THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Virginia's Medical Center (Medical Center) for the year ended June 30, 2023, with comparative information for the year ended June 30, 2022 as restated. This discussion has been prepared by management and should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

The Medical Center is one of the three operating divisions of the University of Virginia. The Executive Vice President for Health Affairs of the University of Virginia and Chief Executive Officer for UVA Health provides overall leadership and management of the Medical Center. The Medical Center is an integrated network of hospitals and primary and specialty care services ranging from wellness programs and routine checkups to cutting edge technologically advanced care. The 696 bed Academic Medical Center (University Hospital) in Charlottesville is the hub of UVA Health. The Medical Center includes the state's first Comprehensive Cancer Center, the number 1 children's hospital in the state, a level 1 trauma center and several joint ventures.

In addition to the Charlottesville area operations, the Medical Center includes UVA Community Health. This is a three hospital system in Northern Virginia with 260 total beds and a physicians group.

Financial Statements

The Medical Center's financial report includes the University Hospital and network, UVA Community Health, and component units as outlined in the footnotes.

The audited financial statements are prepared in accordance with standards published by the Governmental Accounting Standards Board (GASB). The audited financials break out the Primary Medical Center from discretely presented components and this management discussion focuses on the Primary Medical Center.

A summary of the Medical Center's Statement of Net Position follows, representing a $78 million increase in net position from 2022 to 2023.

Statement of Net Position
As of June 30, 2023 and 2022
(In millions)

	2023	2022 as restated	Incr (Decr) Amount	Incr (Decr) Percent
Assets and deferred outflows				
Current assets	$ 822	$ 835	$ (13)	-2%
Capital assets	1,608	1,636	(28)	-2%
Deferred outflows	20	26	(6)	-23%
Other	1,415	1,394	21	2%
Total assets & deferred outflows	3,865	3,891	(26)	-1%
Liabilities and deferred inflows				
Current Liabilities	464	486	(22)	-5%
Deferred inflows	53	65	(12)	-18%
Other	1,004	1,074	(70)	-7%
Total liabilities & deferred inflows	1,521	1,625	(104)	-6%
Net position				
Net investment in capital assets	668	648	20	3%
Restricted	159	159	-	
Unrestricted	1,517	1,459	58	4%
Total net position	2,344	2,266	78	3%
Total liabilities, deferred inflows, & net position	3,865	3,891	(26)	-1%

This result was driven by operating performance of the Medical Center as well as one-time settlements and investment income.

The development and maintenance of the Medical Center's capital assets is a necessary and critical factor for sustaining and increasing the quality of care patients receive. Capital projects consist of replacement, renovation, and new construction projects of the Medical Center and its related outpatient clinics, as well as significant investments in equipment and information systems.

The major investments include the integration of UVA Community Health, continued investment in Ivy Mountain, and the expansion of the University Hospital MRI Suite. Additional detail on the changes in capital assets is found in footnote 6 of the financial statements.

The Medical Center participates in the pooled debt program managed by the University of Virginia. The Medical Center currently has $856 million of debt outstanding with the University of Virginia.

The following table summarizes key operational statistics.

Key Operational Statistics
For the years ended June 30, 2023 and 2022

	2023	2022	Incr (Decr) Amount	Incr (Decr) Percent
Adjusted Discharges				
University Hospital & Clinics	65,765	61,342	4,423	7%
UVA Community Health	43,343	42,387	956	2%
Outpatient				
University Hospital & Clinics	938,117	906,981	31,136	3%
UVA Community Health	265,787	248,273	17,514	7%
Emergency Room				
University Hospital & Clinics	49,112	41,975	7,137	17%
UVA Community Health	111,941	105,151	6,790	6%
Surgeries				
University Hospital & Clinics	40,708	37,712	2,996	8%
UVA Community Health	11,050	11,042	8	0%

Adjusted discharges increased, reflecting strong outpatient, emergency room, and surgical volumes.

A summarized comparison of revenues, expenses, and other changes in net position for the years ended June 30, 2023 and 2022 follows.

Statement of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2023 and 2022
(In millions)

	2023	2022 as restated	Incr (Decr) Amount	Incr (Decr) Percent
Operating revenue				
Net patient service revenue	$ 2,903	$ 2,569	$ 334	13%
Other	99	117	(18)	-15%
Total operating revenue	3,002	2,686	316	12%
Operating expense				
Salaries, wages, and fringe	1,091	1,004	87	9%
Other	1,791	1,553	238	15%
Total operating expense	2,882	2,557	325	13%
Operating income	120	129	(9)	-7%
Net nonoperating revenues	(20)	(81)	61	75%
Transfers	(22)	(66)	44	67%
Change in Net Position	78	(18)	96	533%

Operating revenue increased 12% year over year, due to successful operations in University Hospital and UVA Community Health.

Total operating expense for fiscal year 2023 was 13% above the prior year. This was primarily driven by increased cost of labor, contractual services, and supplies, as well as one-time integration costs for UVA Community Health.

At the end of fiscal year 2023, the Medical Center's operating income was $120 million, compared to fiscal year 2022's operating income of $129 million. The decrease was driven by:

- Expenses growing faster than revenues, driven primarily by the high cost of labor and drugs, and also affected by increased one-time costs related to UVA Community Health integration.
- Expense impacts were partially offset by continued high acuity and strong volumes in outpatient, surgeries and emergency room visits.

Net non-operating revenue improved significantly over prior year. This was primarily driven by investment gains in fiscal year 2023 versus losses in fiscal year 2022.

The Statement of Cash Flows provides additional information about the Medical Center's financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30, 2023 and 2022 is as follows:

Statement of Cash Flows
For the years ended June 30, 2023 and 2022
(In millions)

	2023	2022 as restated	Incr (Decr) Amount	Incr (Decr) Percent
Cash flows from (used by)				
Operating activities	$ 102	$ 46	$ 56	122%
Financing activities				
Non-capital	(10)	(86)	76	88%
Capital & related	(232)	(199)	(33)	-17%
Investing activities	29	118	(89)	-75%
Net increase (decrease) in cash and cash equivalents	(111)	(121)	10	8%
Cash and cash equivalents				
At beginning of year	352	473	(121)	-26%
At end of year	241	352	(111)	-32%

The cash generated from operating activities increased by $56 million from fiscal year 2022 to fiscal year 2023, primarily due to strong volumes across the Medical Center.

Cash outflow from non-capital financing activities decreased $76 million from fiscal year 2022. This was primarily related to lower transfers to UVA and related entities and no COVID relief funds in fiscal year 2023, offset by additional gift income.

The cash outflow from capital and related financing activities increased $33 million in fiscal year 2023, primarily due to the net cash impact of the Community Health acquisition in fiscal year 2022.

Cash flows from investing activities decreased $89 million, primarily due to lower proceeds from investment sales in 2023. The 2022 investment proceeds were higher than usual due to the $69M divestment from the Medical Center strategic investment funds account.

Economic Factors Affecting the Future

Healthcare costs are projected to increase by 7% in 2024 as the industry continues to recover from the pandemic while facing rising wages and inflation, which are compounded by workforce shortages. Looking forward the Federal Reserve has raised rates significantly to combat inflation and the investment market volatility has eroded some of the balance sheet cushion built during the pandemic. A recession could further accelerate consolidation of independent hospitals and providers.

University of Virginia Medical Center
Statement of Net Position

As of June 30, 2023 (With Comparative Information as of June 30, 2022)

		2023		2022 AS RESTATED
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$	223,364,464	$	339,421,183
Accounts Receivable, net of estimated uncollectibles (Note 3) of $975,033,590 and $928,620,132, respectively		502,068,365		421,171,928
Due from University of Virginia		13,040,248		-
Inventories and prepaid expenses		83,238,435		74,099,102
Notes receivable		1,500		1,500
Total current assets		**821,713,012**		**834,693,713**
Noncurrent assets				
Restricted cash and cash equivalents (Note 2)		17,451,868		12,695,178
Investments in pooled endowment funds (Note 2)		870,736,030		874,701,216
Investments (Note 2)		413,427,863		406,188,772
Equity in affiliated companies (Note 4)		49,419,572		45,203,171
Leased assets less accumulated amortization (Note 6)		39,515,496		42,440,012
Subscription assets less accumulated amortization (Note 6)		28,242,978		31,055,942
Capital assets - nondepreciable, net (Note 6)		96,628,629		98,020,820
Capital assets - other, net (Note 6)		1,443,813,437		1,464,409,047
Other assets		30,973,495		25,524,220
Assets held by Trustee		6,290,533		897,728
Due from the University of Virginia - noncurrent		26,648,412		28,583,542
Total noncurrent assets		**3,023,148,313**		**3,029,719,648**
Total assets		**3,844,861,325**		**3,864,413,361**
Deferred outflows of resources (Note 1)		**20,278,070**		**26,581,864**
Total assets and deferred outflows of resources	**$**	**3,865,139,395**	**$**	**3,890,995,225**
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses (Note 7)	$	323,166,271	$	288,235,027
Due to third-party payors		61,846,403		108,152,602
Current installments of long-term debt (Note 8)		66,373,745		60,450,901
Due to University of Virginia		7,248,826		23,176,626
Grants payable - current portion		2,269,566		2,269,566
Unearned Revenue		3,152,170		3,657,428
Total current liabilities		**464,056,981**		**485,942,150**
Noncurrent liabilities				
Long-term debt (Note 8)		873,650,453		925,394,489
Grants payable - noncurrent portion		27,344,331		27,599,119
Other long-term liabilities		1,805,206		1,741,127
Other post employment benefits (Note 16)		65,863,128		87,666,547
Net pension liability (Note 14)		36,170,754		31,644,104
Total noncurrent liabilities		**1,004,833,872**		**1,074,045,386**
Deferred Inflows of Resources		**52,596,580**		**65,220,149**
Total Liabilities and Deferred Inflows of Resources	**$**	**1,521,487,433**	**$**	**1,625,207,685**
Net Position				
Net investment in capital assets	$	667,585,375	$	648,040,490
Restricted:				
Nonexpendable		53,099,192		53,099,192
Expendable		105,439,908		105,607,326
Unrestricted		1,517,527,487		1,459,040,532
Total Net Position	**$**	**2,343,651,962**	**$**	**2,265,787,540**
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$**	**3,865,139,395**	**$**	**3,890,995,225**

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

University of Virginia Medical Center
Component Unit, Statement of Net Position

As of June 30, 2023 (With Comparative Information as of June 30, 2022)

		2023		2022
ASSETS				
Current assets				
Cash and cash equivalents	$	9,807,754	$	7,626,902
Accounts Receivable, net of estimated uncollectibles (Note 3) of $49,480,232 and $44,284,243, respectively		11,622,164		8,654,970
Inventories and prepaid expenses		3,202,621		5,732,919
Total current assets		**24,632,539**		**22,014,791**
Noncurrent assets				
Capital assets - other, net		23,629,320		12,995,645
Total noncurrent assets		**23,629,320**		**12,995,645**
Total assets	**$**	**48,261,859**	**$**	**35,010,436**
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses (Note 7)	$	4,546,915	$	2,800,200
Current installments of long-term debt		2,788,462		2,195,390
Total current liabilities		**7,335,377**		**4,995,590**
Noncurrent liabilities				
Long-term debt		17,707,571		10,250,881
Total noncurrent liabilities		**17,707,571**		**10,250,881**
Total Liabilities	**$**	**25,042,948**	**$**	**15,246,471**
Net Position				
Net investment in capital assets	$	3,133,287	$	549,374
Restricted:				
Nonexpendable		4,643,782		3,952,793
Unrestricted		15,441,842		15,261,798
Total Net Position	**$**	**23,218,911**	**$**	**19,763,965**
Total Liabilities and Net Position	**$**	**48,261,859**	**$**	**35,010,436**

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

University of Virginia Medical Center
Statements of Revenues and Expenses and Changes in Net Position

For the year ended June 30, 2023 (With Comparative Information for the year ended June 30, 2022)

	2023	2022 AS RESTATED
REVENUES		
Operating revenues		
Net patient service revenue (Note 9)	$ 2,902,577,477	$ 2,569,317,172
University allocations (Note 10)	2,734,553	9,295,346
Other	96,635,145	107,734,322
TOTAL OPERATING REVENUES	**3,001,947,175**	**2,686,346,840**
EXPENSES		
Operating expenses		
Salaries and wages	900,164,786	804,042,875
Fringe benefits	190,940,488	199,687,772
Supplies	793,831,556	683,258,970
Purchased services and other expenses	779,905,004	658,554,617
Utilities	37,688,135	37,254,993
Depreciation and amortization	179,491,300	174,195,982
TOTAL OPERATING EXPENSES	**2,882,021,269**	**2,556,995,209**
OPERATING INCOME	**119,925,906**	**129,351,631**
NONOPERATING REVENUES (EXPENSES)		
Gifts	4,112,001	1,384,462
Investment income	12,583,950	767,374
Net increase (decrease) in the fair value of investments	17,414,303	(68,827,319)
Net gain (loss) from investments in affiliated companies (Note 4)	4,231,254	(471,310)
Interest expense	(37,694,043)	(33,738,917)
Gain on disposal of fixed assets	1,575,913	205,301
Cares Act Funding	-	34,847,051
Other	(22,432,705)	(14,594,463)
NET NONOPERATING REVENUES (EXPENSES)	**(20,209,327)**	**(80,427,821)**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**99,716,579**	**48,923,810**
TRANSFERS	**(21,852,157)**	**(66,479,880)**
INCREASE (DECREASE) IN NET POSITION	**77,864,422**	**(17,556,070)**
NET POSITION		
Net position - beginning of year, as restated	2,265,787,540	2,283,343,610
NET POSITION - END OF YEAR	**2,343,651,962**	**2,265,787,540**

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

University of Virginia Medical Center
Component Unit, Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2023 (With Comparative Information for the year ended June 30, 2022)

	2023	2022
REVENUES		
Operating revenues		
Net patient service revenue (Note 9)	$ 46,631,535	$ 41,588,091
TOTAL OPERATING REVENUES	**46,631,535**	**41,588,091**
EXPENSES		
Operating expenses		
Salaries and wages	9,734,826	8,421,138
Fringe benefits	1,828,211	1,701,824
Supplies	1,606,341	1,293,664
Purchased services and other expenses	9,581,178	7,731,073
Depreciation and amortization	3,190,153	2,504,050
TOTAL OPERATING EXPENSES	**25,940,709**	**21,651,749**
OPERATING INCOME	**20,690,826**	**19,936,342**
NONOPERATING REVENUES (EXPENSES)		
Investment income	688	67
Interest expense	(472,443)	(261,276)
NET NONOPERATING REVENUES (EXPENSES)	**(471,755)**	**(261,209)**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**20,219,071**	**19,675,133**
DISTRIBUTIONS TO MEMBERS	**(16,764,125)**	**(16,649,368)**
INCREASE IN NET POSITION	**3,454,946**	**3,025,765**
NET POSITION		
Net position - beginning of year	19,763,965	16,738,200
NET POSITION - END OF YEAR	**23,218,911**	**19,763,965**

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

University of Virginia Medical Center
Statement of Cash Flows

For the year ended June 30, 2023 (With Comparative Information for the year ended June 30, 2022)

	2023	2022 AS RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients and third-parties	$ 2,819,693,404	$ 2,265,465,208
Receipts from other revenue	90,975,782	108,512,983
Payments to employees	(1,161,196,949)	(1,021,975,114)
Payments to suppliers	(1,610,393,960)	(1,269,028,004)
Payment for utilities	(37,688,135)	(37,254,992)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**101,390,142**	**45,720,081**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on grants	(254,788)	(559,008)
Gifts	3,519,344	146,971
Transfer from UVA	10,931,894	23,490,697
Transfers to UVA and related entities	(14,032,387)	(143,614,468)
Other net nonoperating revenues (expenses)	(9,811,252)	13,322,916
Federal grant receipts	-	21,524,135
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**(9,647,189)**	**(85,688,757)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(129,805,390)	(315,750,020)
Principal paid on capital debt	(39,642,000)	(24,271,704)
Principal paid on leases and subscriptions	(25,047,000)	(6,986,718)
Interest paid on debt	(37,575,724)	(18,269,655)
Proceeds from University loan	-	166,745,081
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(232,070,114)**	**(198,533,016)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from investments	12,583,950	-
Sale of investments	14,473,757	117,503,914
Purchase of investments and related fees	-	-
Transfers from affiliate	1,000,000	-
Other investing activities	969,425	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	**29,027,132**	**117,503,914**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(111,300,029)**	**(120,997,778)**
Cash and cash equivalents - beginning of year	352,116,361	473,114,139
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 240,816,332**	**$ 352,116,361**

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

University of Virginia Medical Center
Statement of Cash Flows

For the year ended June 30, 2023 (With Comparative Information for the year ended June 30, 2022)

		2023		2022 AS RESTATED
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$	119,925,906	$	129,351,631
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization		179,491,300		174,195,982
Changes in Assets, Liabilities, Deferred Outflows and Deferred Inflows				
Accounts receivables		(101,053,134)		(102,197,233)
Inventories and prepaid expenses		(9,139,334)		(19,654,780)
Deferred outflows of resources		6,303,793		(8,657,672)
Accounts payable and accrued expenses		(58,845,246)		(116,334,477)
Changes in pension and OPEB liabilties		(22,669,576)		(29,849,274)
Deferred inflows of resources		(12,623,567)		18,865,904
TOTAL ADJUSTMENTS		**(18,535,764)**		**(83,631,550)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$**	**101,390,142**	**$**	**45,720,081**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Change in fair market value	$	17,414,303	$	63,260,032
Gain on investment in other affiliated companies		2,663,862		-
Noncash portion of Community Health acquisition		-		109,973,535
Gain on investment in Healthsouth		2,030,168		1,337,409
Gain on investment in Fortify		337,225		-
Change in liability to Culpeper Regional Hospital		-		931,645
Accrued interest added to principal		3,332,588		15,469,262
Leases and subscriptions used to finance capital assets		21,689,847		-
Gain on disposal of fixed assets		1,575,913		-
Change to financed purchases		2,789,778		-
Change in payables related to transfers		(16,065,805)		-
Change in payables related to other nonoperating revenues		(15,611,232)		-

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Mission

The Medical Center is a division of the University of Virginia. The Health System's mission is "Transforming Health and Inspiring Hope for All Virginians and Beyond." Our vision is to be the nation's leading public academic health system and a best place to work – while transforming patient care, research, education, and engagement with the diverse communities we serve. Only those activities directly associated with the furtherance of this mission are considered to be operating activities. Other activities that result in gains or losses unrelated to the Medical Center's primary mission are considered to be non-operating.

A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Medical Center is part of the University's financial reporting entity and is fully consolidated within the University's reporting entity. The University is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth.

B. Financial Reporting Entity and Basis

In accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) for providers of healthcare services, the Medical Center uses the economic resources management focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. The component units follow the pronouncements of the GASB or FASB.

The Medical Center's financial reporting entity includes both the Medical Center and all of its component units. The Medical Center's component units are either blended or discretely presented in the Medical Center's financial statements. The blended component units, although legally separate, are, in substance, part of the Medical Center's operations and, therefore, are reported as if they were part of the Medical Center.

The Medical Center's financial statements include the following blended component units:

Community Medicine, LLC

On November 14, 2000, the University established the Community Medicine University of Virginia, LLC (Community Medicine). Community Medicine was established as a limited liability corporation (LLC) under the laws of the Commonwealth to house physician practices. This model gives physicians an organizational structure that allows these physicians the opportunity to practice independently in a virtual private practice environment with all the risks and gains associated with an independent model. As an LLC, which is a wholly owned subsidiary of the University, Community Medicine is considered a disregarded entity for tax purposes and its financial activity is blended with the Medical Center.

Community Medicine commenced operations on July 1, 2001.

Monticello Community Surgery Center, LLC

On April 17, 2021, the Medical Center purchased Monticello Community Surgery Center for $4.2M. Monticello Community Surgery Center is an ambulatory surgery center where community physicians, as well as, UVA physicians, perform ambulatory surgical services. The Medical Center acquired 100% interest in Monticello Community Surgery Center, and its financial activity is blended with the Medical Center.

University of Virginia Community Health (formerly Novant Health University of Virginia Health System)

On December 31, 2008, the University of Virginia Medical Center and Culpeper Regional Hospital entered into a partnership agreement, whereby the Medical Center obtained a 49 percent interest in Culpeper Regional Hospital, with a $41.2 million investment. The Medical Center used the equity method of consolidation in order to reflect the Medical Center's investment in Culpeper Regional Hospital until September 30, 2014.

On October 1, 2014, the Medical Center acquired the remaining 51 percent of Culpeper Regional Hospital for $45 million, providing the Culpeper and surrounding communities a new level of care that includes expanded services and greater access to specialty providers. Culpeper Regional Hospital is a 60-bed community hospital providing primary care, as well as specialty services in orthopedics, cardiology, and cancer. Effective October 1, 2014, the Medical Center accounted for Culpeper Hospital using the consolidation method of accounting. On December 31, 2015, the Medical Center contributed Culpeper Regional Hospital to Novant Health, for a 40% interest in the new joint operating company, called Novant Health University of Virginia Health System. The Medical Center used the equity method of accounting to account for the joint operating company.

On July 1, 2021, the University of Virginia Medical Center acquired the remaining 60% ownership of Novant Health University of Virginia Health System, and renamed the health system University of Virginia Community Health. The health system consists of 3 community hospitals (Prince William, Haymarket, and Culpeper), a Medical Group, surgery centers, and ambulatory clinics. The Medical Center blends Community Health's financial activity.

The Medical Center's financial statements include one discretely presented component unit:

University of Virginia Imaging, LLC
On March 26, 2002, the Medical Center entered into an agreement with Outpatient Imaging Affiliates of Virginia, LLC to establish University of Virginia Imaging, LLC (UVI). The limited liability corporation was formed to operate an outpatient diagnostic imaging center to help respond to the need for radiology services in the Charlottesville area.

The Medical Center currently operates an outpatient imaging department offering MRI, plain film radiography, fluoroscopy, and ultrasound in office space at the Fontaine Research Park, Transitional Care Hospital, and the Zion Crossroads facility. UVI provides services to outpatients from the Medical Center's primary and secondary service areas.

In accordance with GASB Statement 90, *Majority Equity Interests,* since the Medical Center owns 80 percent of UVI, it does not meet the definition of an investment under GASB 72 and is considered a component unit. The Medical Center presents UVI as a discrete component unit in its financial statements.

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

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Subsidiary and Affiliated Companies

Investments in affiliates in which the Medical Center has substantial interest (approximately 20 to 50 percent), or for which the Medical Center exercises significant influence, but not control, over policy decisions are accounted for by the equity method and are described in Note 4.

E. Net Patient Service Revenue

The Medical Center reports net patient service revenue at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. Net patient service revenue also includes funds from the Commonwealth's Department of Medical Assistance Services for disproportionate share and indirect medical education payments and funds from third-party payers for estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

F. Due To(From) Estimates

State and federal regulations are used to determine the accruals for Due To(From) estimates. Estimates are derived using excel spreadsheet models of the Medicare and Medicaid cost reports that have been developed over a number of years and are tested for reasonableness and accuracy each year. Upon finalization of cost reports, estimates are compared to actuals. The Medical Center routinely and conservatively reserves $5 million for each respective years' cost report adjustment until the cost report is settled. Management's conservative approach and professional judgment stems from the risk of an auditor's change in interpretation of various standards, changes in calculations, or case decisions by the Provider Reimbursement Review Board. The Medical Center uses the actual cost report as this minimizes the risk of management bias affecting the estimates. The Medical Center follows all applicable laws in the preparation of estimates, as well as, the actual cost reports each year. The Medical Center's reserve policy, procedures, estimates and cost reports are reviewed annually by outside consultants to provide further assurance of the accuracy and reasonableness of the financial statements. In addition, using an accepted practice throughout the healthcare industry; and as a result of the uncertainties inherent in cost-based reimbursement programs sponsored by government entities and other contractual and non-contractual uncertainties inherent in the revenue cycle, the Medical Center records general reserves. These uncertainties may arise as a revenue deduction in either a subsequent year or several years subsequent to which the deduction actually relates. The purpose of the general reserve is to maintain adequate reserves to offset precipitous changes in estimates due to the recognition of trends in trailing data. The Medical Center may accrue certain amounts each year to maintain an adequate reserve level to offset or partially offset the future unfavorable impact of unknown events and uncertainties which at some point in the future the Medical Center will be required to record in accordance with GAAP. Per policy, the Medical Center shall maintain unassigned reserves in amounts not less than 0.5% of net patient service revenue and not more that 1.5% of net patient service revenue. Measurement and calculations of minimum and maximum reserve levels under this policy will occur at fiscal year-end using current fiscal year data.

Occasionally, decisions are made to record estimated liabilities, as a result of specific circumstances. When specific circumstances arise, the Medical Center obtains external documentation to support the amount of liability. Management exercises significant professional judgment when making the determination regarding when to record contingent liabilities.

G. Indigent Care

As safety net providers within the Commonwealth, the Medical Center accepts all patients regardless of their ability to pay. A patient is classified as indigent by reference to established Commonwealth policies. The criteria for identifying indigent patients is based on asset and income guidelines that are updated annually in accordance with the federal poverty income guidelines as provided by the federal Office of Management and Budget. The Medical Center estimates the revenue based on historical cost estimates. Annually, revenue is settled through the Multisettlement cost report.

H. Settlements with third-parties and contractual adjustments

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

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

I. Fair Value Measurements

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

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

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

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

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

J. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash and all highly-liquid investments with maturity of three months or less when purchased. Donated investments are reported at the fair market value at the date of receipt. The major portion of the investments of the Medical Center's endowment funds is pooled in the general endowment pool for the University. Annually, endowment earnings on the consolidated endowment pool are distributed to the participating funds based on the participating share of each fund in the pool.

Unrealized appreciation or depreciation of investments is included in the current period net of earnings. 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.

K. Inventories and Prepaid Expenses

Inventories are generally valued at cost, which approximates market due to high turnover, and consist primarily of expendable supplies held for consumption.

Prepaid expenses primarily represent those expenses surrounding service, maintenance, insurance contracts, workers' compensation, and rental agreements.

L. Capital Assets

Capital assets are stated at cost, or if donated, at acquisition value at the date of donation. The Medical Center capitalizes expenditures for equipment costing $2,000 or more and having a useful life of two years or greater.

Depreciation on capital assets, excluding land and construction-in-progress, is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful life refers to the period during which an asset is expected to be usable for the purpose it was acquired. The general range of estimated useful lives is 10 to 40 years for buildings and fixtures, 3 to 20 years for equipment, and 3 to 10 years for intangible assets.

The Medical Center utilizes the half-year convention for recognizing depreciation expense related to equipment, both fixed and moveable. A half-year of depreciation is recognized on all equipment in the fiscal year of acquisition. Likewise, a half-year of depreciation is recognized in the fiscal year at the end of the equipment's useful life. Depreciation on buildings is recognized from the date that the asset is placed in service to the date on which it is retired.

M. Accrued Leave

The amount of leave earned, but not taken by salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, all earned leave not taken and the amount payable under the catastrophic leave pay-out policy upon termination, which is the lesser of 25 percent of sick leave not taken or $5,000 per employee with five or more years of service. The liability is based on the probability that an employee with less than five years of service will eventually become vested and has a right to receive payment for sick leave benefits. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

N. Pensions

The Virginia Retirement System (VRS) State Employee 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 additions to/deductions from the VRS State Employee Retirement Plan's fiduciary net 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.

O. Other Post-Employment Benefits

The Medical Center participates in postemployment benefit programs sponsored by the Commonwealth and administered by the Virginia Retirement System (VRS). For the Medical Center, these programs include the Group Life Insurance Program and Retiree Health Insurance Credit Program.

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 fiduciary net 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.

University OPEB Plans

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

Until January 1, 2022, the University also provided a Retiree Health Plan OPEB. Retirees now enroll in their health coverage through a private exchange instead of through the UVA Health Plan. The University now pays nothing towards the retirees' premiums and any claims are paid by the private insurance. Accordingly, this change in the plan terms is reflected as a $22 million reduction to the OPEB liability of the Medical Center as of June 30, 2023.

P. Comparative Data

The Medical Center and its discretely presented component unit presents their financial statements on a comparative basis. The basic financial statements include certain prior year summarized comparative information, in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the Medical Center's financial statements for the year ended June 30, 2022, from which the summarized information is derived.

Q. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are the consumption of net assets applicable to a future reporting period and have a positive effect on net position similar to assets. Deferred inflows are the accumulation of net assets applicable to a future reporting period and have a negative effect on net position similar to liabilities.

Schedule of Deferred Outflows and Inflows for Fiscal Year Ended June 30, 2023

Deferred Outflows		**Deferred Inflows**	
		OPEB-VRS administered	8,660,407
VRS Pension	6,889,636	OPEB-UVA administered	10,886,124
OPEB-UVA administered	14,123	VRS Pension Liability	13,006,565
OPEB-VRS administered	13,374,311	Lease Revenue	20,043,484
Total	20,278,070		52,596,580

R. Net Position

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

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

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

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

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

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

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

S. Eliminations

Certain Medical Center operations provide goods and services to internal customers. These Medical Center operations include activities such as wholly owned clinics, and hospitals. The net effect of these internal transactions are eliminated in the Statement of Revenues, Expenses, and Changes in Net Position to avoid inflating revenues and expenses.

T. Transfers

When requested, the Medical Center transfers amounts to the University throughout the fiscal year. These transfers, supported by memorandums of understanding, are not considered operating expenses to the Medical Center, given the purpose of these transfers are in support of the University, primarily the School of Medicine. During fiscal year 2023, the Medical Center reported transfers of $21.9M to the University. These transfers were for salary and research support, as well as furthering the University's strategic plan.

U. Grants Payable

Grants Payable, as of June 30, 2023, primarily consists of amounts due to Culpeper Regional Hospital Foundation:

Beginning Balance	Additions	Reductions	Ending Balance
24,676,191	-	-	24,676,191

V. Litigation

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

W. Leases Receivable

As of June 30, 2023, the Medical Center has entered into various contracts as the lessor for land, building and residential space. The duration for the agreements range from 2 and 25 years. The lease receivable is measured at the present value of the lease payments expected to be received at during the lease term.

For the year ended June 30, 2023, the Medical Center reported $20.6M in current and noncurrent receivables related to these agreements. The noncurrent portion of these receivables is presented within Other Assets on the Statement of Net Position. Total lease revenue was equal to $4.4M.

X. Right of Use, Liabilities, and Amortization

In accordance with GASB 87, the Medical Center has recorded right to use assets for land, building space and equipment. The right to use assets are initially measured at an amount equal to the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus any ancillary charges necessary to place the lease into service. The duration of these agreements range between 2 and 13 years. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term for five years. The exercise of the renewal option is at the Medical Center's sole discretion. In general, renewal options are not recognized as part of right of use assets and lease liabilities until the Medical Center is reasonably certain it will be exercised.

Y. Subscriptions

Per GASB 96, the Medical Center has recorded subscription-based information technology arrangement assets for contracts that convey control of the right to use a third party's information technology software. These assets are initially measured at an amount equal to the related liability plus any payments made at or prior to the subscription term and capitalizable implementation costs, less vendor incentives. The subscription assets are amortized on a straight-line basis over the life of the subscription term. Due to this change in accounting principle, the beginning fund balance of the year ended June 30, 2022 was increased $475,636.

Z. Restatement of Prior Period Financial Statements

The following changes and error corrections were made resulting in the restatement of the fiscal year 2022 financial statements: GASB 96 (described above), Restatement of Monticello Surgery Center results, addition of six months of activity for realignment of UVA Community Health's fiscal years with the Medical Center's, UVACH Correction of an Error (below), and Other Correction of an Error (below).

During fiscal year 2023, the Medical Center determined that capital assets, other assets, and goodwill acquired with the purchase of Community Health were misstated. Therefore, capital assets, net of depreciation, were overstated by $43.3 million for the fiscal year ended June 30, 2022. In addition, other assets were overstated by $4.0 million and deferred outflows of resources were overstated by $8.0 million for the year ended June 30, 2022.

During the audit of fiscal year 2023, a financed purchase contract entered into in 2007 was identified for which the amortization schedule was incorrectly calculated. Management prepared a new amortization schedule consistent with generally accepted accounting principles, resulting in previously unrecorded accrued interest of $4.8 million being recorded through fiscal year 2022.

See below for the financial statement line item effects of each change:

Financial Statement Line Item	2022 ORIGINAL	GASB 96	MSC Restatement	UVACH Fiscal year	UVACH Correction of Error	Other Correction of an Error	2022 AS RESTATED
Cash and cash equivalents	$ 341,355,311	$ -	$ 144,144	$ (2,078,272)	$ -	$ -	$ 339,421,183
Accounts Receivable, net	430,570,482	-	(66,039)	(9,332,515)	-	-	421,171,928
Inventories and prepaid expenses	74,747,031	-	107,833	(755,762)	-	-	74,099,102
Equity in affiliated companies	45,400,254	-	-	503,143	(700,226)	-	45,203,171
Leased assets less accumulated amortization	51,411,444	-	1,691,371	(7,341,255)	(3,321,548)	-	42,440,012
Subscription assets less accumulated amortization	-	31,055,942	-	-	-	-	31,055,942
Capital assets - nondepreciable, net	107,572,658	-	-	(1,177,359)	(7,902,788)	(471,691)	98,020,820
Capital assets - other, net	1,497,794,819	(1,571,563)	14,748	3,585,986	(35,414,943)	-	1,464,409,047
Other assets	21,348,489	-	-	4,175,731	-	-	25,524,220
Deferred outflows of resources	26,581,388	-	-	7,950,476	(7,950,000)	-	26,581,864
Accounts payable and accrued expenses	263,153,955	442,162	(1,781,008)	26,419,918	-	-	288,235,027
Due to third-party payors	149,199,395	-	-	(41,046,793)	-	-	108,152,602
Current installments of long-term debt	45,919,037	10,505,255	993,159	3,218,710	-	(185,260)	60,450,901
Unearned Revenue	3,651,992	-	-	5,436	-	-	3,657,428
Long-term debt	893,763,822	20,295,402	2,202,953	6,268,942	-	2,863,370	925,394,489
Grants payable - noncurrent portion	27,765,127	-	-	(166,008)	-	-	27,599,119
Other long-term liabilities	-	-	-	-	-	1,741,127	1,741,127
Deferred Inflows of Resources	58,872,370	-	-	6,347,779	-	-	65,220,149
Net investment in capital assets	719,732,297	(1,571,563)	14,748	(26,345,570)	(43,317,731)	(471,691)	648,040,490
Unrestricted net position	1,454,328,455	(186,877)	462,205	20,827,760	(11,971,773)	(4,419,238)	1,459,040,532
Net patient service revenue	2,323,698,055	-	313,139	245,305,978	-	-	2,569,317,172
Other	104,017,637	-	(2,720)	3,719,405	-	-	107,734,322
Salaries and wages	709,399,367	-	(474,076)	95,117,584	-	-	804,042,875
Fringe benefits	180,241,211	-	451,316	18,995,245	-	-	199,687,772
Supplies	642,901,018	(164,849)	71,340	40,451,461	-	-	683,258,970
Purchased services and other expenses	579,455,727	(8,337,740)	(801,773)	88,251,698	-	(13,295)	658,554,617
Utilities	34,047,672	-	3,119	3,204,202	-	-	37,254,993
Depreciation and amortization	150,836,451	9,455,797	1,030,335	12,873,399	-	-	174,195,982
Gifts	1,385,520	-	(1,058)	-	-	-	1,384,462
Investment income	741,652	-	-	25,722	-	-	767,374
Interest expense	(29,634,809)	(805,231)	(100,970)	(2,960,513)	-	(237,394)	(33,738,917)
Cares Act Funding	21,524,135	-	-	13,322,916	-	-	34,847,051
Other	(14,667,694)	-	73,186	45	-	-	(14,594,463)
Transfers	$ (79,930,171)	$ -	$ 300,000	$ 13,150,291	$ -	$ -	$ (66,479,880)

2. Cash, Cash Equivalents, Investments, and Endowments:

The following risk disclosures are required by GASB Statement Number 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* as amended by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Medical Center has no investments subject to custodial risk for 2023.

Credit risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The Medical Center does not have any credit risk for 2023.

Concentration of credit risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB Statement 40 requires disclosure of any issuer, which exceed five percent of total investments. The Medical Center investments are 100 percent invested in the University of Virginia Investment Company, Short-Term and Long-Term Pools, and as such, are not subject to concentration of credit risk disclosure under GASB 40.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The Medical Center does not have an interest rate risk policy.

Foreign currency risk - The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Medical Center has no foreign investments or deposits for 2023.

The following information is provided with respect to the risks associated with the Medical Center's cash, cash equivalents, and investments at June 30, 2023.

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the Medical Center, with the exception of UVA Imaging, LLC, Monticello Surgery Community Center, LLC, and University of Virginia Community Health, are maintained and deposited in collateralized commercial banking accounts. Cash deposits held by the Medical Center are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia, except for deposits held by UVA Imaging, LLC, Monticello Surgery Community Center, LLC, and University of Virginia Community Health. The University of Virginia Medical Center's uncollateralized cash at June 30, 2023, totaled $79,633,468. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for Medical Center's deposits. Cash and Cash Equivalents represent cash with the University, cash on hand, certificates of deposit, and temporary investments with original maturities of 90 days or less. Cash and Cash Equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Investments

The investment policy of the Medical Center is established by the Board of Visitors and monitored by the Board's Finance and Audit Committee. Authorized investments are set forth in the "Investment of Public Funds Act", Sections 2.2-4500 through 2.2-4518, Code of Virginia. The University of Virginia Investment Management Company (UVIMCO) was established to provide investment management services to the University and University foundations. The University invests with UVIMCO and other asset managers. Investments are recorded at market value. Certain less marketable investments, such as private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. Investments with UVIMCO are in the Short-Term Pool (STP) and Long- Term Pool (LTP), which are unitized investment pools. The STP commingles LTP cash, certain UVIMCO funds and short-term funds of the University and the University-Associated Organizations (UAOs). The LTP commingles endowment, charitable trusts, certain fiduciary assets, and other investments of the University and the UAOs. Assets of the STP and LTP are pooled on a fair value basis in accordance with U.S. GAAP. These assets are unitized daily for the STP and monthly for the LTP. Deposits and withdrawals are processed weekly for the STP and monthly for the LTP.

Investments fall into two groups: short and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

The Medical Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements as of June 30, 2023:

INVESTMENTS MEASURED AT FAIR VALUE

			BALANCE AT JUNE 30, 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS MEASURED AT NAV[1]	AMOUNTS NOT MEASURED AT FAIR VALUE
CASH AND CASH EQUIVALENTS								
	Cash on hand	$	69,999,904		-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS		$	**69,999,904**	-	-	-	-	-
DEPOSITS WITH THE UNIVERSITY								
	Deposits with the University		170,816,428	-	-	-	-	-
DEPOSITS WITH THE UNIVERSITY		$	**170,816,428**	-	-	-	-	-
LONG-TERM INVESTMENTS								
	UVIMCO LTP		413,427,863	-	-	-	413,427,863	-
				-	-	-	-	-
TOTAL LONG-TERM INVESTMENTS		$	**413,427,863**	-	-	-	**413,427,863**	-
ENDOWMENT								
	UVIMCO LTP		870,736,030	-	-	-	870,736,030	-
TOTAL ENDOWMENT		$	**870,736,030**	-	-	-	**870,736,030**	-

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

UVIMCO's primary investment objective for the LTP is to maximize long-term real return commensurate with the risk tolerance of the University. To obtain this objective, UVIMCO actively manages the LTP in an attempt to achieve returns that consistently exceed the returns on a passively investable benchmark with similar asset allocation and risk. See the University's financial statements for more information regarding UVIMCO. The valuation method for investments measured at NAV per share or its equivalent is presented on the following table:

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

			FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY (IF CURRENTLY ELIGIBLE)	REDEMPTION NOTICE PERIOD
	UVIMCO LTP	$	1,284,163,892	-	Monthly	(a)
TOTAL INVESTMENTS MEASURED AT NAV		$	**1,284,163,892**	-		

(a) Subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVIMCO as discussed in Note 1 of the Univeristy of Virginia financial statements

Endowments

The market value of the Medical Center's endowment on June 30, 2023 was $870.7 million. Semi-annual distributions are made from the University's endowment to the Medical Center's endowment accounts. Restricted expendable assets includes a $4.9 million reduction donor- restricted endowments. Endowments are invested in accordance with Virginia Uniform Management Institutional Funds Act (UPMIFA), Chapter 11 of Title 64.2 of the Code of Virginia, as amended; and paragraph 23.1-2210 of the Code of Virginia. The University's endowment spending policy ties annual increase to inflation as defined by the Higher Education Price Index. The current inflation factor in use by the University is 2.7 percent. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board may recommend increasing or decreasing the spending rate. For fiscal year 2023, the Medical Center received $14.5 (*) million in endowment distribution, consisting of $9.7 million for spending distribution and $4.8 million for administrative fees. For the year ended June 20, 2023, the Medical Center had the following endowment-related activities:

		TYPE OF ENDOWMENT FUND		
SUMMARY OF ENDOWMENT ACTIVITY *(in thousands)*		**DONOR - RESTRICTED**	**QUASI**	**TOTAL**
Investment earnings	$	1,688	8,821	10,509
Spending distributions		(6,600)	(32,937)	(39,537)
Transfers in (out)		0	25,063	25,063
TOTAL CHANGE IN ENDOWMENT FUNDS	**$**	(4,912)	947	(3,965)

**The spending distribution and transfer items must be netted, in order to arrive at the distribution amount.*

3. Accounts Receivable

As of June 30, 2023, the components of accounts receivable consist of the following for the Medical Center and its discretely presented component unit:

	Primary Medical Center	**Discretely Presented Component Unit**
Patient Accounts Receivable	395,539,657	8,094,155
Health Insurance Receivable	15,816,302	-
Deposits Receivable	32,625,340	-
Funds Flow from UPG to MC	40,268,864	-
Pharmacy Receivable	3,069,950	-
Other Accounts Receivable	162,134	3,528,009
Lease Receivable-Short Term	3,031,495	-
Novant	11,554,624	-
Total	**502,068,365**	**11,622,164**

4. Equity In Affiliated Companies

University of Virginia / Encompass Health

The Medical Center entered into a joint venture with Encompass Health, previously Healthsouth, LLC, to establish an acute rehabilitation facility located at the Fontaine Research Park to provide patient services to the region. The Medical Center made a capital contribution of $2.2 million to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: Encompass Health 9001 Liberty Parkway, Birmingham, AL 35242.

Valiance Health, LLC

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

Valley Regional Health and University of Virginia Radiosurgery Center, LLC

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

Fortify Children's Health, LLC

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

University of Virginia Community Health – Affiliate

University of Virginia Community Health has a 49% ownership in a legal entity that owns two ambulatory surgical centers. The investment is accounted for using the equity method.

Schedule of Affiliated Companies as of June 30, 2023

Affiliate	Common stock and equity contribution	Share of accumulated income (loss)	Net equity
Encompass Health (formerly Healthsouth)	$ -	$ 26,596,955	$ 26,596,955
Valley Regional Health	4,861	-	4,861
Valiance, LLC	500,000	(250,853)	249,147
Fortify	4,500,000	(2,687,789)	1,812,211
UVA Imaging	5,651,019	12,917,186	18,568,205
UVACH ambulatory surgical centers	2,535,103	(346,910)	2,188,193

5. Blended Component Units - Condensed Statements

Condensed Statement of Net Position as of June 30, 2023	**Community Medicine**	**Monticello Surgery Center**	**University of Virginia Community Health**	**Total Blended Component Units**
Assets				
Current assets				
Cash	$4,161,157	$7,869,278	$61,733,774	$73,764,209
Receivables	1,192,419	1,956,598	82,619,970	85,768,987
Inventories and prepaid expenses	7,942	1,049,530	12,482,034	13,539,506
Total current assets	5,361,518	10,875,406	156,835,778	173,072,702
Noncurrent assets				
Investment	-	-	2,188,193	2,188,193
Capital assets	4,789	1,379,206	264,882,038	266,266,033
Total noncurrent assets	4,789	1,379,206	267,070,231	268,454,226
Total Assets	5,366,307	12,254,612	423,906,009	441,526,928
Liabilities and net assets				
Current liabilities				
Payables	10,510,700	15,075,026	137,087,524	162,673,250
Long-term liabilities				
Note payable	-	-	181,859,425	181,859,425
Long-term liabilities	25,344	1,132,997	8,792,364	9,950,705
Total liabilities	10,536,044	16,208,023	327,739,313	354,483,380
Deferred Inflows of Resources	-	-	4,249,683	4,249,683
Net Assets				
Net investment in capital assets	4,789	1,379,206	63,498,870	64,882,865
Unrestricted	(5,174,526)	(5,332,617)	28,418,143	17,911,000
Net assets	(5,169,737)	(3,953,411)	91,917,013	82,793,865
Total net assets, liabilities, and deferred inflows of resources	5,366,307	12,254,612	423,906,009	441,526,928

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023	**Community Medicine**	**Monticello Surgery Center**	**University of Virginia Community Health**	**Total Blended Component Units**
Operating revenues				
Net patient service revenue	4,650,044	10,211,608	507,424,585	522,286,237
Other operating revenue	(35,209)	701,105	3,073,503	3,739,399
Total operating revenue	4,614,835	10,912,713	510,498,088	526,025,636
Operating expenses				
Salaries, fringe, and contract labor	4,064,972	3,223,868	252,975,099	260,263,939
Supplies	425,241	8,156,828	84,863,810	$93,445,879
Purchased services	438,945	2,957,359	187,001,953	$190,398,257
Depreciation	16,760	385,171	31,452,256	$31,854,187
Total operating expenses	4,945,918	14,723,226	556,293,118	575,962,262
Operating income (loss)	(331,083)	(3,810,513)	(45,795,030)	(49,936,626)
Nonoperating revenues (expenses)				
Interest expense	(262)	(29,149)	(5,621,183)	($5,650,594)
Investment income	-	12,541	993,710	$1,006,251
Nonoperating other	-	(205,822)	5,382,759	$5,176,937
Net nonoperating revenues	(262)	(222,430)	755,286	$532,594
Increase (decrease) in net position before transfers	(331,345)	(4,032,943)	(45,039,744)	(49,404,032)
Transfers	-	-	6,606,743	6,606,743
Increase (decrease) in net position	(331,345)	(4,032,943)	(38,433,001)	(42,797,289)
Beginning net position	(4,838,393)	79,532	130,350,014	125,591,153
Ending net position	$ (5,169,737)	$ (3,953,411)	$ 91,917,013	$ 82,793,865

Condensed statement of Cash Flows for the year ended June 30 2023	**Community Medicine**	**Monticello Surgery Center**	**University of Virginia Community Health**	**Total Blended Component Units**
Net Cash Provided (Used) by Operating Activities	1,759,239	9,154,714	(36,537,667)	$ (25,623,714)
Net Cash Provided by Noncapital Activities	-	-	74,301,010	$ 74,301,010
Net Capital Provided (Used)by Capital and Related Financing Activities	(28,767)	(1,325,751)	(61,912,784)	$ (63,267,302)
Net Cash Provided (Used) by Investing Activities	-	(602,104)	5,842,153	$ 5,240,049
Net Increase (Decrease) in Cash and Cash Equivalents	1,730,472	7,226,859	(18,307,288)	$ (9,349,957)
Cash and Cash Equivalents, July 1, 2022	2,430,685	642,419	80,041,062	$ 83,114,166
Cash and Cash Equivalents, June 30, 2023	$ 4,161,157	$ 7,869,278	$ 61,733,774	$ 73,764,209

6. Capital Assets

A summary of Medical Center property, plant, and equipment accounts and the related accumulated depreciation and amortization as of June 30, 2023 is presented as follows:

	Beginning Balance *	Additions	Reductions	Ending Balance
Land	68,862,567	47,260	-	68,909,827
Construction In Process	29,158,252	20,712,645	22,152,095	27,718,802
Total nondepreciable assets	98,020,819	20,759,905	22,152,095	96,628,629
Depreciable Capital Assets				
Land Improvements	13,856,855	14,800	-	13,871,655
Leasehold Improvements	6,497,462	-	-	6,497,462
Buildings	1,980,937,765	38,322,885	266,119	2,018,994,531
Intangible assets	201,732,360	21,199,878	5,970,357	216,961,881
Equipment - Fixed	26,825,417	2,539,569	475,928	28,889,058
Equipment-Movable	683,324,445	75,783,475	12,696,049	746,411,871
Total depreciable capital assets	2,913,174,304	137,860,607	19,408,453	3,031,626,458
Less accumulated depreciation and amortization:				
Land Improvements	10,768,316	424,768	-	11,193,084
Leasehold Improvements	5,924,904	884,457	-	6,809,361
Buildings	770,994,942	72,317,781	-	843,312,723
Intangible assets	167,289,951	21,496,582	4,238,832	184,547,701
Equipment - Fixed	12,142,108	2,265,981	424,003	13,984,086
Equipment - Moveable	481,645,035	55,469,069	9,148,038	527,966,066
Total accumulated depreciation and amortization	1,448,765,256	152,858,638	13,810,873	1,587,813,021
Capital assets - other, net	1,464,409,048	(14,998,031)	5,597,580	1,443,813,437
Right-of-Use Assets				
Leased Building	59,085,467	10,667,264	839,244	68,913,487
Leased Equipment	1,606,531	2,250,505	-	3,857,036
Total Right-of-Use Assets	60,691,998	12,917,769	839,244	72,770,523
Less accumulated amortization				
Leased Building	19,227,733	12,844,977	467,823	31,604,887
Leased Equipment	718,144	931,996	-	1,650,140
Total accumulated amortization	19,945,877	13,776,973	467,823	33,255,027
Leased assets less accumulated amortization	40,746,121	(859,204)	371,421	39,515,496
Subscription based IT arrangements	40,527,692	10,098,254	218,938	50,407,008
Depreciation SBITA	9,471,750	12,765,898	73,618	22,164,030
Subscription based IT arrangements, net	31,055,942	(2,667,644)	145,320	28,242,978
Total capital assets, net	1,634,231,931	2,235,026	28,266,416	1,608,200,540

* FY23 Beginning balances adjusted due to UVACH restatement and compliance with GASB 96

7. Accounts Payable and Accrued Expenses

	Primary Medical Center	Discretely Presented Component Unit
Accounts Payable-Other	$ 62,510,267	-
Accrued Payroll	34,348,992	-
Accrued Leave	56,880,592	-
Payroll Liabilities	3,246,522	-
Funds Flow-SOM, UPG	61,655,685	-
Accounts Payable	68,840,245	4,546,915
Credit Balance A/R, Refunds Payable	22,436,048	-
Other Payroll Liabilities	6,026,003	-
Miscellaneous Accounts Payable	6,454,849	-
Retainage Payable	767,068	-
Total Accounts Payable	**$ 323,166,271**	**$ 4,546,915**

8. Long-Term Obligations

The Medical Center participates in a pooled bond program with the University.

(in thousands)

Description	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable:							
Series 2012 Pooled	4.75	2032	$ 67,599	$ -	$ 5,707	$ 61,892	$ 5,984
Series 2013 Pooled	4.75	2036	10,573	-	584	9,989	613
Series 2014 Pooled (1)	4.75	2031	9,457	-	873	8,584	915
Series 2014 Pooled (4)	4.75	2034	20,601	-	1,433	19,168	1,503
Series 2014 Pooled (5)	4.75	2032	176,297	-	14,195	162,102	14,884
Series 2016 Pooled (1)	4.15	2042	402,068	-	13,183	388,885	13,741
Series 2017 Pooled (1)	4.56	2037	19,754	-	954	18,800	998
Series 2017 Pooled (2)	4.56	2037	15,592	-	741	14,851	776
Series 2022 Pooled	1.96	2041	168,508	3,333	-	171,841	-
Total bonds payable			$ 890,449	$ 3,333	$ 37,670	$ 856,112	$ 39,414
Notes payable:							
Monticello Surgery			1,400	-	1,400	-	-
Community Health			4,129	-	572	3,557	3,557
Kirtley			7,542	-	-	7,542	-
Leases			48,734	8,227	11,695	45,266	9,413
Subsriptions			30,801	10,098	13,352	27,547	13,990
Total notes payable			$ 92,606	$ 18,325	$ 27,019	$ 83,912	$ 26,960
Total long-term obligations			$ 983,055	$ 21,658	$ 64,689	$ 940,024	$ 66,374

Note: Series 2022 initial interest rate is 1.96%, with a rate increase on 7/1/2026 to 4.56%

In addition to the debt listed above the Medical Center has a long term accrued interest liability related to the Kirtley land financed purchase in the amount of 1.8M.

TOTAL LONG-TERM DEBT OBLIGATIONS

(in whole dollars)

Future Debt Schedule

Fiscal Year	Principal	Interest	Total
2024	$42,970,770	$30,178,617	$73,149,387
2025	41,237,729	27,915,588	69,153,317
2026	43,146,548	26,008,696	69,155,244
2027	53,810,143	32,143,060	85,953,203
2028	56,304,061	29,651,282	85,955,343
2029-2033	283,627,668	107,657,383	391,285,051
2034-2038	192,962,501	56,924,939	249,887,440
2039-2043	156,121,327	14,798,646	170,919,973
2044-2048	7,428,330	1,198,971	8,627,301
	$877,609,077 *	$326,477,182	$1,204,086,259

*On 7/1/2021 the UVA Health System borrowed $162M for the purchase of the Community Health hospitals from Novant. The first payment due on the loan is 7/1/2026. Interest will accrue until the initial payment, resulting in an increase to the loan balance over the next 3 years of $10.4M. Because the debt service requirements to maturity are based on the higher final loan amount including accrued interest, total principal outstanding in the schedule will not agree to long-term debt in the prior table.

TOTAL LONG-TERM LEASE OBLIGATIONS

Fiscal Year	Principal	Interest	Total
2024	$9,412,701	$1,744,295	$11,156,996
2025	7,423,267	1,403,669	8,826,936
2026	5,973,104	1,121,434	7,094,538
2027	5,424,336	875,681	6,300,017
2028	4,101,890	665,045	4,766,935
2029-2033	12,167,829	1,377,054	13,544,883
2034-2038	763,200	-	763,200
	$45,266,327	$7,187,178	$52,453,505

TOTAL LONG-TERM SUBSCRIPTION OBLIGATIONS

Fiscal Year	Principal	Interest	Total
2024	$13,990,274	$679,464	$14,669,738
2025	7,274,079	324,260	7,598,339
2026	3,776,615	146,607	3,923,222
2027	1,694,553	69,325	1,763,878
2028	430,831	27,273	458,104
2029-2033	380,899	10,397	391,296
	$27,547,251	$1,257,326	$28,804,577

9. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which UVAMC expects to be entitled for providing patient care. These amounts are due from patients, third party payors (including health insurers and government programs) and others. Generally, the Medical Center bills the patient and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

The Medical Center determines the transaction price based on standard charges for goods and services provided reduced by contractual adjustments provided to third party payors, discounts provided to uninsured patients in accordance with UVAMC's policies and/or implicit price concessions provided to uninsured patients. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Medical Center determines its estimate of implicit price concessions based on historical collection experience.

Cost report settlements under reimbursement agreements with Medicare and Medicaid for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. As a result, there is a reasonable possibility that recorded estimates will change.

The Medical Center's Primary and discretely presented component unit patient service revenue is presented as follows for the year ended June 30, 2023:

Gross Patient Revenue and related allowances for the year ended June 30, 2023

	Medical Center Primary	**Discretely Presented Component Unit**
Gross patient service revenue:		
Inpatient		
Routine	$ 1,285,555,436	$ -
Ancillary	2,482,972,134	-
Outpatient		
Ancillary	5,382,916,252	398,681,152
Pharmacy	283,021,479	-
Total gross patient service revenue	9,434,465,301	398,681,152
Allowances for indigent care and contractual allowances	(6,531,887,824)	(352,049,617)
Net patient service revenue	**$ 2,902,577,477**	**$ 46,631,535**

The Medical Center's Primary and discretely presented component unit net patient service revenue by payor is presented, as follows:

	Medical Center Primary 2023		**Discretely Presented Component Unit** 2023	
Medicare	$ 822,045,782	29%	$ 16,629,302	35%
Medicaid	705,712,555	24%	2,181,465	5%
Commercial	1,046,009,724	36%	26,406,561	57%
Other	328,809,416	11%	1,414,207	3%
Total	$ 2,902,577,477	100%	$ 46,631,535	100%

10. University Allocations

The Medical Center assists the School of Medicine in its mission of providing healthcare and medical education. A survey is conducted annually to determine the value of this effort. An allocation is made on the Statement of Revenues, Expenses, and Changes in Net Position to reflect the value of this effort as income and is recorded in other operating revenue. This allocation is offset in the operating expenses by an equal amount in purchased services. The amount of this allocation for fiscal year 2023 was $1,697,164.

Likewise, the University provides the Medical Center with various general and administrative support services. An analysis is prepared annually to determine the cost of providing these services. The same type of allocation as above is made to the Statement of Revenues, Expenses, and Changes in Net Position to reflect the difference between the direct charge to the Medical Center and the actual cost of these services. The amount of this allocation for fiscal year 2023 was $4,431,716.

Although these allocations have no direct effect on operating income, they do affect the Medical Center's reimbursement from third-party payers by increasing allowable costs.

11. Commitments

Service agreements and additional obligations for future periods are as follows:

FY Ended 30-Jun	**Service Agreements**	**Additional Obligations**
2024	$ 22,595,945	$ 1,877,849
2025	7,439,750	559,861
2026	4,102,503	557,479
2027	2,837,002	165,953
2028	914,530	81,891
Totals	$ 37,889,730	$ 3,243,034

The Medical Center was party to construction contracts and commitments for the year ended June 30, 2023 totaling $204,896,642 of which $189,622,621 incurred as of June 30, 2023.

12. University Of Virginia Physicians Group

The University of Virginia Physicians Group (UPG), a nonprofit educational, scientific, and charitable organization, began operating with the approval of the Board of Visitors as of June 30, 1980, to assist the University in providing hospital and medical care services, medical education programs, and programs of public charity at the University. Prior to August 1, 2011, UPG was formerly known as the University of Virginia Health Services Foundation (HSF).

On August 1, 2000, management of 63 outpatient clinics operated by UPG since July 1, 1994, transferred to the Medical Center. At that time, the Medical Center filed for provider-based status with the federal government and became responsible for all costs associated with the operations of these provider-based clinics except for physicians' costs. On August 1, 2000, the Medical Center entered into leased employment agreements with UPG for limited personnel who remained UPG employees, but were performing Medical Center duties.

The Medical Center recorded $18,812,415 as expense payable to the Physicians Group for the provision of supervisory and administrative services, and $36,010,862 for other services which includes expenses related to the purchased services, employee and cost sharing agreements. Also, $248,866 for rental of space for the year ended June 30, 2023. In addition, the Medical Center recorded non-operating expenses of $8,092,320 payable to the Physicians Group.

The Medical Center recorded income from the Physicians Group of $25,047,742 for clinic facility fees and other services, and $1,974,629 for the rental of space for clinics for the year ended June 30, 2023.

13. Risk Management and Self-Insurance

The Medical Center is a participant in the Commonwealth's self-insurance program administered by the Department of Treasury, Division of Risk Management. Participation in this program provides the Medical Center with medical malpractice insurance on an occurrence basis with no aggregate limitation and with such limits of coverage equal to the statutory malpractice recovery limits as specified in Section 8.01-581.15 of the Code of Virginia. In the opinion of management, such coverage is adequate to provide for the ultimate liability, if any, which might result from the settlement of claims currently asserted against the Medical Center, as well as the potential liability for medical incidents of which the Medical Center has knowledge, but for which claims have not yet been asserted against the Medical Center. Accordingly, no provision is included in the financial statements for such potential liabilities.

Sufficient information has not been developed by the Medical Center to provide a reasonable basis for estimation of the potential liability for incurred medical incidents, which have not been reported to the Medical Center; however, in the opinion of management, any potential liability for unreported medical incidents is not expected to have a material effect on the financial position of the Medical Center.

The University sponsors a self-funded, comprehensive program of health care benefits. The program covers all employees of the University and the Medical Center. Fringe benefit expenses include estimates for claims that have been incurred, but not reported. Additional information regarding the medical benefits program is available for the entire University only in the University's annual financial statement.

University employees are covered by a self-insured workers' compensation benefits program administered by the Commonwealth's Department of Human Resources. Information regarding this plan is available at the statewide level only in the Annual Comprehensive Financial Report (ACFR).

Other risk management insurance plans are administered by the Commonwealth's Department of Treasury, Division of Risk Management. Risk management insurance includes property, boiler and machinery, crime, employee dishonesty bond, general (tort) liability, professional liability, aviation and watercraft, and automobile liability. Detailed information relating to this policy is available at the statewide level only in the ACFR.

The University is self-insured for the first $100,000 of each property and boiler and machinery loss, and for the first $20,000 of each vehicle physical damage loss. The University also maintains excess crime/employee dishonesty insurance and insurance for vehicle physical damage insurance on vehicles valued in excess of $20,000.

14. Retirement Plans – Virginia Retirement Systems

Medical Center employees are employees of the Commonwealth. Approximately, 10% of all full-time, salaried permanent employees of the Medical Center are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is 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. 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:

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>About Plan 2

Same as Plan 1.</td><td>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.</td></tr>
</table>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. **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.	**Eligible Members** Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Same as Plan 1.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Full-time permanent, salaried state employees. * • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 *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.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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 pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.	**Retirement Contributions** 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 includes credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

PLAN 1	PLAN 2	HYBRID RETIREMENT 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** Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer 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. Distributions not required, except as governed by law.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** Defined Benefit Component: See definition under Plan 1 Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier *VRS:* The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**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** Defined Benefit Component: ***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. Defined Contribution Component: Not applicable.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age ***VRS:*** Age 65.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility ***VRS:*** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 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.	**Earliest Unreduced Retirement Eligibility** Defined Benefit Component: ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility ***VRS:*** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** ***VRS:*** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** Defined Benefit Component: ***VRS:*** Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short- term or long-term disability. • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1. Exceptions to COLA Effective Dates: Same as Plan1.	**Cost-of-Living Adjustment (COLA) in Retirement** Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2. Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

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

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2023, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan.

This rate was the final approved General Assembly rate which was based on an actuarially determined rates from an actuarial valuation as of June 30, 2021. 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 state agency to the VRS State Employee Retirement Plan were $5,438,426 and $5,018,314 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $219.1 million to the VRS State plan. This special payment was authorized by Chapter 1 of the 2022 Appropriation Act, and is classified as special employer contributions.

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

At June 30, 2023, the Medical Center reported a liability of $36,170,754 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The state agency's proportion of the Net Pension Liability was based on the state agency's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the state agency's proportion of the VRS State Employee Retirement Plan was .80% as compared to .87% at June 30, 2021.

For the year ended June 30, 2023, the Medical Center recognized pension credit of $1,960,819 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2021, and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the state agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,392,421
Change in assumptions	1,451,210	-
Net difference between projected and actual earnings on pension plan investments	-	5,271,912
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	5,342,232
Employer contributions subsequent to the measurement date	5,438,426	
Total	$ 6,889,636	$ 13,006,565

$5,438,426 reported as deferred outflows of resources related to pensions resulting from the Medical Center'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, 2024. 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	
2024	(5,391,714)
2025	(4,371,171)
2026	(4,286,098)
2027	2,493,628

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:

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

Post-retirement:

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

Post-disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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) tables.	Update to PUB2010 public sector mortality For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS State Employee Retirement Plan are as follows:

	State Employee Retirement Plan
Total Pension Liability	27,117,746
Plan Fiduciary Net Position	22,579,326
Employers' Net Pension Liability (Asset)	4,538,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi -Asset Public Strategies	6.00%	3.73%	0.22%
PIP- Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
Expected arithmetic nominal return **			**7.83%**

* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the state agency for the VRS State Employee 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, 2022, 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 State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the state agency'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 state agency'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%)
the VRS State Employee Retirement Plan net pension liability	$	61,816,774	36,170,754	14,914,634

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

The Medical Center did not have any payables at the end of fiscal year 2023.

15. Retirement Plans – Faculty Optional Retirement Plan

Substantially, all full-time faculty, including certain administrative staff and health care professionals participate in Faculty Optional Retirement Plans. These are fixed-contribution plans where the retirement benefits received are based upon the employer and employee contributions (all of which are paid by the Medical Center), and the interest and dividends. Individual contracts issued under the plans for full-time faculty, including certain administrative staff, provide for full and immediate vesting of both the Medical Center's and the participants contributions. Health Care Professional's employer contributions fully vest after one year of employment.

Total pension costs under the plans were $22,482,248 for the year ended June 30, 2023. Contributions to the Optional Retirement Plans were calculated using base salaries of $508,945,856 for the year ended June 30, 2023. The contribution percentage amounted to 4.41 percent for the year ended June 30, 2023.

16. Post-Employment Benefits Other Than Pension Benefits

Group Life Insurance Program
Plan Description

Medical Center employees are employees of the Commonwealth. Approximately 10% of full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance 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 ◦ Seatbelt benefit ◦ Repatriation benefit ◦ Felonious assault benefit ◦ Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,984 as of June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34%

of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $168,970 and $150,815 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, the participating employer reported a liability of $1,649,130 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.1370% as compared to 0.1506% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB credit of ($65,005). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 130,590	$ 66,159
Net difference between projected and actual earnings on GLI OPEB program investments		103,046
Change in assumption	61,510	160,632
Changes in proportion	-	415,407
Employer contributions subsequent to the measurement date	168,970	
Total	**$ 361,070**	**$ 745,244**

$168,970 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2024	(146,576)
FY 2025	(143,023)
FY 2026	(176,170)
FY 2027	(43,391)
FY 2028	(43,984)
Thereafter	$ -

Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability (Asset)	$ 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major

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

AssetClass(Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi -Asset Public Strategies	6.00%	3.73%	0.22%
PIP- Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
	Expected arithmetic nominal return**		7.83%

* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board- certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

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

	1.00% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1.00% Increase (7.75%)**
UVA MC proportionate share of the Group Life Insurance Plan Net OPEB Liability	$2,399,678	$1,649,130	$1,042,585

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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 VRS Group Life Insurance OPEB Plan

The Medical Center did not have any payables at the end of fiscal year 2023.

General Information About the State Employee Health Insurance Credit Program

Plan Description

Medical Center employees are employees of the Commonwealth. Approximately 10% of all full-time, salaried permanent employees of the Medical Center are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

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

Health Insurance Credit Program Notes:

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

Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2023, was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 University of Virginia Medical Center to the VRS State Employee Health Insurance Credit Program were $5,884,904 and $5,343,330 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, University of Virginia Medical Center reported a liability $51,442,824 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS State Employee Health Insurance Credit Program OPEB Liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. University of Virginia Medical Center's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on University of Virginia Medical Center's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2022, University of Virginia Medical Center's proportion of the VRS State Employee Health Insurance Credit Program was 6.2799% as compared to 6.5670 % at June 30, 2021.

For the year ended June 30, 2023, University of Virginia Medical Center recognized VRS State Employee Health Insurance Credit Program OPEB expense of $5,137,920 Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, University of Virginia Medical Center reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,811	$ 3,109,087
Net difference between projected and actual earnings on HIC OPEB plan investments		27,909
Change in assumption	1,720,967	25,968
Changes in proportionate share	5,398,557	4,752,199
Employer contributions subsequent to the measurement date	5,884,904	
Total	$ 13,013,239	$ 7,915,163

$5,884,904 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from University of Virginia Medical Center's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30	
FY 2024	(244,787)
FY 2025	(636,318)
FY 2026	17,382
FY 2027	695,031
FY 2028	(599,137)
Thereafter	(18,999)

Actuarial Assumptions

The total State Employee HIC OPEB Liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates – General State Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

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

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

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

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

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

State Employee HIC OPEB Plan		
Total State Employee HIC OPEB Liability	$	1,043,748
Plan Fiduciary Net Position		224,575
State Employee Net HIC OPEB Liability (Asset)	$	819,173
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability		21.52%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

AssetClass(Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi -Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	**100.00%**		**5.33%**
	Inflation		2.50%
	Expected arithmetic nominal return**		7.83%

** The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

*** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50% asset allocation.*

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by University of Virginia Medical Center for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of University of Virginia Medical Center's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease **5.75%**	Current Discount **6.75%**	1.00% Increase **7.75%**
Medical Center's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 57,765,858	$51,442,824	$46,014,280

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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 State Employee Health Insurance Credit Program OPEB Plan

The Medical Center did not have any payables at the end of fiscal year 2023.

University of Virginia Other Post Employment (OPEB) Plans

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

Optional Retirement Retiree Life Insurance Plans.

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

The benefit terms of the Retiree Life Insurance covered the following employees:

Life Insurance	
EMPLOYEE CATEGORY	
Inactive employees currently receiving benefit payments	558
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	4731
TOTAL COVERED EMPLOYEES	5289

At June 30, 2023, the University reported a total OPEB liability (TOL) for University administered programs of $6,646,949. The actuarial valuation was performed as of July 1, 2021 and rolled forward to the measurement date of June 30, 2022. Update procedures were used to roll-forward the census data and actuarially determined liability to the measurement date using standard methodology.

At June 30, 2023, the Medical Center recognized a negative OPEB expense of $22,652,936. The Medical Center also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,052,652
Net difference between projected and actual earnings on OPEB plan investments	-	
Change in assumption	1,461,560	3,833,472
Changes in proportionate share	-	-
Amounts associated with transactions subsequent to the measurement date	14,123	-
Total	$ 1,475,683	$ 10,886,124

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

Year ended June 30	
FY 2024	$ (4,756,564)
FY 2025	$ (1,735,940)
FY 2026	$ (1,632,267)
FY 2027	$ (692,115)
FY 2028	$ (607,678)

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	4.0 percent
Discount rate	3.54 percent, based on the employer's funding policy
Mortality rates	For healthy annuitants: Pub TH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2021 for faculty and Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2020 for non-faculty. For disabled annuitants: Pub TH-2010 disabled mortality table projected generationally using Scale MP-2020 for faculty and Pub GH-2010 disabled mortality table projected generationally using Scale MP-2020 for non-faculty.

	2023
Total OPEB liability	
Service Cost	2,563,506
Interest Cost	692,936
Changes in Benefit Term	(22,010,550)
Differences Between Expected and Actual Experiences	(1,553,567)
Changes of Assumptions	(2,356,706)
Benefit Payments	(408,902)
Net Change in Total OPEB Liability	(23,073,283)
Total OPEB Liability-(Beginning)	29,720,232
Total OPEB Liability-(Ending)	$ 6,646,949

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

The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54 percent) or one percentage point higher (4.54 percent) than the current discount rate:

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATE	**1% Decrease 2.54%**	**Current Rate 3.54%**	**1% Increase 4.54%**
Total OPEB Liability	$ 8,251,558	$ 6,646,950	$ 5,424,315

17. Subsequent Events

Listed below are the subsequent events related to fiscal year 2023:

In Milton S. Hershey Medical Center v. Becerra, a group of teaching hospitals challenged a formula that CMS used for many years when the total number of residents and fellows, before applying weighting factors, exceeds the hospital's GME cap. This was essentially a math error made by CMS dating back to 2001 that reduced the reimbursement to teaching hospitals and has become known as the "Fellow Penalty".

The court ruled in favor of the hospitals on October 27, 2022. The total estimate for FY10-22 is 39.4M, that the Medical Center recorded in FY22. UVAMC received the revised Notice of Program Reimbursement (NPR) for FY10, FY11 and FY12 related to the "Fellows Penalty" in the amount of just under $8.5M. While the Medical Center continues to refile cost reports and receive settlements, cost reports for FY13-FY15 are awaiting settlement and will not be paid until those reports are completed. The Medical Center expects to receive the FY18 cost report settlement during FY24. CMS will only apply this policy for cost report periods that are open or re-openable (and for future cost report periods). For UVAMC this correction will apply to FY10 and forward.

The Medical Center acquired a 5% minority interest in Riverside Healthcare Association, Inc. in July 2023. An investment totaling $55M consists of a $33M cash investment at the time of closing and $22M strategic investment linked to performance deliverables, and staffing recruitment. The investment will be recorded using the equity method of accounting.

The University is a defendant in a class action lawsuit pending in federal court in Charlottesville arising from the University Medical Center's procedure for reviewing employee religious exemption requests to its previous COVID vaccine requirement. The University's motion to dismiss the lawsuit is pending with the court, however, University legal counsel estimates that a loss to the University of $8M is probable. Accordingly, a liability for $8M has been accrued in the June 30, 2023 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Medical Center's Share of Net Pension Liability VRS State

Employee Retirement Plan

For the Measurement Dates of June 30, 2015 through 2023

Schedule of University of Virginia Medical Center 's Share of Net Pension Liability
VRS State Employee Retirement Plan
For Fiscal Years Ended June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Medical Center's Proportion of the Net Pension Liability (Asset)	0.79699%	0.87188%	0.92023%	1.00901%	1.0647%	1.0941%	1.0981%	1.1178%	1.1239%
Medical Center's Proportionate Share of the Net Pension Liability	$ 36,170,754	$ 31,625,090	$ 66,669,354	$ 63,766,733	$ 57,641,000	$ 63,756,000	$ 72,375,000	$ 68,435,000	$ 62,919,000
Medical Center's Covered Payroll	34,746,983	36,071,719	38,660,208	40,495,343	41,425,057	41,631,254	38,688,242	36,672,364	49,730,407
Medical Center's Proportionate Share of the Net Pension Liability as a Percentage of its Medical Center Covered Payroll	104.10%	87.67%	172.45%	157.47%	139.15%	153.14%	187.07%	186.61%	126.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data are available. However, additional years will be included as they become available.

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

Schedule of Medical Center's Contributions VRS

State Employee Retirement Plan

For the Years Ended June 30, 2015 through 2023

VRS State Employee Retirement Plan
Schedule of Medical Center Contributions
For Fiscal Years Ended June 30, 2015 through June 30, 2023

FY	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	5,438,426	5,438,426	-	36,005,457	15.10%
2022	5,018,314	5,018,314	-	34,746,983	14.44%
2021	5,197,811	5,197,811	-	36,071,719	14.41%
2020	5,026,434	5,026,434	-	38,660,208	13.00%
2019	6,556,854	6,556,854	-	40,495,343	16.19%
2018	5,756,144	5,756,144	-	41,425,057	13.90%
2017	5,769,346	5,769,346	-	41,631,254	13.86%
2016	5,345,457	5,345,457	-	38,688,242	13.82%
2015	5,245,180	5,245,180	-	36,672,364	14.30%

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, only nine years of data are available. However, additional years will be included as they become available.

Notes to Required Supplementary Information for the Year Ended June 30, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are as follows:

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

Schedule of Medical Center's Share of Net OPEB Liability
Group Life Insurance Program
For the Years Ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018*

		2023	2022	2021	2020	2019	2018
Medical Center Proportion of the Net GLI OPEB Liability (Asset)		0.1370%	0.1506%	0.1568%	0.1711%	0.1839%	0.1857%
Medical Center Proportionate Share of the Net GLI OPEB Liability (Asset)	$	1,649,130	$ 1,753,742	2,616,068	2,784,741	2,793,000	2,794,000
Medical Center Covered Payroll		31,100,000	31,099,419	32,261,000	33,547,000	34,949,181	41,631,254
Medical Center's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll		5.30%	5.64%	8.11%	8.30%	7.99%	6.71%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data are available. However, additional years will be included as they become available.

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

Schedule of Medical Center Contributions-Group Life
For the Years Ended June 30, 2022, 2021, 2020, 2019 and 2018*

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer Covered Payroll	Contributions as a % of Covered Payroll
2023	168,970	168,970		29,791,764	0.57%
2022	150,815	150,815	-	31,100,000	0.48%
2021	168,585	168,585	-	31,099,419	0.54%
2020	167,528	167,528	-	32,261,390	0.52%
2019	175,000	175,000	-	33,547,466	0.52%
2018	178,559	178,559	-	34,949,181	0.51%

*Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information for the Year ended June 30, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

JRS Employees

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

Largest 10 Locality Employers – General Employees

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

Non-Largest 10 Locality Employers – General Employees

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

Largest 10 Locality Employers – Hazardous Duty Employees

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

Non-Largest 10 Locality Employers – Hazardous Duty Employees

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

Schedule of Medical Center's Share of Net OPEB Liability
Health Insurance Credit Program
For the Years Ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018*

	2023	**2022**	**2021**	**2020**	**2019**	**2018**
Medical Center Proportion of the Net HIC OPEB Liability (Asset)	6.2799%	6.5670%	5.7621%	5.8934%	6.5325%	6.3866%
Medical Center Proportionate Share of the Net HIC OPEB Liability (Asset)	$ 51,442,824	$ 55,461,155	$ 52,896,613	54,400,004	59,595,000	58,152,000
Medical Center's Covered Payroll	475,833,396	473,235,000	415,138,000	401,596,000	439,856,021	412,664,212
Medical Center's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	10.81%	11.72%	12.74%	13.55%	13.55%	14.09%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

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

Schedule of Medical Center Contributions-Health Insurance Credit
For the Year Ended June 30, 2023, 2022, 2021 ,2020, 2019, and 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Medical Center Covered Payroll	Contributions as a % of Covered Payroll
2023	5,884,904	5,884,904	-	525,152,716	1.12%
2022	5,343,330	5,343,330	-	475,833,396	1.12%
2021	5,303,446	5,303,446	-	473,234,683	1.12%
2020	4,910,138	4,910,138	-	415,138,237	1.18%
2019	4,989,855	4,989,855	-	401,596,000	1.24%
2018	5,267,829	5,267,829	-	439,856,021	1.20%

Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees:

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

SPORS Employees:

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

VaLORS Employees:

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

JRS Employees:

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

POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS-UVA ADMINISTERED OPEB

Changes in the Total OPEB Liability and Related Ratios-UVA

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	2,563,506	2,442,377	2,180,980	1,933,883	3,499,754	$ 3,508,399
Interest Cost	692,936	648,591	1,129,427	1,114,214	1,585,000	1,110,940
Changes in Benefit Term	(22,010,550)				-	4,735,948
Differences Between Expected and Actual Experiences	(1,553,567)	(408,225)	(8,167,254)	(1,063,461)	(7,493,282)	-
Changes of Assumptions	(2,356,706)	204,924	1,903,677	1,221,780	(11,293,026)	(3,196,088)
Benefit Payments	(408,902)	(145,324)	(129,624)	(5,820)	(420,991)	(1,288,000)
Net Change in Total OPEB Liability	(23,073,283)	2,742,343	(3,082,794)	3,200,596	(14,122,545)	4,871,199
Total OPEB Liability-(Beginning)	29,720,232	26,977,889	30,060,683	26,860,087	40,982,632	36,111,433
Total OPEB Liability-(Ending)	$ 6,646,949	$ 29,720,232	$ 26,977,889	$ 30,060,683	$ 26,860,087	$ 40,982,632

*Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentation only six years of data is available. However, additional years will be included as they become available.
* GASB 75 was effective first for employer fiscal years beginning after June 15, 2017

Total OPEB Liability and Related Ratios*

	2023	2022	2021	2020	2019	2018
OPEB Liability (Ending)						
Net Position as a Percentage of OPEB Liability						-
Retiree Health Plan		18,125,041	16,495,555	21,581,918	19,640,252	32,879,228
Optional Retirement Retiree Life Insurance	$ 6,646,949	11,595,192	10,482,335	8,478,766	7,219,835	8,103,404
Covered-Employee Payroll						
Retiree Health Plan		263,203,000	253,080,000	241,426,000	232,140,000	231,930,000
Optional Retirement Retiree Life Insurance	273,731,120	263,203,000	210,450,000	209,726,000	201,660,000	231,930,000
OPEB Liability as a Percentage of Covered Payroll						
Retiree Health Plan		6.89%	6.52%	8.94%	8.46%	14.18%
Optional Retirement Retiree Life Insurance	2.43%	4.41%	4.98%	4.04%	3.58%	3.49%

*Schedule is intended to show information for 10 years. Since 2023 is the sixth year for this presentations only six years of data is available. However, additional years will be included as they become available.
* GASB 75 was effective first for employer fiscal years beginning after June 15, 2017

Changes in assumption

The discount rate increased from 2.16% to 3.54%

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 12, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
University of Virginia

James E. Ryan, President
University of Virginia

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Unmodified and Disclaimer of Opinion

We have audited the financial statements of the business-type activities of the University of Virginia Medical Center (the Medical Center), a division of the University of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Discretely Presented Component Unit

We do not express an opinion on the accompanying financial statements of the discretely presented component unit of the Medical Center. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

Unmodified Opinion on Business-Type Activities

In our opinion, based on our audit and the report of another auditor, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Medical Center as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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We did not audit the financial statements of UVA Community Health, Inc., a blended component unit of the Medical Center, which is discussed in Notes 1 and 5. UVA Community Health, Inc., accounts for 10.93% of total assets and deferred outflows; 3.92% of net position; and 17.50% of total operating and net nonoperating revenues of the business-type activities of the Medical Center as of June 30, 2023. The financial statements of UVA Community Health, Inc. were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditor.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of University of Virginia Imaging, LLC (UVA Imaging), have not been audited for the activity presented through June 30, 2023, and we were not engaged to audit UVA Imaging's financial statements as part of our audit of the Medical Center's basic financial statements.

Basis for Unmodified Opinion

We conducted our audit of the financial statements of the business-type activities of the Medical Center in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Relationship to the University of Virginia

As discussed in Note 1, the basic financial statements of the University of Virginia Medical Center are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities and aggregate discretely presented component units of the University of Virginia that is attributable to the transactions of the University of Virginia Medical Center. They do not purport to, and do not, present fairly the University of Virginia's overall financial position as of June 30, 2023, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 of the accompanying financial statements, the Medical Center implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based

Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinion is not modified with respect to this matter.

Correction of 2022 Financial Statements

As discussed in Note 1 of the accompanying financial statements, the fiscal year 2022 financial statements have been restated to correct misstatements related to UVA Community Health, Inc., and correct additional errors. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Medical Center's 2022 financial statements, and we expressed an unmodified audit opinion on the business-type activities of the Medical Center in our report dated December 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised due to the implementation of GASB Statement No. 96 and the correction of misstatements, as discussed in Note 1. The financial statements of the discretely presented component unit included in the Medical Center's 2022 financial statements were not audited, and we were not engaged to audit those financial statements as part of our audit of the 2022 financial statements. Accordingly, we expressed no opinion on them.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 2 through 4; the Schedule of University of Virginia Medical Center's Share of Net Pension Liability, the Schedule of Medical Center Contributions, and the Notes to the Required Supplementary Information on pages 73 through 74; the Schedule of Medical Center's Share of Net OPEB Liability, the Schedule of Medical Center Contributions, and the Notes to the Required Supplementary Information for the Group Life Insurance and Health Insurance Credit programs on pages 75 through 82; and the Schedule of Changes in the Total OPEB Liability and Related Ratios – UVA on page 83. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2023, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Medical Center's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DLR/vks

MEMBERS OF THE BOARD OF VISITORS

UNIVERSITY OF VIRGINIA

AS OF JULY 1, 2022

NAME	APPOINTMENT DATE	TERM EXPIRES
Whittington W. Clement, Rector	July 1, 2015	June 30, 2023
Robert D. Hardie, Vice Rector	July 1, 2017	June 30, 2025
Robert M. Blue	July 1, 2017	June 30, 2025
Mark T. Bowles	July 1, 2015	June 30, 2024
Carlos M. Brown	July 1, 2021	June 30, 2025
Elizabeth M. Cranwell	July 1, 2016	June 30, 2024
Thomas A. DePasquale	July 1, 2016	June 30, 2024
U. Bertram Ellis Jr.	July 1, 2022	June 30, 2026
Louis S. Haddad	July 1, 2019	June 30, 2023
Babur B. Lateef, M.D.	July 1, 2016	June 30, 2024
Stephen P. Long, M.D.	July 1, 2022	June 30, 2026
Angela Hucles Mangano	July 1, 2019	June 30, 2023
James B. Murray Jr.	July 1, 2016	June 30, 2024
L.F. Payne	July 1, 2021	June 30, 2025
Amanda L. Pillion	July 1, 2022	June 30, 2026
James V. Reyes	July 1, 2015	June 30, 2023
Douglas D. Wetmore	July 1, 2022	June 30, 2026
Susan E. Kirk, M.D.	July 1, 2022	June 30, 2023
Lily A. Roberts	June 1, 2022	May 31, 2023