	$	5,805,688
		2.50%		3.50%		4.50%
LODA	$	415,843	$	358,463	$	313,079

Sensitivity of the University's Proportionate Share of the PMRH OPEB and LODA OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Pre-Medicare Retiree Healthcare and Line of Duty Act programs contain provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the OPEB liability for these programs using health care trend rate of 7.00% decreasing to 4.50% for PMRH and 7.75% decreasing to 4.75% for LODA. As well, the University's proportionate share of the OPEB liability is presented as it would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

		1.00% Decrease		Current Health Care Trend Rate		1.00% Increase
		6.00% decreasing to 3.50%		7.00% decreasing to 4.50%		8.00% decreasing to 5.50%
PMRH	$	5,360,294	$	6,002,288	$	6,762,088
		6.75% decreasing to 3.75%		7.75% decreasing to 4.75%		8.75% decreasing to 5.75%
LODA	$	303,077	$	358,463	$	428,311

Fiduciary Net Position

Detailed information about Fiduciary Net Position for each of these programs is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VSDP, GLI and HIC OPEB programs

The amount payable outstanding at June 30, 2020 for each of these OPEB programs was as follows:

VSDP	$	4,699
GLI	$	10,672
HIC	$	17,939

19. CONTINGENCIES

Longwood University receives assistance from non-State grantor agencies in the form of grants. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements, including the expenditure of resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. All disallowances as a result of these audits become a liability of Longwood University. As of June 30, 2020, Longwood University estimates that no material liabilities will result from such audits.

20. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and workers' compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University 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 Comprehensive Annual Financial Report.

21. PENDING LITIGATION

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

22. COMPONENT UNITS

The University's component units are presented in the aggregate on the face of the financial statements. The University has three component units – Longwood University Foundation (LUF), Longwood University Real Estate Foundation (LUREF), and the Longwood University Trust (Trust). These organizations are separately incorporated entities and other auditors examine the related financial statements. The component unit statements on the following pages, and subsequent notes, comply with the Governmental Accounting Standards Board (GASB) presentation format. The foundations follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Statement of Net Position

	LUF	LUREF	Trust	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5,110,009	$ 11,232,347	$ 4,439,244	$ 20,781,600
Short-term investments	-	37,363,775	-	37,363,775
Accounts receivable, net	162,447	3,428,520	-	3,590,967
Notes receivable		4,057	-	4,057
Contributions receivable, net	857,103	-	-	857,103
Prepaid expenses	7,452	452,345	3,081	462,878
Total current assets	$ 6,137,011	$ 52,481,044	$ 4,442,325	$ 63,060,380
Noncurrent assets:				
Restricted cash and cash equivalents	302,956	-	-	302,956
Restricted Investments	69,531,529	25,234,987	-	94,766,516
Other non-current assets	126,403	83,359	-	209,762
Notes receivable, net	415,000	288,996	-	703,996
Contributions receivable, net	1,949,721	-	-	1,949,721
Non-depreciable capital assets, net	6,623,309	37,579,994	-	44,203,303
Depreciable capital assets, net	129,684	128,092,177	2,319	128,224,180
Total noncurrent assets	79,078,602	191,279,513	2,319	270,360,434
Total assets	$ 85,215,613	$ 243,760,557	$ 4,444,644	$ 333,420,814
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	538,325	9,875,071	581,473	10,994,869
Line of Credit	-	660,307	-	660,307
Deposits held in custody for others	-	12,229	-	12,229
Long-term liabilities - current portion	59,400	14,236,416	-	14,295,816
Total current liabilities	597,725	24,784,023	581,473	25,963,221
Noncurrent liabilities	1,258,820	233,638,771	-	234,897,591
Total liabilities	$ 1,856,545	$ 258,422,794	$ 581,473	$ 260,860,812
Net Position				
Net Investment in capital assets	6,752,993	(25,173,322)	2,319	(18,418,010)
Restricted:				
Nonexpendable:				
Permanently restricted	55,848,962	-	-	55,848,962
Expendable:				
Temporarily restricted	17,196,887	2,916,667	106,844	20,220,398
Other	-	944,261	-	944,261
Unrestricted	3,560,226	6,650,157	3,754,008	13,964,391
Total net position	$ 83,359,068	$ (14,662,237)	$ 3,863,171	$ 72,560,002

Statement of Revenues, Expenses and Changes in Net Position

	LUF	LUREF	Trust	Total
Operating revenues:				
Gifts and contributions	-	3,907,709	4,444,756	8,352,465
Other operating revenues	-	17,013,791	79,247	17,093,038
Total operating revenues	-	20,921,500	4,524,003	25,445,503
Operating expenses				
Institutional support	2,794,228	2,470,444	562,566	5,827,238
Operation and maintenance - Plant	-	5,403,755	-	5,403,755
Depreciation	-	4,985,501	942	4,986,443
Student aid	1,787,816	-	-	1,787,816
Administrative and fundraising	1,871,287	372,569	-	2,243,856
Other expenditures	91,979	-	139,103	231,082
Total operating expenses	6,545,310	13,232,269	702,611	20,480,190
Operating gain (loss)	(6,545,310)	7,689,231	3,821,392	4,965,313
Nonoperating revenues (expenses):				
Investment revenue	(498,106)	1,666,012	-	1,167,906
Interest on Capital Asset-Related Debt	-	(8,393,907)	-	(8,393,907)
Other Revenue	906,373	-	-	906,373
Unrealized gain on swap	-	2,341,957	-	2,341,957
Gain (loss)on disposal/sale of plant assets	542,968	(22,418)	-	520,550
Net nonoperating revenues	951,235	(4,408,356)	-	(3,457,121)
Income before other revenues, expenses, gains or losses	(5,594,075)	3,280,875	3,821,392	1,508,192
Contributions to permanent endowments	2,160,305	-	-	2,160,305
Contributions to term endowments	641,377	-	-	641,377
Other Gifts	106,242	-	-	106,242
Net other revenues	2,907,924	-	-	2,907,924
Increase (decrease) in net position	(2,686,151)	3,280,875	3,821,392	4,416,116
Net position - Beginning of year (restated)	86,045,219	(17,943,112)	41,779	68,143,886
Net position - End of year	$ 83,359,068	$ (14,662,237)	$ 3,863,171	$ 72,560,002

Restatement of Net Position

The Longwood University Trust had not previously met the criteria to be considered a discretely presented component until fiscal year 2020.

Net position balance as previously reported at June 30, 2019	$	68,102,107
Addition of Longwood University Trust		41,779
Net position balance beginning of year as restated	$	68,143,886

Contributions Receivable

	LUF
Current Receivable	
Receivable due in less than one year	$ 857,103
Less allowance for doubtful accounts	-
Net current contributions receivable	$ 857,103
Receivable due in greater than 1 year, net of discount ($2,126,406)	1,949,721
Less allowance for doubtful accounts	-
Net noncurrent contributions receivable	1,949,721
Total contributions receivable	$ 2,806,824

Investments

	LUF
Government bonds, corporate obligations, and fixed income securities	$ 117,054
Corporate stocks and mutual funds	$ 1,256,576
Limited partnership	$ 64,889,283
	-
Total Investments	$ 66,262,913
Investment in LLC (at cost)	1,000,000
Beneficial interest in perpetual trust	2,268,616
Total	$ 69,531,529

Capital Assets

	LUF	LUREF	Trust	Total
Nondepreciable capital assets:				
Land	$ 1,286,854	$ 17,590,008	$ -	$ 18,876,862
Construction inprogress		19,989,986		19,989,986
Art Collection	4,847,738			4,847,738
Stream and wetland credit	488,717			488,717
	-	-	-	-
Total capital assets not being depreciated	$ 6,623,309	$ 37,579,994	$ -	$ 44,203,303
Depreciable capital assets:				
Buildings	$ 63,747	$ 148,525,323	$ -	$ 148,589,070
Equipment	192,709	5,458,124	19,895	5,670,728
Land improvements		11,620,870		11,620,870
				-
	-	-	-	-
Total capital assets being depreciated	$ 256,456	$ 165,604,317	$ 19,895	$ 165,880,668
Less accumulated depreciation	126,772	37,512,140	17,576	37,656,488
Total depreciable capital assets, net	129,684	128,092,177	2,319	128,224,180
Total capital assets, net	$ 6,752,993	$ 165,672,171	$ 2,319	$ 172,427,483

Long-Term Liabilities

Longwood University Real Estate Foundation

Long-term debt is as follows at December 31, 2019:

Fixed Rate Educational Facilities Revenue Bonds, Series 2017, total principal payments due each year of increasing amounts starting 2021 through maturity on January 1, 2057. The interest rate is fixed at 4.63%.	$ 94,500,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018A, total principal payments due each year of increasing amounts starting 2027 through maturity on January 1, 2055. The interest rate is fixed at 5%. Premium determined on the date of issue, total unamortized premium of $5,043,875 at December 31, 2019.	120,910,000
Fixed Rate Educational Facilities Revenue Refunding Bonds, Series 2018B, total principal payments due each year of increasing amounts starting 2022 through maturity on January 1, 2027. The interest rate increases from 4% to 4.625% through maturity. Discount determined on the date of issue, total unamortized discount of $76,534 at December 31, 2019.	7,515,000
Deed of trust note payable, 4.10%, due in monthly payments of principal and interest of $22,223, maturing December 1, 2024. Collateralized by the building at 315 West Third Street.	2,788,045
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of $2,897, maturing October 5, 2020. Collateralized by the property known as the Funeral Home.	448,993
Deed of trust note payable, 4.75%, due in monthly payments of principal and interest of $2,993, maturing October 5, 2020. Collateralized by the property known as the 100 Madison Street.	461,651
Deed of trust note payable, 3.24 %, due in monthly payments of principal and interest of $4,968, maturing June 1, 2025. Collateralized by the property known as the Old Tobacco Warehouse.	304,941
Uncollateralized promissory note payable, variable interest rate of 0.50% over the Prime Rate with a minimum of 4.00% (4.00% December 31, 2019), due in monthly principal payments of $5,571, with a balloon payment for the remaining principal due at maturity on December 19, 2029.	412,924
Deed of trust promissory note payable, 5.25%, due in monthly payments of principal and interest of $2,166, maturing October 1, 2030. Collateralized by property known as the Moton Museum.	214,347
Deed of trust promissory note payable with the United States Department of Agriculture, 4.25%, due in monthly payments of principal and interest of $1,092, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	225,518
Deed of trust promissory note payable with the United States Department of Agriculture, 4.00%, due in monthly payments of principal and interest of $2,989, maturing February 10, 2051. Collateralized by property known as the Moton Museum.	638,154
Deed of trust note payable, 3.12%, due in monthly payments of interest only through January 10, 2018; thereafter monthly payments of principal and interest through December 10, 2021. Collateralized by property known as the Midtown CRE	7,663,718
Deed of trust note payable, 30-day LIBOR plus 0.25% (2.05% December 31, 2019). Collateralized by property known as the Riverview, LLC. Repaid in full on June 25, 2020	5,377,550
Deed of trust note payable, interest payments of 7% from November 30, 2016 through November 29, 2017; 9% from November 30, 2017 through November 29, 2018; 11% from November 30, 2018 through November 29, 2019. Collateralized by property known as the Riverview, LLC, but subordinate to the $5,400,000 deed of trust note payable, above. Repaid in full on June 25, 2020.	675,000
Deed of trust note payable, 3.99%, due in monthly payments of principal and interest of $15,456, with a balloon payment due at November 15, 2021. Collateralized by the property known as Woodland Pond Condominiums.	2,381,611
Deed of trust note payable, 4.90%, due in monthly payments of principal and interest through August 15, 2024. Collateralized by the property known as the Early Childhood Development Center.	1,864,453
	$ 246,381,905
(Discount) Premium, net	4,967,341
Less - loan costs, net	(3,474,059)
Less - current portion	(14,236,416)
	$ 233,638,771

Maturities under long-term debt are as follows:

2020	$14,236,416
2021	3,674,416
2022	2,232,360
2023	2,247,353
2024	5,373,780
Thereafter	218,617,580
Total	$ 246,381,905

During December 2018, the Foundation received $128,425,000 in financing through the Industrial Development Authority of the Town of Farmville, Virginia with the issuance of Virginia Educational Facilities Revenue and Refunding Bonds, Series 2018A and 2018B. The purpose of the financing was to refund Series 2015 bonds, finance any reserves, and pay cost of issuance required under the 2018 financing.

The Series 2015 bonds were issued in the amount of $110,610,000 to finance the acquisition, construction, and equipping of the student housing facility known as "ARC Quad" (consisting in large part of Sharp Hall and Register Hall) and to refund Series 2012A ($45,000,000) and 2012B ($41,855,000) bonds, the proceeds of which were used to acquire, construct, improve or equip certain student housing, including Lancer Park, Longwood Landings, Longwood Village, and North Campus (Lancer Park). Interest on the Series 2015 bonds was fixed at 5.75%. At the closing of the Series 2018 bonds, $112,041,162 was placed in escrow and used to redeem the Series 2015 bonds (principal and outstanding interest) on January 2, 2019.

In conjunction with the refunding of the Series 2015 bonds, the Foundation incurred a loss on bond refinancing to write off loan costs totaling $987,131, which is included in additional interest expense, amortization of loan costs, on the statement of revenues, expenses, and changes in net position for the year ended December 31, 2019.

The Series 2018 bonds are fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof, with interest payable semiannually in January and July, commencing July 2019. They are subject to mandatory, optional, and extraordinary redemption. The Series 2018A bonds have a fixed interest rate of 5% with staggered maturity dates from January 2027 through January 2055. The Series 2018B bonds have fixed interest rates in the range of 4.0% to 4.625% with staggered maturities from January 2022 through January 2027.

Series 2017 bonds were issued in December 2017 in the amount of $94,500,000. The primary purpose for the issuance was to provide proceeds for the renovation of student housing facilities known as Curry and Frazer Residence Halls. Additional proceeds from the issuance were used to pay in full the outstanding pedestrian bridge loan, partially pre-pay the existing line of credit, and pay costs of issuance. The bonds mature January 1, 2057 and have a fixed interest rate of 4.625%.

The Bonds are not subject to put or mandatory tender provisions prior to the stated final maturity dates. The Foundation holds a unilateral par call option (optional redemption) for both the Series 2017 and Series 2018 bonds. The first optional redemption date for the Series 2017 bonds is January 1, 2023. The Series 2018 bonds have a call date of January 1, 2029.

The bond agreements require the establishment and maintenance of several reserve accounts for the collecting, holding, and disbursement of funds related to the issuance of the bonds, payment of project costs, payment of repairs, and repayment of principal and interest.

The Bonds are covered by a Master Trust Indenture (covering all amounts held in required accounts and reserves under the bond agreements), Deed of Trust (providing a fee simple interest in all real and personal property, all rents and profits, leases, and awards related to the property), Support Agreement, and Management Agreement. Pursuant to the issuance of the Series 2018 bonds, a Second Amended and Restated Master Trust Indenture, Support Agreement, and Management Agreement were executed to cover both the Series 2018 and Series 2017 bonds.

Under the Master Trust Indenture, the bonds are collateralized by the gross revenues of the Foundation, the Deed of Trust, and all moneys and securities held in required reserve accounts.

The Support Agreement requires that the projects be operated as part of the Longwood University housing system and on an equal basis with the University's own student housing facilities. The Support Agreement requires preferential treatment in that the University must assign all of its students in need of housing to the projects covered under the bonds, until at least 95% of the beds of each project are occupied.

The Management Agreement appoints the University as manager of each housing project. As such, the University is charged with setting and collecting all rents and makes a monthly payment to the Foundation for use of the projects. The University provides all personnel for resident advisory, public safety, education staffing, maintenance, grounds, housekeeping and janitorial services, and bills the Foundation for these costs. The Foundation is required to furnish utilities and insurance. All expenses associated with the management of the projects are subordinated and paid to the bond trustee monthly. Amounts are paid to the University by requisitioning such funds from the bond trustee.

Under the Bonds, the Foundation is required to meet certain debt coverage ratios. As of December 31, 2019, Foundation management believes the Foundation is in compliance with the requirements of the loan agreement.

Other Significant Transactions with Longwood University

Longwood University Foundation

In conjunction with its mission to support the activities and operations of Longwood University, the Longwood University Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased to the University was $1,350,601 at June 30, 2020, including land on the consolidated statements of financial position.

For the year ended June 30, 2020, the Foundation recognized $729,447, of in-kind contributions and fundraising expense for services provided from University personnel that directly benefited the Foundation.

Longwood University Real Estate Foundation

Lessor Activities – The Foundation owns multiple properties separate from the student housing and projects that are leased to the University and others under multiple operating leases. Leases to the University are for office space, storage, non-student housing, and parking lots, with terms of one to ten years. Leases to faculty members for housing are on an annual basis. Commercial leases at Midtown Square are leased to non-University parties with terms of three to five years. University and commercial rental income for the years ended December 31, 2019 totaled $2,191,791, and is included in rent revenue and parking revenue in the statement of revenues, expenses, and changes in net position.

The following is a schedule by year of future estimated minimum rental payments expected to be received under leases for terms beyond 12 months for the years ended December 31:

	University Related	Commercial	Total
2020	$ 787,320	$ 423,494	$ 1,210,814
2021	495,628	285,975	781,603
2022	337,508	222,638	560,146
2023	337,508	101,372	438,880
2024	322,681	18,487	341,168
	$ 2,280,645	$ 1,051,966	$ 3,332,611

Outstanding receivables for rent from the University at December 31, 2019 were $2,370,041. At December 31, 2019, the Foundation also had outstanding receivables due from the University for other non-rental items of $252,894.

The Foundation pays the University fees under management agreements related to facilities covered by tax exempt bond issuances. These fees are based on costs to manage the specific properties. Total management fees paid for 2019 were $814,300. During 2019, the Foundation changed the accounting procedures with the University from a reimbursement process to a prepayment process and prepaid $3,000,000 to the University to cover the anticipated annual costs. At December 31, 2019, this prepayment had a remaining balance of $336,190 which will go toward future costs. These amounts are included in prepaid expenses and accounts payable and accrued expenses in the statement of revenues, expenses, and changes in net position.

Longwood University Trust

The Organization has amounts due to the University, Longwood University Foundation (the "Foundation"), and Longwood University Real Estate Foundation (the "Real Estate Foundation") totaling $218,732, $342,515, and $7,335, respectively. These amounts were repaid to the University, the Foundation, and the Real Estate Foundation on January 23, 2020. Accordingly, these amounts are classified as current liabilities on the statement of revenues, expenses, and changes in net position as of December 31, 2019.

The Organization has recorded contributed services for program, management and general, and fundraising services in the amount of $141,327, which has been reflected in the program, management and general, and fundraising expenses on the statement of revenues, expenses, and changes in net position.

Component Unit Subsequent Events

Longwood University Foundation

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In an effort to mitigate the potential impact the Foundation may experience as a result of the COVID-19 outbreak, and in order to ensure its continued ability to pay employees, the Foundation applied for and received $59,400 in loan assistance through the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loan funds must be used to maintain compensation costs and employee headcount and other qualifying expenses (mortgage interest, rent, and utilities) incurred between March 1 and December 31, 2020. The amount received is recognized in the consolidated statements of financial position as notes payable at June 30, 2020. Application for forgiveness of the loan will be made with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. If a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the Foundation has sufficient liquidity to repay the unforgiven portion. Upon notice of forgiveness, the amount forgiven will be recorded as grant revenue in fiscal year 2021. The Foundation is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2021 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.

Longwood University Real Estate Foundation

In preparing its consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 26, 2020, the date the consolidated financial statements were available to be issued.

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may negatively impact the Foundation's financial position, changes in net assets, and cash flows. Possible effects may include, but are not limited to, declines in investments due to market conditions and disruptions to on-going construction projects.

On June 25, 2020, the Educational Facilities Revenue and Refunding Bonds (Longwood University Student Housing Projects), Series 2020A and 2020B (Taxable) (the "Series 2020 Bonds"), were issued to the Foundation for a total amount of $134,720,000. The proceeds from the Series 2020 Bonds were used for the following: 1) the refunding of the Series 2017 Bonds; 2) financing or refinancing the costs and existing loans on various acquisitions of and further construction on facilities on the University campus; 3) the funding of any necessary reserves for the Series 2020 Bonds; 4) the funding of the termination or similar fees with respect to certain interest rate swaps and collars relating to the Series 2017 Bonds; and 5) the payment of certain costs of issuing the Series 2020 Bonds.

Longwood University Trust

The Organization's operations may be affected by the recent and ongoing outbreak of COVID-19 which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may negatively impact the Organization's financial position, changes in net assets, and cash flows. Possible effects may include, but are not limited to, decreases in the volume and magnitude of charitable contributions received from donors and disruptions to the Museum's operations and scheduled events.

23. SUBSEQUENT EVENTS

In January 2021, the University entered into several promissory notes with the Virginia College Building Authority (VCBA) to participate in the Educational Facilities Revenue Refunding Bonds, Series 2021 issued by the VCBA under its Pooled Bond Program. The total principal amount of these notes is $3,730,000. The proceeds of these notes were used to refund $3,495,000 of outstanding notes. Interest payments on the notes will be made semiannually, with coupons ranging from 0.50 to 5.00 percent. Principal payments are made annually with the final payment due September 1, 2024. The refunding generated $109,392 in net present value savings.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information for Pension Plans

Schedule of University's Share of Net Pension Liability (SERP)*					
For the years ended June 30, 2020-2015					
	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a % of employer's covered payroll	Plan fiduciary net position as a % of total pension liability
2020	0.65%	$ 40,905,733	$ 27,075,000	151.08%	75.13%
2019	0.64%	34,517,000	26,132,362	132.09%	77.39%
2018	0.62%	36,064,000	24,578,532	146.73%	75.33%
2017	0.62%	40,699,000	25,657,086	158.63%	71.29%
2016	0.62%	37,768,000	23,822,599	158.54%	72.81%
2015	0.61%	33,984,000	24,148,561	140.73%	74.28%

Schedule of University's Share of Net Pension Liability (VaLORS)*					
For the years ended June 30, 2020-2015					
	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a % of employer's covered payroll	Plan fiduciary net position as a % of total pension liability
2020	0.22%	$ 1,557,136	$ 785,000	198.36%	68.31%
2019	0.22%	1,368,000	758,437	180.37%	69.56%
2018	0.20%	1,322,000	594,492	222.37%	67.22%
2017	0.18%	1,413,000	547,193	258.23%	61.01%
2016	0.17%	1,232,000	506,879	243.06%	62.64%
2015	0.17%	1,120,000	511,674	218.89%	63.05%

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

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only six years are available. However, additional years will be included as they become available.

Schedule of Longwood University's Pension Contributions (SERP)					
For the Years Ended June 30, 2020-2015					
Year Ended June 30	**Contractually Required Contribution**	**Contributions in Relation to Contractually Required Contribution**	**Contribution Deficiency (Excess)**	**Employer's Covered Payroll**	**Contributions as a % of Covered Payroll**
2020	$ 3,584,000	$ 3,584,000	-	$ 26,508,876	13.52%
2019	3,519,000	3,519,000	-	27,075,000	13.00 %
2018	3,482,000	3,482,000	-	26,132,362	13.32 %
2017	3,315,644	3,315,644	-	24,578,532	13.49 %
2016	3,407,261	3,407,261	-	25,657,085	13.28 %
2015	2,937,326	2,937,326	-	23,822,599	12.33 %

Schedule of Longwood University's Pension Contributions (VaLORS)					
For the Years Ended June 30, 2020-2015					
Year Ended June 30	**Contractually Required Contribution**	**Contributions in Relation to Contractually Required Contribution**	**Contribution Deficiency (Excess)**	**Employer's Covered Payroll**	**Contributions as a % of Covered Payroll**
2020	$ 162,000	$ 162,000	-	$ 749,653	21.61%
2019	170,000	170,000	-	785,000	21.66 %
2018	159,650	159,650	-	758,437	21.05 %
2017	125,141	125,141	-	594,492	21.05 %
2016	100,355	100,355	-	547,193	18.34 %
2015	89,566	89,566	-	506,879	17.67 %

The schedules above are intended to show information for 10 years. Since 2015 was the first year for this presentation, only six years are available. However, additional years will be included as they become available.

Notes to Required Supplemental Information for Pension Plans

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS - State Employee Retirement Plans (SERP):

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

VaLORS Retirement Plan:

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Required Supplementary Information for Other Postemployment Benefit Plans

Schedules of University's Share of Other Post-Employment Benefits (OPEB) Liabilities (Assets)
For the years ended June 30, 2020-2018

Plan	Year*	Proportion of Net OPEB Liability (Asset)	Proportionate Share of Net OPEB Liability (Asset)	Employer's Covered Payroll**	Proportionate Share of net OPEB Liability (Asset) as a Percentage of Covered Payroll**	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)
GLI	2020	0.24%	$ 3,925,455	$ 47,237,246	8.31%	52.00%
GLI	2019	0.25%	3,726,000	45,776,117	8.14%	51.22%
GLI	2018	0.24%	3,598,000	43,924,000	8.19%	48.86%
HIC	2020	0.69%	$ 6,401,684	$ 47,210,029	13.56%	10.56%
HIC	2019	0.69%	6,307,000	45,665,441	13.81%	9.51%
HIC	2018	0.68%	6,208,000	43,924,000	14.00%	8.03%
VSDP	2020	(0.43%)	$ (839,637)	$ 17,351,673	(4.84%)	167.18%
VSDP	2019	(0.43%)	(974,000)	16,322,948	(5.97%)	194.74%
VSDP	2018	(0.42%)	(856,000)	16,322,000	(5.67%)	186.63%

**   The amounts presented have a measurement date of the previous fiscal year end.*
*** The contributions for the Line of Duty Act Program (LODA) are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan..*

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

Plan	Year*	Proportion of Total OPEB Liability (Asset)	Proportionate Share of Total OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of Total PMRH Liability As a Percentage Of Covered-Employee Payroll	Net Position as a Percentage of Total OPEB Liability
PMRH	2020	0.88%	$ 6,002,288	$ 45,305,000	13.25%	N/A
PMRH	2019	0.88%	8,810,802	44,799,000	19.67%	N/A
PMRH	2018	0.85%	11,068,862	44,628,000	24.80%	N/A
LODA	2020	0.10%	$ 358,463	$ 809,448	44.28%	0.79%
LODA	2019	0.09%	284,000	731,916	38.80%	0.60%
LODA	2018	0.07%	193,000	668,000	28.89%	1.30%

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

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

Schedule of the University's Share of OPEB Contributions						
For the years ended June 30, 2020-2018						
Plan	Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll*	Contributions as a % of Covered Payroll*
GLI	2020	$ 251,853	$ 251,853	-	$48,433,183	0.52%
GLI	2019	246,000	246,000	-	47,237,246	0.52%
GLI	2018	244,324	244,324	-	45,776,117	0.53%
HIC	2020	$ 566,004	$ 566,004	-	$ 48,376,447	1.17%
HIC	2019	553,000	553,000	-	47,210,029	1.17%
HIC	2018	549,000	549,000	-	45,665,441	1.20%
LODA	2020	$ 12,704	$ 12,704	-	$ 755,280	1.68%
LODA	2019	13,000	13,000	-	809,448	1.61%
LODA	2018	10,000	10,000	-	731,916	1.37%
VSDP	2020	$ 108,088	$ 108,088	-	$ 17,433,465	0.62%
VSDP	2019	103,000	103,000	-	17,351,673	0.59%
VSDP	2018	112,000	112,000	-	16,322,948	0.69%

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

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

Notes to Required Supplementary Information for OPEB Plans

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

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projections of the tax thresholds. Trend rates were updated based on economic conditions as of June 30, 2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

GLI, HIC, LODA and VSDP programs:

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Teachers (GLI)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

SPORS Employees (GLI, HIC, LODA, VSDP)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience

Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

VaLORS Employees (GLI, HIC, LODA, VSDP)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

JRS Employees (GLI, HIC)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers - General Employees (GLI)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020

Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers with Public Safety Employees (LODA)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 24, 2021

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
Longwood University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Longwood University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 22. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of 2019 Financial Statements

As discussed in Note 2 and 22 of the accompanying financial statements, the fiscal year 2019 financial statements have been restated to correct misstatements related to capital asset and long-term liabilities balances, and the addition of a discretely presented component unit. Our opinion is not modified with respect to this matter.

Other Matters

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 3 through 18; the Schedule of University's Share of Net Pension Liability, the Schedule of Longwood University's Pension Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 100 through 102; the Schedule of the University's Share of Net OPEB Liability (Asset), the Schedule of University's Share of Total PMRH Liability, the Schedule of the University's Share of OPEB Contributions, and the Notes to Required Supplementary Information for OPEB Plans on pages 103 through 108. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2021, on our consideration of Longwood University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

LONGWOOD UNIVERSITY

Farmville, Virginia