

JAMES MADISON UNIVERSITY®

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2022

JAMES MADISON UNIVERSITY

AUDITED FINANCIAL REPORT 2021 – 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Overview

This Management's Discussion and Analysis (MD&A) is required supplementary information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University's financial condition and results of operations for the fiscal year ended June 30, 2022. Comparative numbers, where presented, are for the fiscal year ending June 30, 2021. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The University's financial statements referred to above were prepared in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement Numbers 37, 38, 61 and 63. The three required financial statements are the Statement of Net Position (balance sheet), the Statement of Revenues, Expenses, and Changes in Net Position (operating statement), and the Statement of Cash Flows. These statements are summarized and analyzed in the following sections.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, addresses which fund-raising, research, or other foundations should be included as component units and how these component units should be displayed in the financial statements. Under GASBS No. 61, the James Madison University Foundation, Inc. (Foundation) meets the criteria and is included as a component unit. The Foundation is presented in a separate column on the University's financial statements; however, inter-company transactions between the University and the Foundation have not been eliminated. The remainder of this discussion and analysis excludes the Foundation's financial condition and activities.

The following GASB statements of standards became effective in fiscal year 2022: Statement No. 87, *Leases*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. See Note 1B for further discussion of the impact to the University's financial statements.

In addition, Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* were effective for fiscal year 2021, but had additional provisions effective for fiscal year 2022. Additional statements effective during fiscal year 2022 (in full or in part) included Statement No. 92, *Omnibus 2020*, Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, Statement No. 98, *The Annual Comprehensive Financial Report*, and Statement No. 99, *Omnibus 2022*. None of these Statements had a significant effect upon the University's financial statements for the current year.

Statement of Net Position

The Statement of Net Position (SNP) presents the University's assets, deferred outflows, liabilities, deferred inflows, and net position as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position to the financial statement readers. The data presented aids readers in determining the assets available to continue the University's operations. It also allows readers to determine how much the University owes to vendors and creditors. Finally, the SNP provides a picture of the

University's assets and the restrictions for expenditure for the net position components. Sustained increase in net position over time is one indicator of an organization's financial health.

Net position is classified as follows:

- Net investment in capital assets – Net investment in capital assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- Restricted net position, expendable – The expendable restricted position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- Restricted net position, nonexpendable – Nonexpendable restricted net position consists of endowments and similar type funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to the principal.
- Unrestricted net position – Unrestricted net position represents resources used for the University's general operations. They may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions of instruction, public service and outreach. These resources are derived from student tuition and fees, state appropriations and sales and services of auxiliary enterprises. The auxiliary enterprises are self-supporting entities that provide services for students, faculty and staff.

Statement of Net Position
(In thousands)

	2022	2021	Change	
			Amount	Percent
Current assets	\$ 351,062	\$ 279,477	\$ 71,585	25.6%
Noncurrent assets				
Capital assets, net	1,345,833	1,367,062	(21,229)	(1.6%)
Other noncurrent assets	24,772	17,015	7,757	45.6%
Total noncurrent assets	1,370,605	1,384,077	(13,472)	(1.0%)
Total Assets	1,721,667	1,663,554	58,113	3.5%
Deferred outflow of resources	50,808	70,492	(19,684)	(27.9%)
Total Assets and deferred outflow of resources	1,772,475	1,734,046	38,429	2.2%
Current liabilities	145,909	114,541	31,368	27.4%
Noncurrent liabilities				
Long-term liabilities	433,055	460,740	(27,685)	(6.0%)
Net pension liability	102,203	203,644	(101,441)	(49.8%)
OPEB liability	50,783	62,785	(12,002)	(19.1%)
Total Noncurrent liabilities	586,041	727,169	(141,128)	(19.4%)
Total liabilities	731,950	841,710	(109,760)	(13.0%)
Deferred inflow of resources	113,545	35,367	78,178	221.0%
Total liabilities and deferred inflow of resources	845,495	877,077	(31,582)	(3.6%)
Net position				
Net investment in capital assets	910,608	917,147	(6,539)	(0.7%)
Restricted - expendable	17,719	8,226	9,493	115.4%
Unrestricted	(1,347)	(68,403)	67,056	98.0%
Total net position	\$ 926,980	\$ 856,970	\$ 70,010	8.2%

In 2022, the University's total assets and deferred outflow of resources increased by \$38.4 million. A significant portion related to an increase in unrestricted cash and cash equivalents of \$61.8 million, offset by a reduction to net capital assets of \$21.2 million. The increase to cash and cash equivalents was primarily driven by a \$39.8 million increase to auxiliary cash due to unrecovered agency service charge (13.4 million), debt service relief from participation in the state's 2021 bond restructuring (\$11.3 million), receipt of institutional Higher Education Emergency Relief Funds (HEERF III, \$8.3 million) to cover lost revenue in auxiliaries, and food service revenues over budgeted expectations due to the waning effects of the pandemic (\$6.8 million). Overall cash and cash equivalents also increased due to the establishment of an institutional reserve (\$8.4 million), and receipt of American Rescue Plan Act (ARPA) funds of \$5.8 million (\$5.3 million for distribution to students in fall 2022 and \$0.5 million in support of the Online Virginia Network (OVN) program). Lastly, there was an increase in the value of cash and cash equivalents reportable by the University for securities lending transactions by the Commonwealth (\$5.5 million). Securities lending balances reported are provided by the

Department of Accounts and represent the University's allocated share of the activity in the General Account of the Commonwealth (see footnote 2D for details on the securities lending program).

The increases to cash and cash equivalents cited above were offset by a decrease of \$21.2 million to net capital assets. This decrease is primarily due to the effect of slowed capital project activity during fiscal year 2022. Net additions to capital assets (additions less disposals) in the prior year totaled \$61.2 million and included the completion of a number of significant projects (Atlantic Union Bank Center - \$93.2 million, additions to the College of Business Learning Complex - \$18.9 million, recognition of capital leased asset Foundation Hall - \$16.2 million, etc.). Net additions to capital assets in the current year were only \$29.4 million, with no major completed projects compared to the prior year. As a result, 2022 additions to capital assets only offset a portion of depreciation expense (depreciation expense of \$53.8 million, less additions of \$29.4 million), which was then further reduced by \$3.1 million in accumulated depreciation on disposed assets. Capital asset activity is further discussed in the next section of this analysis.

Other non-current assets increased by \$7.8 million, largely due to a \$3.3 million increase in restricted cash and cash equivalents. This increase was the result of receipt of state funds held as restricted cash to be used for the Carrier Library Renovation project (\$4.3 million) net of accruals to the project due within one year (\$1.0 million). An additional increase to other non-current assets relates to a \$3.0 million increase to the value of the University's OPEB asset as provided by the Virginia Retirement System (VRS). Other long-term investments increased by \$1.1 million as we converted several short-term investment accounts to longer-term investment vehicles. The decrease in deferred outflows of resources (\$19.7 million) can be attributed to a decrease in deferred outflows related to the State pension plan (\$16.6 million), and the State OPEB plans (\$2.1 million) as provided by VRS.

Current liabilities increased \$31.4 million. The increase is largely attributable to a \$13.4 million increase in the current portion of long-term liabilities, which is the result of the shift of payments for revenue bonds as the result of the Virginia College Building Authority's 9(d) debt restructuring and refinancing in 2021. Unearned revenue increased \$9.9 million primarily due to receipt of American Rescue Plan Act (ARPA) funds for distribution to students in fall 2022 (\$5.3 million) and additional grant-related unearned revenues of \$3.0 million for various cash-in-advance sponsored programs. Increases also occurred for obligations under securities lending (\$5.5 million), and accounts payable (\$2.6 million). The increase to accounts payable is mainly attributable to increases in University operations back to pre-pandemic levels.

Non-current liabilities decreased by \$141.1 million, primarily due to a \$101.4 million decrease in net pension liability related to the University's portion of VRS' unfunded pension liability, and a \$12.0 million decrease in the OPEB liability related to the University's portion of VRS and DHRM's unfunded OPEB liabilities. Long-term liabilities decreased \$27.7 million due to the effect of current year principal payments combined with no new debt issues during 2022, as well as the shifting effect of the 2021 restructuring of 9(d) debt principal payments between current and non-current liabilities. For more detailed debt information, see the Capital Asset and Debt Administration section. The increase in deferred inflows of resources (\$78.2 million) can be attributed to an increase in deferred inflows related to the State pension plan (\$73.8 million), and the State OPEB plans (\$3.6 million) as provided by VRS, as well as the effect of leases receivable recognized under the implementation of GASB Statement No. 87, for which a coordinating deferred inflow was recognized (\$0.85 million).

The increase in total assets and deferred outflows of resources along with the decrease in total liabilities and deferred inflow of resources is reflected in the \$70.0 million increase of the University's total net position. Net investment in capital assets decreased \$6.5 million, a repercussion of slowed capital project initiatives during the pandemic, as the University and the Commonwealth focused on prudent management of fiscal resources.

Capital Asset and Debt Administration

A critical factor in ensuring quality University academic, research, and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current facilities as well as pursue funding opportunities for construction and purchase of additional facilities. Investment in new and upgrading current structures serves to enrich high-quality instructional programs, research activities, and residential lifestyles.

Depreciable capital asset additions totaled \$22.3 million (excludes land, artwork, and construction-in-progress) in 2022, as compared to \$161.0 million in 2021.

PROJECTS COMPLETED OR ACQUIRED DURING 2021-22 *(in thousands)*

PROJECT	CAPITALIZED COST
Various Building Improvements > \$250K	\$ 3,514
Various Maintenance Reserve Projects > \$250K	2,886
Various Other Improvements > \$250K	2,853
Various Infrastructure Improvements > \$250K	2,360
All other capitalized additions	10,719
TOTAL	\$ 22,332

There were \$0.58 million in non-depreciable additions for 2022 other than construction in progress, which were primarily land purchases. Depreciation expense was \$53.8 million with net asset retirements of \$450 thousand. Amortization expense for intangible capital assets was \$1.7 million.

Major projects under construction in 2022 totaled \$19.4 million, as compared to \$9.3 million in 2021.

PROJECTS IN PROGRESS AT YEAR-END *(in thousands)*

PROJECT	AMOUNT
Convocation Center Renovation	\$ 4,818
Carrier Library Renovation/Expansion	3,751
Various Maintenance Reserve Projects	1,999
All other projects in progress	8,872
TOTAL	\$ 19,440

The University's total long-term bond debt decreased to \$426.3 million in 2022 from \$441.3 million in fiscal year 2021. The decrease is the result of debt principal payments made throughout the year on outstanding debt balances. There were no new debt issues in fiscal year 2022.

The University's Board of Visitors approved "Debt Management Guidelines and Procedures" established that the maximum annual debt service costs as a percentage of total operating revenues shall not exceed ten percent for non-revenue producing capital projects. The University's 2022 ratio was four point eight percent, as compared to seven point six percent for 2021.

Overall, unpaid construction commitments increased from \$8.8 million in 2021 to \$22.5 million in 2022, and other related contractual commitments decreased from \$5.4 million to \$1.4 million, respectively.

UNPAID CONSTRUCTION COMMITMENTS AT YEAR-END *(in thousands)*

PROJECT	UNPAID COMMITMENT
Convocation Center Renovation	\$ 13,605
Carrier Library Renovation/Expansion	754
All other construction contracts	8,159
TOTAL	\$ 22,518

Further information relating to capital assets, construction, and capital debt is included in the Notes to Financial Statements in Notes 6 and 9. Information on other contractual commitments is included in Note 18.

Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the University's total net position are presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investment and capital asset activities.

Generally, operating revenues are received through providing goods and services to students and other constituencies of the University. Operating expenses are those expenses made to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries and wages, and fringe benefits for faculty and staff are the largest type of operating expense.

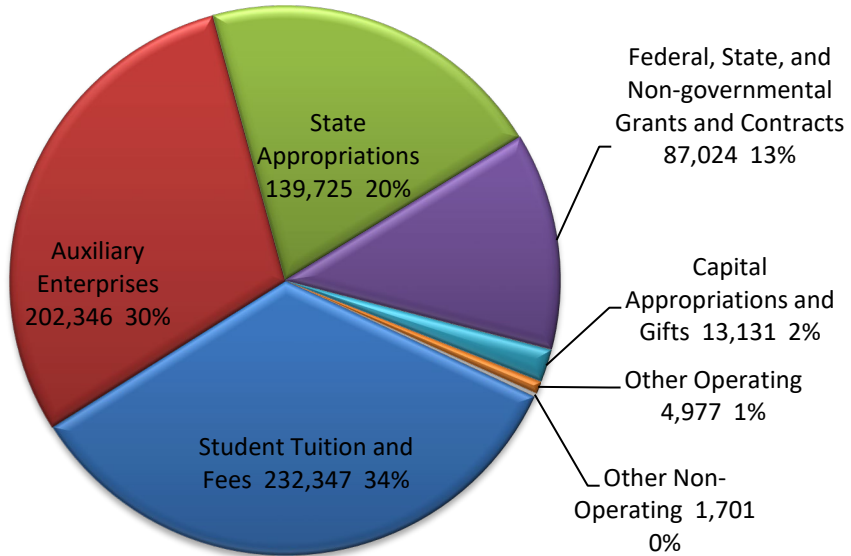
Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts are included in this category, but provide substantial support for paying the University's operating expenses. Therefore, the University, like most public institutions, will expect to show an operating loss.

Statement of Revenues, Expenses, and Changes in Net Position
(In thousands)

	2022	2021	Change	
			Amount	Percent
Operating revenues	\$ 480,481	\$ 429,204	\$ 51,277	11.9%
Operating expenses	594,344	542,311	52,033	9.6%
Operating gain (loss)	(113,863)	(113,107)	(756)	(0.7%)
Nonoperating revenues (expenses)				
State appropriations	139,725	92,021	47,704	51.8%
Grants and Contracts	46,212	32,262	13,950	43.2%
OPEB-related contribution revenue	1,069	-	1,069	100.0%
Gifts	2	2	-	0.0%
Investment Income	630	1,974	(1,344)	(68.1%)
Interest on capital asset related debt	(13,541)	(12,857)	(684)	(5.3%)
Gain (loss) on disposal of plant assets	(257)	(2,131)	1,874	87.9%
Payments to the Commonwealth	(3,098)	(3,098)	-	0.0%
Net nonoperating revenue (expenses)	170,742	108,173	62,569	57.8%
Income (loss) before other revenues, expenses, gains, or losses	56,879	(4,934)	61,813	1,252.8%
Capital appropriations and contributions	11,817	32,104	(20,287)	(63.2%)
Capital gifts	1,314	6,816	(5,502)	(80.7%)
Total other	13,131	38,920	(25,789)	(66.3%)
Increase in net position	70,010	33,986	36,024	106.0%
Net position - beginning of year, as restated	856,970	822,984	33,986	4.1%
Net position - end of year	\$ 926,980	\$ 856,970	\$ 70,010	8.2%

Following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2022. As noted above, critical recurring revenue sources such as state and capital appropriations are considered non-operating.

**2022
Revenues by Source
(in thousands)**

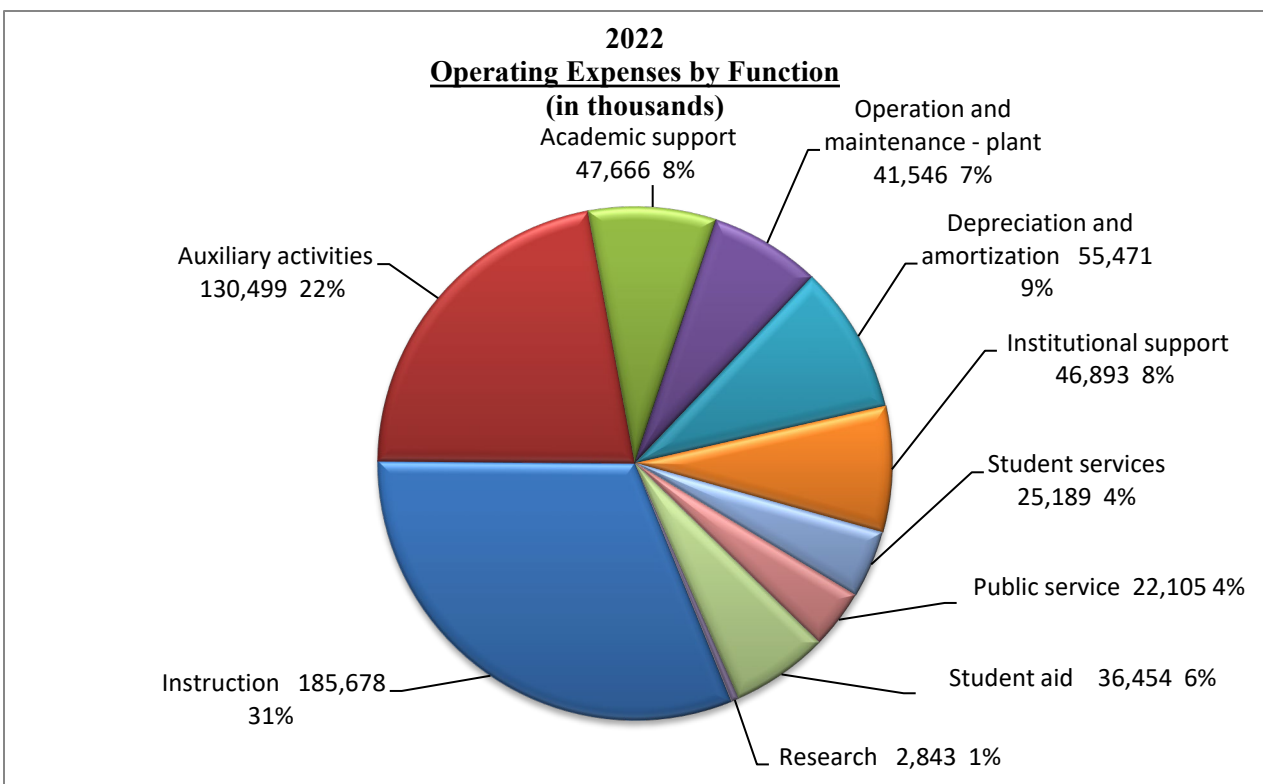


	2022	2021	Change	
			Amount	Percent
Operating revenues:				
Student tuition and fees, net	232,347	226,357	\$ 5,990	2.6%
Grants and contracts	40,811	37,463	3,348	8.9%
Auxiliary enterprises, net	202,346	160,555	41,791	26.0%
Other operating revenues	4,977	4,829	148	3.1%
Total operating revenues	480,481	429,204	51,277	11.9%
Nonoperating revenues:				
State appropriations	139,725	92,021	47,704	51.8%
Grants and contracts	46,213	32,262	13,951	43.2%
Other nonoperating revenue	1,701	1,976	(275)	(13.9%)
Total nonoperating revenues	187,639	126,259	61,380	48.6%
Other revenues:				
Capital appropriations and contributions	11,817	32,104	(20,287)	(63.2%)
Capital gifts	1,314	6,816	(5,502)	(80.7%)
Total other revenues	13,131	38,920	(25,789)	(66.3%)
Total revenues	681,251	594,383	86,868	14.6%

Operating revenues, consisting mostly of tuition and fees and auxiliary enterprises, increased \$51.3 million or twelve percent from the prior fiscal year. This increase is significantly attributable to the waning effects of the COVID-19 pandemic when compared to the prior year. During 2021 the campus experienced a four week closure in the fall semester and a delay of the spring semester. Operations were disrupted and refunds were issued. Conversely, during 2022 the campus was fully open and operational. This created the most significant impact on revenues from auxiliary functions, which saw an increase of \$41.8 million, primarily from dining services (\$22.7 million increase), residential services (\$9.6 million increase), athletics (\$3.7 million), and parking (\$1.7 million). Tuition revenue increased \$6.0 million (or two point six percent) due to an increase in student headcount of approximately two point seven percent (Fall 2021 total enrollment was 22,166 students compared to 21,593 in Fall 2020).

Nonoperating revenues, which are comprised mainly of state appropriations and non-operating grants and contracts, increased \$61.4 million or 48.60 percent. Appropriations before reversions increased by \$38.0 million, which was further increased by a decrease in appropriation reversions at year end from \$24.6 million in 2021 to \$14.9 million in 2022. The 2022 reverted balances have been reappropriated in 2023. See Footnote 16 for further details on state appropriations. The increase in non-operating grants and contracts is attributable to an increase of \$13.9 million in Federal Higher Education Emergency Relief Funds (HEERF) for institutional and student relief for the COVID-19 pandemic. The student relief portion from the HEERF funding increased from \$6.0 million in 2021 to \$15.9 million in 2022, and the institutional portion increased from \$11.8 million to \$15.9 million, respectively. During fiscal year 2022, plant disposals and the related loss on disposals of plant assets decreased by \$1.9 million, due to the delayed timing of new project start-ups following a slowdown in funding due to the pandemic.

The following graphical illustration presents total operating expenses for fiscal year 2022 by function.



	2022	2021	Change	
			Amount	Percent
Operating expenses:				
Instruction	185,678	168,646	\$ 17,032	10.1%
Research	2,843	2,788	55	2.0%
Public service	22,105	17,349	4,756	27.4%
Academic support	47,666	48,107	(441)	(0.9%)
Student services	25,189	21,942	3,247	14.8%
Institutional support	46,893	50,864	(3,971)	(7.8%)
Operation and maintenance - plant	41,546	45,763	(4,217)	(9.2%)
Depreciation and amortization	55,471	54,398	1,073	2.0%
Student aid	36,454	24,372	12,082	49.6%
Auxiliary activities	130,499	108,083	22,416	20.7%
Total operating expenses	594,344	542,312	52,032	9.6%

Total 2022 operating expenses increased \$52.0 million, or ten percent. Compensation expenses, consisting of the natural expense classifications salaries, wages, and fringe benefits, comprise the largest University expense. Compensation expenses comprised 54% of the University's total operating expenses in 2022 and 59% in 2021. Compensation expense did not significantly change from the prior year, despite a five percent across-the-board pay increase; this was due to a significant decrease in the impact on expenses from the pension and OPEB liability changes provided by VRS and the Department of Human Resource Management (DHRM). Auxiliary expenses not related to compensation increased by \$23.6 million, or 33.7%. Most of these increases occurred in Dining Services (\$12.2 million), Athletics (\$6.8 million), and Residence Life (\$1.9 million) due to the re-opening of campus and return to regular operations post-pandemic. Student aid in both 2022 and 2021 include the disbursement of HEERF funds to students (\$15.9 million and \$6.0 million, respectively). Expenses related to instruction also increased \$17.0 million, or ten percent. A significant contributing factor to this increase was, despite the overall consistency of salaries University-wide, salaries and fringe benefits specific to instruction saw an increase of \$8.2 million primarily due to the timing of accruals to the Supplemental Retirement Plan. Due to the budget uncertainty surrounding the pandemic in 2021, many approvals for plan participation were delayed. With the effects of the pandemic receding during 2022, those approvals were granted. In addition, instruction saw a further increase to expenses related to services and supplies (\$7.5 million) as 2022 classes moved away from the virtual environment of 2021 and back to traditional on-site classroom instruction.

Net non-operating revenue and expenses totaled \$170.7 million, an increase of \$62.6 million from the prior year. This increase is attributable to the increases in non-operating revenues discussed in the previous section.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the University's cash activity during the year. Operating cash flows will always be different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes non-cash items such as depreciation and amortization expense, and the Statement of Cash Flows presents cash inflows and outflows without regard to accrual items. The Statement of Cash Flows assists readers in assessing the ability of an institution to generate sufficient cash flows necessary to meet obligations.

The statement is divided into five sections. The first section shows the net cash used by the University's operating activities. The second section reflects the cash flows from non-capital financing activities and includes state appropriations for the University's educational and general programs and financial aid. This information represents the cash received and spent for items other than operating, investing, and capital financing purposes. The section that follows itemizes cash flows from capital financing activities, which presents cash used for the acquisition and construction of capital and related items. The next section shows cash flows related to purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash used by operating activities to the operating loss reflected on the SRECNP.

Statement of Cash Flows
(in thousands)

	2022	2021	Change	
			Amount	Percent
Cash provided (used) by:				
Operating activities	\$ (68,974)	\$ (43,634)	\$ (25,340)	(58.1%)
Non-capital financing activities	182,441	120,740	61,701	51.1%
Capital financing activities	(48,952)	(66,030)	17,078	25.9%
Investing activities	567	3,352	(2,785)	(83.1%)
Net increase (decrease) in cash	65,082	14,428	50,654	351.1%
Cash - beginning of the year	234,942	220,513	14,429	6.5%
Cash - end of the year	\$ 300,024	\$ 234,941	\$ 65,083	27.7%

Major sources of cash from operating activities include student tuition and fees (\$233.2 million in 2022 and \$227.6 million in 2021), auxiliary enterprises receipts (\$202.3 million in 2022 and \$161.3 million in 2021), and grants and contracts (\$48.0 million in 2022 and \$36.4 million in 2021). Major uses of cash include payments for salaries, wages, and fringe benefits (\$340.8 million in 2022 and \$307.7 million in 2021), payments for supplies, services, and utilities (\$152.6 million in 2022 and \$108.4 million in 2021), and payments for non-capitalized plant improvements and equipment (\$28.1 million in 2022 and \$33.6 million in 2021).

Cash flows from non-capital financing activities include state appropriations for the University's educational and general programs and financial aid of \$139.7 million and \$92.0 million in 2022 and 2021, respectively. The cash flows from capital financing activities section deals with cash used for the acquisition and construction of capital and related items. Primary sources of cash from capital financing activities in 2022 and 2021 include capital appropriations and contributions (\$10.8 million in 2022 and \$32.8 million in 2021). Significant cash outflows include purchases and construction of capital assets (\$31.2 million in 2022 and \$64.1 million in 2021) and repayment of principal and interest on capital related debt (\$28.2 million in 2022 and \$40.0 million in 2021).

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth. Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). In August 2022, the

Governor in his address to the Senate and House Finance and Appropriations Committees highlighted that the Commonwealth finished fiscal year 2022 with a \$3.2 billion surplus. In September 2022, the Governor announced the economic recovery is continuing as general fund revenues are up 13% from the previous year and five point four percent fiscal year-to-date. However, concerns over inflation, interest rates and potential worsening economic conditions could impact future revenue collections.

As a public institution, the University receives significant Commonwealth support from operating and capital appropriations. In 2022, state operating appropriations covered 34% of operating expenses, excluding auxiliary activities and depreciation. \$24.6 million reverted in 2021 was re-appropriated in 2022, and the \$14.9 million reverted in 2022 has been re-appropriated in 2023. The state surplus from 2021 and improved revenue collections allowed the General Assembly to make additional investments in higher education during the 2022 legislative session. The University's 2023 base budget was increased by \$31.1 million over the 2022 base budget.

The University remains financially well-positioned to adjust as circumstances evolve over the remainder of the current fiscal year. As in 2021, the University generated an overall increase in net position during 2022. This indicates the University's sound and prudent uses of financial resources and the ability to maintain a favorable financial position.

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FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2022 (with comparative information as of June 30, 2021)

	2022		2021	
	James Madison University	Component Unit	James Madison University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 296,535,953	\$ 13,267,323	\$ 234,713,268	\$ 7,044,603
Securities lending - Cash and cash equivalents (Note 2)	20,700,241	-	15,232,845	-
Short-term investments (Note 2)	4,656,692	-	5,555,867	-
Accounts receivable (Net of allowance for doubtful accounts of \$1,176,198 and \$1,131,958 for 2022 and 2021, respectively) (Note 3)	10,324,671	154,658	8,709,047	228,259
Contributions receivable (Net of allowance for doubtful contributions of \$150,752 and \$225,506 for 2022 and 2021, respectively) (Note 3)	-	5,903,378	-	4,188,978
Due from the Commonwealth (Note 4)	5,508,933	-	4,407,426	-
Prepaid expenses	10,643,122	109,998	9,352,212	79,046
Prepaid expenses to component unit	360,409	-	360,409	-
Inventory	1,106,302	-	949,352	-
Leases receivable (Note 5)	1,097,453	-	33,218	-
Leases receivable from James Madison University	-	78,687	-	-
Notes receivable (Net of allowance for doubtful accounts of \$28,970 and \$35,782 for 2022 and 2021, respectively)	128,441	-	163,586	-
Total current assets	351,062,217	19,514,044	279,477,230	11,540,886
Non-current assets:				
Restricted cash and cash equivalents (Note 2)	3,488,023	-	228,552	-
Endowment investments (Note 2)	-	92,818,510	-	87,554,667
Other long-term investments (Note 2)	2,134,746	61,973,442	1,061,762	102,747,066
Land held for future use	-	6,264,640	-	6,264,640
Contributions receivable (Net of allowance for doubtful contributions of \$169,564 and \$555,838 for 2022 and 2021, respectively) (Note 3)	-	8,308,619	-	7,638,775
Finance lease receivable from James Madison University	-	8,114,978	-	8,150,516
Prepaid expenses	460,733	-	357,007	-
Leases receivable (Note 5)	2,048,599	-	2,085,178	-
Notes receivable (Net of allowance for doubtful accounts of \$118,836 and \$148,662 for 2022 and 2021, respectively)	526,872	10,069,101	679,639	10,777,820
Capital assets, net: (Note 6)				
Non-depreciable	106,251,360	767,471	95,558,742	381,191
Depreciable	1,239,582,225	2,695,342	1,271,502,619	2,274,048
Intangible right-to-use assets, net (Notes 5 and 6)	7,734,254	-	7,239,138	-
OPEB asset (Note 13)	8,378,671	-	5,364,006	-
Other assets	-	68,294	-	2,145
Total non-current assets	1,370,605,483	191,080,397	1,384,076,643	225,790,868
Total assets	1,721,667,700	210,594,441	1,663,553,873	237,331,754
DEFERRED OUTFLOW OF RESOURCES				
Related to debt refundings (Note 10)	6,163,206	-	7,105,788	-
Related to pensions (Note 12)	32,636,032	-	49,254,111	-
Related to OPEB (Note 13)	12,008,448	-	14,132,701	-
Total deferred outflow of resources	50,807,686	-	70,492,600	-
Total assets and deferred outflow of resources	\$ 1,772,475,386	\$ 210,594,441	\$ 1,734,046,473	\$ 237,331,754

JAMES MADISON UNIVERSITY
STATEMENT OF NET POSITION

As of June 30, 2022 (with comparative information as of June 30, 2021)

	2022		2021	
	James Madison University	Component Unit	James Madison University	Component Unit
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses (Note 7)	\$ 54,163,265	\$ 162,386	\$ 51,597,089	\$ 170,469
Unearned revenue	24,977,874	325	15,087,947	979,486
Unearned revenue from James Madison University	-	360,409	-	360,409
Obligations under securities lending	20,700,241	-	15,232,845	-
Deposits held in custody for others	816,379	-	572,376	-
Long-term liabilities - current portion (Notes 5 and 8)	44,046,195	1,142,325	30,678,128	1,070,144
OPEB liability - current portion (Note 13)	1,204,940	-	1,372,437	-
Total current liabilities	145,908,894	1,665,445	114,540,822	2,580,508
Non-current liabilities:				
Long-term liabilities (Notes 5 and 8)	433,055,339	18,546,620	460,739,337	19,710,936
Net pension liability (Note 12)	102,203,076	-	203,644,384	-
OPEB liability (Note 13)	50,782,479	-	62,785,208	-
Total non-current liabilities	586,040,894	18,546,620	727,168,929	19,710,936
Total liabilities	731,949,788	20,212,065	841,709,751	22,291,444
DEFERRED INFLOW OF RESOURCES				
Related to debt refundings (Note 10)	740,354	-	819,905	-
Related to leases (Note 5)	2,910,757	-	2,063,713	-
Related to pensions (Note 12)	75,942,610	-	2,131,300	-
Related to OPEB (Note 13)	33,951,859	-	30,352,194	-
Total deferred inflow of resources	113,545,580	-	35,367,112	-
Total liabilities and deferred inflow of resources	845,495,368	20,212,065	877,076,863	22,291,444
NET POSITION				
Net investment in capital assets	910,607,618	2,418,369	917,146,246	1,454,128
Restricted for:				
Non-expendable:				
Scholarships and fellowships	-	59,851,155	-	54,860,023
Research and public service	-	1,922,647	-	1,903,185
Other	-	34,966,488	-	34,278,555
Expendable:				
Scholarships and fellowships	-	23,497,497	-	40,319,749
Research and public service	3,631,212	1,400,531	3,086,369	2,370,860
Debt service	171,931	-	182,875	-
Capital projects	6,130,827	9,337,860	(517,918)	6,232,891
Loans	83,432	-	110,718	-
Other	7,701,860	33,229,739	5,364,006	43,052,054
Unrestricted, as restated	(1,346,862)	23,758,090	(68,402,686)	30,568,865
Total net position, as restated	\$ 926,980,018	\$ 190,382,376	\$ 856,969,610	\$ 215,040,310

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

*Certain prior year amounts were restated to agree to current year classifications.

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JAMES MADISON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)

	2022		2021	
	James Madison University	Component Unit	James Madison University	Component Unit
Operating revenues:				
Student tuition and fees (Net of scholarship allowances of \$25,550,462 and \$25,089,474 for 2022 and 2021, respectively)	\$ 232,346,901	\$ -	\$ 226,357,285	\$ -
Gifts and contributions	-	17,083,007	-	14,557,347
Federal grants and contracts	30,381,392	-	20,677,672	-
State grants and contracts	6,304,844	-	10,458,950	-
Non-governmental grants and contracts	4,124,991	-	6,325,762	-
Auxiliary enterprises (Net of scholarship allowances of \$18,231,598 and \$15,567,072 for 2022 and 2021, respectively) (Note 14)	202,346,159	-	160,555,511	-
Sales and Services of Education and General Activities	2,229,885	-	1,075,700	-
Other operating revenues	2,746,886	1,002,359	3,753,259	673,859
Total operating revenues	480,481,058	18,085,366	429,204,139	15,231,206
Operating expenses (Note 15):				
Instruction	185,677,840	645,861	168,646,051	371,345
Research	2,842,946	40,609	2,788,230	21,892
Public service	22,104,658	622,854	17,348,930	119,892
Academic support	47,666,300	1,208,069	48,107,219	938,131
Student services	25,188,964	65,845	21,942,290	44,191
Institutional support	46,892,841	8,198,500	50,864,133	7,717,057
Operation and maintenance - plant	41,545,888	(258,442)	45,762,531	5,520,452
Depreciation and amortization	55,471,089	88,966	54,397,530	91,692
Student aid	36,454,373	5,440,024	24,372,174	5,046,808
Auxiliary activities (Note 14)	130,498,918	1,049,255	108,082,685	848,219
Total operating expenses	594,343,817	17,101,541	542,311,773	20,719,679
Operating income/(loss)	(113,862,759)	983,825	(113,107,634)	(5,488,473)
Nonoperating revenues/(expenses):				
State appropriations (Note 16)	139,724,714	-	92,021,184	-
Grants and contracts (Note 1T)	46,212,621	-	32,262,262	-
OPEB-related contribution revenue (Note 13)	1,069,353	-	-	-
Gifts	1,887	-	2,410	-
Investment income (loss) (Net of investment expense of \$58,477 and \$19,852 for the University and \$426,308 and \$377,846 for the Foundation for 2022 and 2021, respectively)	629,626	(34,632,142)	1,974,007	40,460,203
In-Kind support from James Madison University	-	4,704,071	-	4,300,828
Interest on capital asset - related debt	(13,540,700)	(706,629)	(12,856,646)	(770,353)
Gain(Loss) on disposal of plant assets	(257,026)	-	(2,131,440)	-
Payment to the Commonwealth	(3,098,291)	-	(3,098,291)	-
Net nonoperating revenues/(expenses)	170,742,184	(30,634,700)	108,173,486	43,990,678
Income/(loss) before other revenues, expenses, gains or losses	56,879,425	(29,650,875)	(4,934,148)	38,502,205
Capital appropriations and contributions (Note 17)	11,817,244	-	32,103,660	-
Capital gifts	1,313,739	-	6,816,250	-
Additions to permanent endowments	-	4,992,941	-	3,312,487
Net other revenues	13,130,983	4,992,941	38,919,910	3,312,487
Increase (decrease) in net position	70,010,408	(24,657,934)	33,985,762	41,814,692
Net position - beginning of year (Note 1B)	856,969,610	215,040,310	822,983,848	173,225,618
Net position - end of year, as restated	\$ 926,980,018	\$ 190,382,376	\$ 856,969,610	\$ 215,040,310

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

*Certain prior year amounts were restated to agree to current year classifications.

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Student tuition and fees	\$ 233,165,798	\$ 227,554,443
Grants and contracts	47,982,421	36,351,392
Auxiliary enterprises	202,332,528	161,289,234
Other receipts	5,274,613	5,233,346
Payments for compensation and benefits	(340,797,793)	(307,738,996)
Payments for services, supplies and utilities	(152,574,307)	(108,425,793)
Payments for scholarships and fellowships	(36,454,373)	(24,372,174)
Payments for non-capitalized plant improvements and equipment	(28,053,609)	(33,628,533)
Refunds to the federal government (Perkins loan contributions)	(290,456)	(361,930)
Collections of loans from students	197,229	285,608
Custodial receipts	3,533,682	3,496,046
Custodial payments	(3,289,679)	(3,316,242)
Net cash used by operating activities	(68,973,946)	(43,633,599)
Cash flows from noncapital financing activities:		
State appropriations	139,663,400	92,007,664
Nonoperating grants and contracts	45,873,985	31,828,337
Payment to the Commonwealth	(3,098,291)	(3,098,291)
Loans issued to students and employees	(5,695)	(4,430)
Collections of loans from students and employees	5,695	4,430
Gifts and grants for other than capital purposes	1,887	2,410
Federal direct lending program receipts	89,969,676	94,842,064
Federal direct lending program disbursements	(89,969,676)	(94,842,064)
Net cash provided by noncapital financing activities	182,440,981	120,740,120
Cash flows from capital and related financing activities:		
Capital appropriations and contributions	10,777,051	32,755,668
Proceeds from sale of capital assets	127,357	122,980
Capital gifts	1,303,149	6,770,000
Purchase of capital assets	(31,189,404)	(64,069,428)
Payments on leases	(1,763,183)	(1,629,167)
Principal paid on capital debt, leases, and installments	(12,852,101)	(23,519,017)
Interest paid on capital debt, leases, and installments	(15,354,658)	(16,460,606)
Net cash used by capital and related financing activities	(48,951,789)	(66,029,570)
Cash flows from investing activities:		
Interest on investments	142,705	115,131
Interest on cash management pools	729,205	1,761,236
Proceeds from sale of investments	833,534	1,851,615
Purchase of investments	(1,138,534)	(376,483)
Net cash provided by investing activities	566,910	3,351,499
Net increase (decrease) in cash	65,082,156	14,428,450
Cash and cash equivalents - beginning of the year	234,941,820	220,513,370
Cash and cash equivalents - end of the year	\$ 300,023,976	\$ 234,941,820

JAMES MADISON UNIVERSITY
STATEMENT OF CASH FLOWS

For the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)

	2022	2021
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (113,862,759)	\$ (113,107,634)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	55,471,089	54,397,530
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Receivables, net	(1,615,624)	58,194
Prepaid expenses	(1,393,901)	305,547
Inventory	(156,950)	(92,226)
Notes receivable, net	187,912	270,707
Leases receivable	(1,027,656)	(2,118,396)
Intangible assets	(495,115)	(7,239,138)
OPEB asset	(3,014,665)	(637,368)
Deferred outflows of resources - pension and OPEB	18,742,332	(10,905,644)
Accounts payable and accrued expenses	(2,747,911)	7,953,463
Unearned revenue	9,889,927	1,220,765
Net lease liability	564,314	7,383,722
Net Pension liability	(101,441,308)	29,553,859
OPEB liability	(12,170,226)	(2,419,855)
Accrued compensated absences	(487,486)	(235,471)
Accrued retirement plan	6,338,978	(1,832,246)
Federal loan programs contributions refundable	(256,919)	(341,793)
Deferred inflows of resources - leases	847,044	2,063,713
Deferred inflows of resources - pension and OPEB	77,410,975	(8,091,132)
Custodial accounts, net	244,003	179,804
Net cash used by operating activities	\$ (68,973,946)	\$ (43,633,599)
NON-CASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS:		
Gift of capital assets	\$ -	\$ 28,000
Amortization of bond premium/discount and gain/loss on debt refinancing	\$ (2,050,401)	\$ (2,530,458)
Refinancing accrued interest and issue costs	\$ -	\$ 1,353,593
Capitalization of interest revenue and expense, net	\$ -	\$ (2,090,749)
Change in fair value of investments recognized as a component of interest income	\$ (135,627)	\$ 150,672
Loss on disposal of capital assets	\$ (384,383)	\$ (2,254,420)
Right-to-use assets acquired through the assumption of a liability	\$ 2,165,637	\$ 8,868,306

During 2021, the Virginia College Building Authority, on behalf of the University, issued \$57,985,000 of Revenue Refunding Bonds, Series 2021AB. The proceeds were used for the defeasance of \$51,035,000 of outstanding revenue bond principal and related accrued interest.

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

*Certain prior year amounts were restated to agree to current year classifications.

JAMES MADISON UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
As of June 30, 2022 (with comparative information as of June 30, 2021)

	2022	2021
	Custodial Funds -	Custodial Funds -
	Other	Other
ASSETS		
Cash and cash equivalents (Note 2)	\$ 174,688	\$ 327,345
Other short-term investments (Note 2)	464,681	463,175
Total assets	639,369	790,520
LIABILITIES		
Unearned revenue	14,800	20,600
Due to the University	15,000	15,000
Total liabilities	29,800	35,600
NET POSITION		
Restricted for:		
Organizations and other governments	609,569	754,920
Total fiduciary net position	\$ 609,569	\$ 754,920

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

The statements above do not include fiduciary activities for which the University holds resources for a period normally expected to be less than three months.

JAMES MADISON UNIVERSITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)

	2022	2021
	Custodial Funds -	Custodial Funds -
	Other	Other
Additions:		
Interest	\$ 1,574	\$ 5,249
Conference registrations	8,111	2,750
Other	231,875	124,795
Total additions	241,560	132,794
Deductions:		
Food services	28,711	-
Building and equipment rentals	6,302	10,371
Other	351,898	122,287
Total deductions	386,911	132,658
Net increase (decrease) in fiduciary net position	(145,351)	136
Net position - beginning of year	754,920	754,784
Net position - end of year	\$ 609,569	\$ 754,920

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

The statements above do not include fiduciary activities for which the University holds resources for a period normally expected to be less than three months.

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NOTES TO FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The University is a comprehensive University that is part of the Commonwealth's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, the James Madison University Foundation, Inc. is included as a component unit of the University. The Foundation is a legally separate, tax-exempt organization formed to promote the achievements and further the aims and purposes of the University. The Foundation accomplishes its purposes through fundraising and funds management efforts that benefit the University and its programs. The 20-member board of the Foundation is self-perpetuating and consists of friends and supporters of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the financial statements.

During the year ended June 30, 2022, the Foundation distributed \$10,987,521 to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained by writing the Chief Financial Officer, JMU Foundation, Inc., MSC 8501, Harrisonburg, Virginia 22807.

B. Financial Statement Presentation

The financial statements have been prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*.

GASB Statements No. 34 and 35 standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, the University is required to include a management's discussion and analysis (MD&A), basic financial statements, and notes to the financial statements.

The following GASB statements of standards became effective in fiscal year 2022: Statement No. 87, *Leases*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, and overall serves to enhance reporting consistency among governmental entities. Statement No. 87 states that, for certain agreements, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources; these agreements were previously classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the related contract. The University recognized liabilities and related net intangible assets of \$7,948,036 and \$7,734,254, respectively, for the fiscal year ending June 30, 2022. The University also recognized leases receivable and deferred inflows of resources of \$3,146,052 and 2,910,757, respectively. Statement No. 87 also requires that if comparative statements are presented, the earliest period presented must be re-stated to reflect the impact of the standard. For this reason, it is noted that certain prior period amounts for the fiscal year ended June 30, 2021, were restated for comparative purposes. The overall impact to prior year ending net position was a decrease of \$89,901. Additionally, Statement No. 87 requires an extensive footnote disclosure for additional information regarding leases (see Note 5). Statement No. 89 serves to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. There was no current year impact to the University under this standard, as there were no debt-funded capital projects paying interest during the construction period. However, in future years interest paid on capital asset debt during the construction period will no longer be capitalized into the asset's value.

Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* were effective for fiscal year 2021, but had additional provisions effective for fiscal year 2022. Neither of these Statements had a significant effect upon the University's financial statements for the current year.

The Foundation is a private, non-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. Certain reclassifications have been made to the Foundation's financial information to convert the presentation from FASB format to GASB format to align with the University's financial reporting.

C. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

D. Cash Equivalents and Investments

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and amounts due for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Leases receivable in-scope under GASB Statement No. 87 also fall into the accounts receivable designation. Accounts receivable are recorded net of allowance for doubtful accounts.

F. Prepaid Expenses

The University has recorded certain expenses for future fiscal years that were paid in advance as of June 30, 2022. Payments of expenses that extend beyond fiscal year 2023 are classified as a non-current asset. Prepaid expenses consist primarily of information technology maintenance contracts, property leases, and insurance.

G. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market and consist primarily of expendable supplies held for consumption.

H. Capital Assets

Capital assets consisting of land, buildings, infrastructure, computer software and equipment are stated at cost at date of acquisition, or acquisition value at date of donation for gifts. Library materials are valued using published average prices for library acquisitions. The University capitalizes construction costs that have a value or cost in excess of \$200,000 at the date of acquisition. Renovation costs are capitalized when expenses total more than \$200,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is more than two years. Computer software is capitalized when the unit acquisition or development costs are \$100,000 or greater and the estimated useful life is more

than two years. Expenses related to construction are capitalized at actual cost as they are incurred (construction-in-progress).

Collections of works of art and historical treasures are capitalized at cost or acquisition value at the date of donation. These collections are considered inexhaustible and therefore are not depreciated.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	25-50 years
Other improvements and infrastructure	20 years
Equipment	5-20 years
Computer software	5 years
Library material	5 years

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position. Assets that will be used to liquidate current liabilities, including capital project liabilities that are expected to be paid within one year, are classified as current assets.

J. Unearned Revenue

Unearned revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition and certain auxiliary activities accrued in advance of the semester, and advance payments on grants and contracts. To approximate unearned revenues related to summer tuition, the University utilizes an estimate based on summer session credit hours earned in the next fiscal year.

K. Deposits Held in Custody for Others

Deposits held in custody represents funds held by the University related to various groups and organizations that do not qualify as fiduciary activities or for which revenue recognition will be based on a future event (e.g., forfeiture of room damage deposit due to condition of dorm room at end of housing contract). The University records balances related to additions and deductions for fiduciary activities that are expected to be settled within three months or less in the Statement of Net position as deposits held in custody for others.

L. Long-term Debt, Debt Issue Costs, and Financed Purchases

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs are expensed as non-operating expenses.

Financed purchases include lease obligations in which ownership is transferred at the end of the lease.

M. Leases

Leases in-scope under GASB Statement No. 87 are required to be reported on the Statement of Net Position. Leases are classified as in-scope under Statement No. 87 if the agreement is valued at greater than \$50,000 and is longer than 12 months in duration. Leases falling below these thresholds are recognized as outflows of resources (expenses) during the period in which the related payments occur. In-scope situations in which the University acts as the Lessee are recorded as leases payable at the discounted present value of the fixed payment streams stipulated by the lease agreement. A coordinating 'right-to-use' intangible asset is recorded at the same value and amortized straight-line over the life of the related lease agreement.

Situations in which the University acts as the Lessor are recorded as leases receivable at the discounted present value of the fixed payment streams. A coordinating deferred inflow of resources is recorded at the same value, and amortized to current year inflows of resources (revenues) straight-line over the life of the lease. Changes to lease terms can result in remeasurement of the lease and adjustments to the related assets/liabilities as necessary, with effects of those changes impacting current year inflows/outflows of resources (revenues/expenses) as reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Leases ultimately transferring ownership are reported separately as financed purchases in Note 5, section C.

N. Accrued Compensated Absences

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

O. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for more information about pension plans.

P. Other Post-Employment Benefits

VRS: Group Life Insurance

The 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.

VRS: State Employee Health Insurance Credit Program

The 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.

VRS: Disability Insurance Program

The VRS Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees.

VRS: Line of Duty Act Program

The VRS Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members.

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

Virginia DHRM: Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, James Madison University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health

insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

See Note 13 for more information about other post-employment benefits.

Q. Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, and federal work-study and Perkins loans programs. Federal programs are audited in accordance with Title 2, Part 200 of the U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

R. Deferred Inflows and Outflows of Resources

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

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

S. Net Position

GASB Statement No. 63 requires that the Statement of Net Position report the difference between assets, deferred outflows, liabilities, and deferred inflows as net position, not net assets or fund balances. Net position is classified as net investment in capital assets, restricted, and unrestricted. "Net investment in capital assets" consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net asset/deferral use are either externally imposed by creditors, grantors, contributors, or imposed by law. Unrestricted net position consists of net assets/deferrals that do not meet the definitions above. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to use restricted resources first, then unrestricted resources as needed. During fiscal year 2022, implementation of GASB Statement No. 87 – *Leases* required that certain amounts related to prior periods be restated for comparative purposes. Those changes resulted in an insignificant restatement of unrestricted net position, detailed in Note 1B, above.

T. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; and (3) most federal, state, and non-governmental grants and contracts. With the exception of interest expense, losses on disposal of capital assets, and payment to the Commonwealth, the University classifies all expense transactions as operating expenses.

Non-operating revenues include activities that have the characteristics of non-exchange transactions as defined by GASB Statement No. 9 and GASB Statement No. 34. The University relies on and budgets these revenues for basic operational support of the institutional mission. Non-operating revenues include state appropriations, investment and interest income, and grants and contracts. Prior to 2021, the line item “non-operating grants and contracts” primarily consisted of Federal Pell grant receipts. For 2021, “non-operating grants and contracts” include Pell grants and \$17,880,192 for Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) Higher Education Emergency Relief Fund (HEERF II) funding. The HEERF II funding consisted of two portions. The first portion of \$6,040,329 was for direct emergency aid to students. The University fully disbursed that aid and the related expense was reported on the line item “operating expenses student aid.” The second portion of \$11,839,863 was for institutional aid, and those funds were used to reimburse the University for refunds made to students for housing, dining, and parking services that could not be provided due to the Coronavirus pandemic. During 2022, additional Higher Education Emergency Relief Fund (HEERF III) funding of \$31,773,795 was disbursed. There were again two portions, \$15,914,548 for direct emergency aid to students and \$15,859,247 for institutional aid. The University fully disbursed the student aid portion, and the related expense was reported on the line item “operating expenses student aid.” The institutional funds were again used to reimburse the University for refunds and lost revenue due to the Coronavirus pandemic.

U. Scholarship Discounts and Allowances

Student tuition and fees revenues, certain auxiliary revenues, and student aid expenses, are reported net of scholarship discounts and allowances in the Statements of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student’s behalf. Scholarship discounts and allowances are reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a computation that calculates scholarship discounts and allowances on a University-wide basis, rather than on an individual student basis.

V. Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2022, funding has been provided to the University from two programs managed by the Virginia College Building Authority (VCBA): 21st Century and Equipment Trust Fund. The VCBA issues bonds and uses the proceeds to reimburse the University and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The Statement of Net Position line item “Due from the Commonwealth” includes pending reimbursements at year-end from these programs, as further described in Note 4. The Statement of Revenue, Expenses, and Changes in Net Position line item “Capital appropriations and contributions” includes reimbursements during the year for the acquisition of equipment and facilities under these programs, as further described in Note 17.

W. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized 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 University's financial statements for the year ended June 30, 2021, from which the summarized information was derived. It is noted that certain prior period amounts from fiscal year 2021 were restated for conformity with the fiscal year 2022 implementation of GASB Statement No. 87, *Leases*.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following information is provided with respect to the University's cash, cash equivalents and investments as of June 30, 2022. The following risk disclosures are required by GASB Statement No. 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 University had no category 3 deposits or investments for 2022.
- Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This statement requires the disclosure of the credit quality ratings on any investments subject to credit risk.
- Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. This statement requires disclosure of investments with any one issuer with more than five percent of total investments. However, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University places no limit on the amount that may be invested in any one issuer. The following issuer holds more than five percent of the University's investments as of June 30, 2022: United Bank (18.83%).
- Interest Rate Risk – The risk that interest rate changes will adversely affect the fair value of an investment. This statement requires disclosure of maturities for any investments subject to interest rate risk. The University does not have an interest rate risk policy and does not have investments or deposits that are sensitive to changes in interest rates as of June 30, 2022.

- Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had foreign deposits of \$2,283,301 in 2022, consisting of \$1,523,225 in Euros, and \$760,076 in Great Britain Pounds Sterling. The University does not have a foreign currency risk policy.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Except for cash held in foreign banks, cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. In accordance with the GASB Statement No. 9's definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, cash deposits, including certificates of deposits and temporary investments with original maturities of 90 days or less, and cash equivalents under the state non-arbitrage program (SNAP®).

The Virginia State Non-Arbitrage Program® (SNAP®) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP® is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP® should also report their investments in SNAP® at amortized cost.

B. Investments

The Board of Visitors established the University's investment policy. Authorized investments are set forth in the Investment of Public Funds Act, Section 2.2-4500 through 2.2-4500, et seq., Code of Virginia. Investments fall into two groups: short-term 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.

GASB Statement No. 72, *Fair Value Measurement and Application* establishes general principles for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. A fair value hierarchy of inputs is used in measuring fair value and requires that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the University. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that University has the ability to access.
- Level 2 - Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, and/or prices for similar instruments in inactive markets.

- Level 3 - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the University's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

For purposes of determining fair value of investments as of June 30, 2022, the University utilizes Level 1 and Level 2 inputs. Sources of these inputs may include observable price information, and/or quotations received from market makers, brokers, dealers and/or counterparties (when available and considered reliable) provided by independent pricing services or derived from market data.

Cash, cash equivalents, and investments consisted of the following at June 30, 2022:

		GASB 72 Fair Value Measurement					
	Standard & Poor's Credit Quality Rating	Value	Less than 1 Year	1-5 Years	Not Applicable to Fair Value Measurement	Level 1	Level 2
Cash:							
Cash with the Treasurer of Virginia		\$ 254,233,710	\$ -	\$ -	\$ 254,233,710	\$ -	\$ -
Cash on hand and deposits with financial institutions*		39,246,310	-	-	39,246,310	-	-
Total Cash		293,480,020	-	-	293,480,020	-	-
Cash Equivalents:							
Money market accounts with financial institutions:							
Bank of the James	N/A	1,557,936	1,557,936	-	1,557,936	-	-
United Bank	N/A	526,151	526,151	-	526,151	-	-
Atlantic Union Bank	N/A	4,463,361	4,463,361	-	4,463,361	-	-
Treasurer of Virginia (Securities Lending)	N/A	20,700,241	20,700,241	-	20,700,241	-	-
Treasurer of Virginia (STIF)	N/A	51,910	51,910	-	51,910	-	-
State Non-Arbitrage Program (SNAP)	AAAm	119,286	119,286	-	119,286	-	-
Total Cash Equivalents		27,418,885	27,418,885	-	27,418,885	-	-
Total Cash and Cash Equivalents		320,898,905	27,418,885	-	320,898,905	-	-
Investments not with the Treasurer of Virginia:							
Certificates of Deposit - United Bank*	N/A	1,366,475	1,366,475	-	1,366,475	-	-
Wells Fargo Advisors Money Market	AAAm	1,339,006	1,339,006	-	1,339,006	-	-
Mutual Funds:							
Wells Fargo Advisors	AAAm	233,819	233,819	-	-	233,819	-
Brokered Certificates of Deposit - Loomis	Various	4,316,819	2,182,073	2,134,746	712,073	-	3,604,746
Total Investments		7,256,119	5,121,373	2,134,746	3,417,554	233,819	3,604,746
Total Cash, Cash Equivalents and Investments at Fair Value*		\$ 328,155,024	\$ 32,540,258	\$ 2,134,746	\$ 324,316,459	\$ 233,819	\$ 3,604,746

*Includes \$639,369 in 2022 that is reported as custodial fund cash, cash equivalents, and investments in the Statement of Fiduciary Net Position.

C. James Madison University Foundation Cash and Investments

The following information is provided with respect to the Foundation's cash, cash equivalents and investments at June 30, 2022. The Foundation considers cash in demand deposit accounts and short-term certificates of deposit to be cash equivalents. The balances in these accounts are subject to electronic transfer for investment purposes and at times exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net position unless the income or loss is restricted by donor or law.

The Investment Committee of the Foundation's Board of Directors establishes the investment policies, objectives, and guidelines. The major portions of the investments are maintained in a portfolio managed by the Foundations' investment advisors. As prescribed by FASB ASC 820, investments are placed into one of three categories based on the inputs used in valuation techniques (see section B, above, for definitions of those categories). As of June 30, 2022 the Foundation held investments totaling \$58,203,398 and \$2,153,494 in categories 1 and 2, respectively. In addition, the Foundation held category 3 privately managed investment pools (PMIPs) totaling \$94,435,060. These PMIPs were measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. Life insurance policies are not categorized as to credit risk. The Foundation's investments by type of security are as follows:

	Fair Value	Cost
Cash and cash equivalents	\$ 13,483,170	\$ 13,483,170
Certificates of deposit	218,780	218,780
US treasury securities and government bonds	1,969,618	2,039,410
Corporate debt securities	1,762,924	1,855,615
Common stocks	5,876,754	7,562,054
Mutual funds	36,655,076	34,631,614
Privately managed investment pools	94,435,060	77,424,634
Cash value of life insurance policies	390,570	-
Total	<u>\$ 154,791,952</u>	<u>\$ 137,215,277</u>

D. Securities Lending Transactions

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, establishes accounting and financial reporting standards for security lending transactions. In these transactions, governmental entities transfer securities to broker-dealers and other entities for collateral and simultaneously agree to return the collateral for the same securities in the future.

The investments under securities lending (reported as either "cash equivalents" or "short-term investments") and the securities lending transactions reported on the financial statements represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. The

Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains and losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide basis in the Commonwealth of Virginia's ACFR.

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2022:

Student tuition and fees	\$ 3,373,852
Auxiliary enterprises	2,014,110
Federal, state, and non-governmental grants and contracts	5,733,959
Other activities	378,948
Total	<u>11,500,869</u>
Less: allowance for doubtful accounts	<u>1,176,198</u>
Net accounts receivable	<u><u>\$ 10,324,671</u></u>

The Foundation's contributions receivable consisted of the following at June 30, 2022:

Due in less than one year	\$ 6,054,130
Due between one and five years	8,218,150
Due in more than five years	635,527
Total	<u>14,907,807</u>
Less: present value discount (1% - 3%)	<u>375,494</u>
Less: allowance for doubtful accounts	<u>320,316</u>
Net contributions receivable	<u><u>\$ 14,211,997</u></u>

4. DUE FROM THE COMMONWEALTH

Due from the Commonwealth consisted of the following at June 30, 2022:

Treasury programs reimbursement due:	
Equipment Trust Fund	\$ 1,964,845
21st Century	372,176
Appropriations available - Capital Projects	3,048,930
Appropriations available - Financial Aid	122,982
Total	<u><u>\$ 5,508,933</u></u>

5. LEASES

The University maintains contractual agreements with several third-parties that qualify for long-term lease treatment under GASB Statement No. 87. This includes all lease or lease-type agreements that are material in value and with a total life greater than 12 months in duration. For reporting purposes, the University uses a materiality threshold of \$50,000 for lease activity. Lease lifespan includes renewal periods if the option to renew is reasonably certain to be exercised.

A. University as Lessee

Intangible Lease Assets

Contracts under which the University is a lessee include real estate agreements for building square footage. Each in-scope lease results in the recording of a lease liability, valued at the discounted present value of the expected payment streams during the lease term, and an intangible, right-to-use asset valued at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease. A summary of the University's lease agreements in-scope under GASB Statement No. 87 is presented as follows:

- **106 W. Grace St.** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 2.00 percent discount offered by the lessor. Lease contains a 1.50 percent annual escalation clause. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$89,182 as of June 30, 2022.
- **1070 Virginia Avenue** - lease start date of 3/1/2018 with an end date of 2/28/2023, and a remeasurement start date of 3/1/2023 with an end date of 2/28/2028, renewable annually thereafter. Payments are made monthly. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$1,749,211 and a related liability with a balance of \$1,755,398 as of June 30, 2022.
- **131 W. Grace St.** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 2.00 percent discount offered by the lessor. Lease contains a 1.00 percent annual escalation clause. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$42,129 as of June 30, 2022.
- **220 University Blvd.** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 1.00

percent discount offered by the lessor. Lease contains a 1.50 percent annual escalation clause. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$47,747 as of June 30, 2022.

- **1401 Technology Drive, Suite 120** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 0.75 percent discount offered by the lessor. Lease contains a 0.75 percent annual escalation clause. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$42,193 as of June 30, 2022.
- **217 S. Liberty St.** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 1.00 percent discount offered by the lessor. Lease contains a 1.50 percent annual escalation clause. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$237,263 as of June 30, 2022.
- **298 Port Republic Rd.** – lease with component unit, JMU Foundation. Lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payment is made annually as a pre-payment in the preceding fiscal year to take advantage of a 0.10 percent discount offered by the lessor. There are no variable components of this lease. As a result of the pre-payment of this lease agreement, the University recorded a right-to-use asset and related liability for the cancellation period only. The asset had a net book value and liability balance of \$78,687 as of June 30, 2022.
- **380 University Blvd.** – lease start date of 7/1/2022 with an end date of 6/30/2023, renewable annually. Payments are made monthly. Lease contains a 1.50 percent annual escalation clause. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$52,307 and a related liability with a balance of \$36,058 as of June 30, 2022.
- **1401 Technology Drive, Suite 110** – lease start date of 7/1/2022 with an end date of 6/30/2024, renewable annually thereafter. Payments are made monthly. Lease contains a 2.00 percent annual escalation clause. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$61,828 and a related liability with a balance of \$65,008 as of June 30, 2022.

- **1400 16th Street NW, Suite 320, Washington DC** – lease start date of 7/1/2021 with an end date of 6/30/2022, and a remeasurement start date of 7/1/2022 with an end date of 7/31/2024, renewable annually thereafter. Payments are made monthly. Lease contains a 2.00 percent annual escalation clause. There are no variable components of this lease. A tenant improvement allowance of \$31,370 is provided by the lessor, to be applied to rent due or improvements at the discretion of the University. The full value of the allowance has been applied equally across the 24 monthly payments covered by the lease agreement and reduces each monthly payment by \$1,307. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$320,218 and a related liability with a balance of \$322,012 as of June 30, 2022.
- **755 Martin Luther King Way** – lease start date of 3/1/2018 with an end date of 2/28/2024, with two two-year renewals, through 2/28/2028; renewable annually thereafter. Payments are made monthly. Lease contains a 2.00 percent annual escalation clause. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$2,349,774 and a related liability with a balance of \$2,438,429 as of June 30, 2022.
- **770 5th Street NW, Unit #s 700, 706, 1002 and 1106, Washington, DC** - lease start date of 1/1/2020 with an end date of 12/31/2022, renewable annually thereafter. Payments are made monthly. There are no variable components of this lease. The University was aware at 6/30/2022 that Unit #1106 would be replaced with a different, smaller unit in August of 2022. Because this change would require remeasurement of the lease, but details were not known at the time, the value of the lease was projected only through 7/31/2022, plus the three-month cancellation period through October 2022. Remeasurement will occur during fiscal year 2023. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$76,317 and a related liability with a balance of \$62,068 as of June 30, 2022.
- **Hotel Madison classroom space** - lease start date of 8/1/2018 with an end date of 5/31/2030, renewable annually thereafter. Payments are made monthly. Lease contains a 1.50 percent annual escalation clause. There are no variable components of this lease. This is a 10-month lease with interrupted control, as the University vacates the space during the months of June and July annually. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$284,165 and a related liability with a balance of \$292,953 as of June 30, 2022.
- **110 W. Grace St.** - lease start date of 11/1/2020 with an end date of 10/31/2025, renewable annually thereafter. Payments are made monthly. Lease contains a 2.00 percent annual escalation clause. There are no variable components of this lease. As a result of this lease

agreement, the University recorded a right-to-use asset with a net book value of \$78,090 and a related liability with a balance of \$80,636 as of June 30, 2022.

- **47 Lincoln Rd., London, United Kingdom** - lease start date of 8/8/2019 with an end date of 8/7/2022 renewable monthly thereafter. Payments are made monthly. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$11,921 and a related liability with a balance of \$12,151 as of June 30, 2022.
- **2 Rodestraat, B-2000 Antwerp, Belgium** - lease start date of 7/1/2020 with an end date of 6/30/2022, and a remeasurement start date of 7/1/2022 with an end date of 6/30/2023, renewable annually thereafter. Payments are made monthly. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$197,776 and a related liability with a balance of \$202,651 as of June 30, 2022.
- **Palazzo Capponi, Florence, Italy** - lease start date of 7/1/2019 with an end date of 6/30/2037, renewable for increments of nine years thereafter. Payments are made quarterly. There are no variable components of this lease. As a result of this lease agreement, the University recorded a right-to-use asset with a net book value of \$2,015,444 and a related liability with a balance of \$2,143,469 as of June 30, 2022.

As detailed above, all assets included in the intangible, right-to-use assets classification represent real estate leases conveying the right to use building square footage for various University activities. At June 30, 2021 the University recognized \$8,868,305 in such assets, with accumulated amortization of \$1,629,167. At June 30, 2022 the intangible assets and related accumulated amortization were \$11,031,936 and \$3,297,682, respectively.

Lease liability

The corresponding lease liability was calculated as the discounted present value of all fixed payment streams for all leases according to their individual lifespans. Calculations were based on payment frequencies of annual, monthly, and quarterly, with the results aggregated per fiscal year. At June 30, 2022 the University was not aware of any lease commitments not yet commenced within the materiality threshold.

The schedule of future lease payments for building leases as of June 30, 2022 is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,734,576	\$ 190,671	\$ 1,925,247
2024	1,064,082	157,496	1,221,578
2025	890,407	129,214	1,019,621
2026	879,477	105,379	984,856
2027	894,312	81,181	975,493
2028-2032	1,574,500	193,219	1,767,719
2033-2037	782,158	75,639	857,797
2038-2042	128,524	1,514	130,038
Total	<u>\$ 7,948,036</u>	<u>\$ 934,313</u>	<u>\$ 8,882,349</u>

It is noted that of the total liability reflected above, \$78,687 of the 2023 principal portion is due to the JMU Foundation. This lease is subject to 12-month annual renewal which is also prepaid, and the 2023 portion reflected above relates to the cancellation period. Therefore, there is no related interest or long-term component for this lease.

B. University as Lessor

Contracts under which the University is a lessor include real estate agreements for land and/or building rooftop square footage for small-cell antenna sites, and a contract for third-party operation of the on-campus bookstore. Each in-scope lease results in the recording of a lease receivable, valued at the discounted present value of the expected revenue streams during the lease term, and deferred inflows of resources valued at an amount equal to the initial measurement of the related lease receivable plus any lease payments made prior to the lease term that relate to future periods, less any lease incentives paid by or on behalf of the lessee. The deferred inflows are amortized on a straight-line basis over the life of the related lease. A summary of the University's lease agreements in-scope under GASB Statement No. 87 is presented as follows:

As of June 24, 2019 the University entered into a 20-year master license agreement with Verizon Wireless, involving the construction of communications antenna sites on University property. Antenna sites have separate supplemental agreements, with initial lives of five years that renew for four additional five-year terms, for an overall life of 25 years per supplement. There are 17 supplements to the lease, covering 19 antenna sites. The antennas and related equipment remain the property of Verizon Wireless, with lease payments made to the University on a monthly basis for the square footage occupied by those antennas and equipment. Construction of the antenna sites occurred during fiscal year 2020, and the first lease payments were made in fiscal year 2021. Under each supplement, the license fees for each antenna site are \$275 per month per small-cell equipment site and/or \$1,850 per month per macro site. The fees increase two percent annually on the commencement date of each supplement. The revenue recognized in relation to these agreements was \$54,683 for 2021 and \$53,196 for 2022. The University has recorded a lease receivable and related deferred inflow of resources for amounts related to all active small cell and macro sites, calculated as the present value of lease payments expected to be received during each supplement term. The deferred inflows are amortized on a straight-line basis over the terms of the related supplements. The

balances of the lease receivable and deferred inflow were \$2,118,396 and \$2,063,713, respectively, for 2021 and \$2,085,178 and \$1,977,298 for 2022.

During fiscal year 2022 the University entered into a new contract with its bookstore vendor, Follett, which maintains exclusive rights of use for the main campus bookstore building. The term of the agreement covers 10 years, with two five-year renewal periods. Based on the language in the contract, the non-cancelable period for the contract is 12 months, becoming fully cancellable by either party thereafter, with 60 days notice, without penalty. Periods fully cancellable by either party are not in-scope under GASB Statement No. 87. Therefore, for reporting purposes, the receivable and deferred inflows related to this agreement are assigned the maximum non-cancelable term of 14 months. The contract contains specific fixed inflows to the University during year one, and a lease receivable and related deferred inflow have been recorded for those amounts, which relate to the guaranteed annual minimum commission for year one (\$1.1 million, paid in monthly installments), as well as a one-time strategic alliance partnership payment (\$250,000), and one-time purchase of an athletics suite and tickets (\$6,450). The lease receivable and deferred inflow were calculated as the present value of these payments as they are expected to occur over the 14-month lease term, and the deferred inflow is amortized straight-line over that term. Other expected payments specific to year one but excluded from the lease calculation are scholarship funds totaling \$92,800 which are remitted by Follett directly to the JMU Foundation for distribution to students. There is no revenue impact to the University for these funds. The revenue recognized in relation to this agreement was \$127,415 for 2022. The balances of the lease receivable and deferred inflow were \$1,060,874 and \$933,459, respectively, for 2022.

C. Financed Purchase

Financed purchases represent the University's obligation to the James Madison University Foundation, Inc. for a purchase agreement related the Foundation Hall building. The asset value under the financed purchase was recorded at the present value of the minimum lease payments at the beginning of the agreement's term (which includes annual escalation at 1.25 percent), and depreciated straight-line over the building's useful life. The associated long-term liability was recorded for the same amount and is reduced as payments are made over the life of the agreement, which is 20 years with five one-year renewal options at the end of the initial term. The University expects to exercise all renewal options, and the purchase agreement term will officially expire in fiscal year 2045.

The financed purchase's commitment as of June 30, 2022 is illustrated as follows:

	Principal	Interest
2023*	\$ -	\$ -
2024	729,015	63,193
2025	722,946	79,165
2026	716,927	95,210
2027	710,958	111,330
2028-2032	3,466,989	801,229
2033-2037	3,325,056	1,216,679
2038-2042	3,188,933	1,643,846
2043-2047	1,289,107	814,359
Total	<u>\$ 14,149,931</u>	<u>\$ 4,825,011</u>

**Amount prepaid to the JMU Foundation in 2022 and is recorded as a reduction of the financed purchase liability rather than as a prepayment to the Component Unit.*

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2022 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 83,840,422	\$ 534,059	\$ -	\$ 84,374,481
Inexhaustible artwork and historical treasures	2,387,348	50,000	-	2,437,348
Construction-in-progress	9,330,972	26,001,686	15,893,127	19,439,531
Total non-depreciable capital assets	95,558,742	26,585,745	15,893,127	106,251,360
Depreciable capital assets:				
Buildings	1,511,564,544	6,925,764	607,436	1,517,882,872
Buildings - Financed Purchase	16,249,955	-	-	16,249,955
Infrastructure	114,167,253	2,899,432	114,780	116,951,905
Computer Software	13,702,502	522,853	107,111	14,118,244
Equipment	110,244,643	6,208,879	2,444,523	114,008,999
Other Improvements	60,226,674	2,852,804	-	63,079,478
Library materials	63,355,513	2,922,081	305,833	65,971,761
Right-to-use leases - Buildings	8,868,305	2,165,637	2,007	11,031,935
Total depreciable capital assets	1,898,379,389	24,497,450	3,581,690	1,919,295,149
Less accumulated depreciation and amortization:				
Buildings *	394,513,519	35,628,832	460,752	429,681,599
Buildings - Financed Purchase*	417,291	353,196	-	770,487
Infrastructure	59,745,262	4,479,728	112,528	64,112,462
Computer Software	12,264,706	557,373	107,111	12,714,968
Equipment	65,877,705	7,047,129	2,143,827	70,781,007
Other Improvements	29,973,845	2,942,843	-	32,916,688
Library materials	55,216,137	2,793,474	305,833	57,703,778
Right-to-use leases - Buildings	1,629,167	1,668,514	-	3,297,681
Total accumulated depreciation and amortization	619,637,632	55,471,089	3,130,051	671,978,670
Depreciable capital assets, net	1,278,741,757	(30,973,639)	451,639	1,247,316,479

The Foundation's net capital assets consist of \$3,135,942 in property and equipment, and \$326,871 in collections of historical artifacts for the year ending June 30, 2022.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2022:

Employee salaries, wages, and fringe benefits payable	\$ 39,438,015
Vendors and suppliers accounts payable	6,345,029
Employee benefit withholdings and WTA (primarily VRS)	1,379,144
Capital projects accounts and retainage payable	3,280,751
Accrued interest payable on bond debt	3,720,326
Total accounts payable and accrued expenses	<u>\$ 54,163,265</u>

8. LONG-TERM LIABILITIES

The University's long-term liabilities consist of debt (further described in Note 9), accrued supplemental retirement incentive plan (further described in Note 11), leases (further described in footnote 5) and other liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2022 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue bonds	\$ 269,280,000	-	\$ 2,590,000	266,690,000	\$ 14,575,000	\$ 252,115,000
General obligation bonds	144,534,327	-	9,526,966	135,007,361	9,694,929	125,312,432
Bond premium	27,501,605	-	2,913,433	24,588,172	2,869,999	21,718,173
Total long-term debt	441,315,932	-	15,030,399	426,285,533	27,139,928	399,145,605
Accrued supplemental retirement incentive plan	8,832,883	9,617,355	3,278,377	15,171,861	4,110,784	11,061,077
Accrued compensated absences	8,519,416	8,456,734	8,944,220	8,031,930	6,351,597	1,680,333
Leases payable*	7,383,723	2,165,637	1,601,323	7,948,037	1,734,576	6,213,461
Financed purchase obligation to component unit	14,885,066	-	735,135	14,149,931	-	14,149,931
Cares Act FICA deferral	9,418,594	-	4,709,284	4,709,310	4,709,310	-
Federal loan program contributions	1,061,852	33,537	290,456	804,933	-	804,933
Total long-term liabilities	\$ 491,417,466	\$ 20,273,263	\$ 34,589,194	\$ 477,101,535	\$ 44,046,195	\$ 433,055,340

*It is noted that \$78,687 of the current portion of leases payable is due to the University's component unit.

9. LONG-TERM DEBT

A. Bonds Payable

The University has issued two categories of bonds pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged general revenues include General Fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth.

Description	Interest Rates (%)	Fiscal Year Maturity	2022
Revenue bonds:			
Multipurpose Recreation Fields, Series 2015B	3.00 – 5.00	2029	3,150,000
Multipurpose Recreation Fields, Series 2021B	1.33	2030	385,000
Softball/Baseball Complex, Series 2015B	3.00 – 5.00	2029	2,985,000
Softball/Baseball Complex, Series 2021B	1.33	2030	375,000
Renov/Expand Athletics/Recreation 2016A	3.00 – 5.00	2030	14,225,000
Renov/Expand Athletics/Recreation 2021B	1.53	2031	1,540,000
Renov/Expand Athletics/Recreation 2010A	4.35 – 5.50	2031	5,175,000
Renov/Expand Athletics/Recreation 2021A	3.00	2032	435,000
Renov/Expand Bridgeforth Stadium 2016A	3.00 – 5.00	2030	22,285,000
Renov/Expand Bridgeforth Stadium 2021B	1.53	2031	2,420,000
Grace St. acquisition, Series 2010A	4.35 – 5.50	2031	4,665,000
Grace St. acquisition, Series 2021A	3.00	2032	390,000
RMH property acquisitions, Series 2010A	4.35 – 5.50	2031	4,150,000
RMH property acquisitions, Series 2021A	3.00	2032	350,000
Construct Student Health Ctr, 2012B	5.00	2023	525,000
Construct Student Health Ctr, 2021B	.48 - 1.91	2034	7,465,000
Renovate West Wing RMH-Dining, 2012B	5.00	2023	265,000
Renovate West Wing RMH-Dining, 2021B	.48 - 1.91	2034	3,770,000
Renov/Expand Recreation Center, 2014A	5.00	2025	6,435,000
Renov/Expand Recreation Center, 2021B	.48 - 2.11	2036	37,855,000
Revenue bonds continued			

Description	Interest Rates (%)	Fiscal Year Maturity	2022
Revenue bonds continued:			
Parking, Series 2014B	5.00	2024	1,030,000
Parking, Series 2016A	3.00	2027	1,705,000
Acq of Land, Athletics, Series 2014B	5.00	2024	475,000
Acq of Land, Athletics, Series 2016A	3.00	2027	790,000
Mason Street Parking Deck, Series 2015A	3.00 – 5.00	2036	6,105,000
Mason Street Parking Deck, Series 2021B	2.21	2037	330,000
Property acquisition, Series 2014B	4.00 – 5.00	2026	2,595,000
Property acquisition, Series 2016A	3.00 – 5.00	2028	1,530,000
New Student Housing 2017A	2.125 - 5.00	2038	43,540,000
New Student Housing 2021B	2.40	2039	1,965,000
East Campus Parking Deck, 2018A	4.00 – 5.00	2039	12,355,000
East Campus Parking Deck, 2021B	2.50	2040	480,000
West Campus Parking Deck, 2018A	4.00 – 5.00	2039	5,770,000
West Campus Parking Deck, 2021B	2.50	2040	225,000
New Convocation Center, 2018B	3.54 – 5.00	2049	68,950,000
Total revenue bonds			<u>266,690,000</u>
General obligation bonds:			
Dormitory and dining hall:			
Series 2010A	3.45 – 4.40	2030	6,940,000
Series 2013B	3.45 – 4.40	2026	5,908,410
Series 2014A	3.00 – 5.00	2034	32,680,000
Series 2015B	5.00	2028	10,653,951
Series 2016A	3.00 – 5.00	2036	42,865,000
Series 2018A	3.00 – 5.00	2038	35,960,000
Total general obligation bonds			<u>135,007,361</u>
Total bonds payable			<u>\$ 401,697,361</u>

Long-term debt as of June 30, 2022 matures as follows:

	Principal	Interest
2023	\$ 24,269,929	\$ 14,780,759
2024	26,532,501	13,602,436
2025	27,650,155	12,442,865
2026	28,648,348	11,366,542
2027	29,271,200	10,277,971
2028-2032	127,820,228	35,755,239
2033-2037	84,875,000	17,642,586
2038-2042	26,320,000	7,959,781
2043-2047	17,930,000	3,975,300
2048-2052	8,380,000	381,375
Total	<u>\$ 401,697,361</u>	<u>\$ 128,184,854</u>

B. Foundation

The Foundation's long-term debt consists of the following:

- \$1,044,444 outstanding at June 30, 2022, in notes payable at a fixed interest rate of 3.20%, and maturing through fiscal year 2029. The note is secured by real estate consisting of a \$2,363,528 building included in the Foundation's property and equipment
- \$10,225,794 outstanding at June 30, 2022, in notes payable, accruing interest at 3.50%, maturing through fiscal year 2032. The note is secured by a first priority security interest in \$3,000,000 of unrestricted cash or marketable securities/mutual funds margined at 70%, a first priority security interest in a specific deposit account maintained by the lender, and a first priority security interest in the assignment of certain agreements specific to the Shenandoah Valley Conference Center project.
- \$8,235,878 outstanding at June 30, 2022 in a note payable established on July 9, 2019, maturing November 9, 2040. The interest rate is fixed at 3.09% through maturity of the loan in fiscal year 2041. The note is secured by a first priority security interest in investment assets held by the lender valued at \$1,917,045 at June 30, 2022, and real estate for which loan proceeds were used. Unamortized debt issuance costs were \$135,769 as of June 30, 2022.

10. DEBT DEFEASANCE

A. Deferral on Debt Defeasance

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for current refundings and advance refundings resulting in defeasance of debt, the difference between the new and old debt (accounting gain or loss) is deferred and amortized as a component of interest expense. During fiscal year ending June 30, 2022 no refundings took place for the University. A summary of

changes in deferred outflows and deferred inflows for the year ending June 30, 2022 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Outflows	7,105,788	-	942,582	6,163,206
Deferred Inflows	819,905	-	79,551	740,354

B. Long-term Debt Defeasance

In prior years, in accordance with GASB Statement No. 7, *Advance Refundings Resulting in the Defeasance of Debt*, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were defeased “in-substance.” In fiscal year 2022, there were no bonds that were defeased and outstanding as of June 30, 2022.

11. SUPPLEMENTAL RETIREMENT INCENTIVE PLAN

Effective January 1, 1997, the University established a Supplemental Retirement Incentive Plan for tenured faculty members, which provides for payout of 150% of final salary over a five-year period. In fiscal year 2018, the University extended plan eligibility to administrative and professional faculty. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 402 faculty members have elected to enroll in the plan. As of June 30, 2022, 125 participants remain, including 57 new participants who retired under this plan during fiscal year 2022 or who will retire in fiscal years 2023 and 2024. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University funded \$4,110,784 of the plan obligation in 2022. The plan payment schedule, calculated using the undiscounted total of estimated future benefits at current cost levels, is as follows:

Year Ending June 30,	Supplemental Plan Obligations
2023	4,110,784
2024	3,665,460
2025	3,187,097
2026	2,526,617
2027	1,486,294
2028	195,609
Total	<u>\$ 15,171,861</u>

12. RETIREMENT PLANS

A. Virginia Retirement System (Defined Benefit Retirement Plans)

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment, unless they are eligible and choose to enroll in the optional retirement program described in section B of Note 12. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

		<p>performance of those contributions.</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the</p>	<p>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.</p> <p><i>Hybrid Opt-In Election</i> Same as Plan 1.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan</p>

election window, they were also eligible to opt into the Hybrid Retirement Plan.		(ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a 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 payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each

<p>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.</p>		<p>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.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>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</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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</p>

<p>contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
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<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor 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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p>	<p>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.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>ValORS: Not applicable.</p>

<p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>VaLORS: The retirement multiplier for VaLORS employees is 2.00%.</p>	<p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>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.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p>

<p>VaLORS: 50 with at least five years of service credit.</p>	<p>VaLORS: Same as Plan 1.</p>	<p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><i>Eligibility:</i> 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.</p> <p>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.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar</p>	<p>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%.</p> <p><i>Eligibility:</i> Same as Plan 1</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

<p>year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • 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. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p>Disability Coverage 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</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it</p>	<p>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</p>

<p>was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>(VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service 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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of *the Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2022 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates

from an actuarial valuation as of June 30, 2019. The actuarially determined rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$17,091,265 and \$16,524,326 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the University to the VaLORS Retirement Plan were \$352,338 and \$351,143 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the University reported a liability of \$99,818,822 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,384,254 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plans for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the University's proportion of the VRS State Employee Retirement Plan was 2.75% as compared to 2.76% at June 30, 2020. At June 30, 2021, the University's proportion of the VaLORS Retirement Plan was .46% as compared to .45% at June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of \$6,356,739 for the VRS State Employee Retirement Plan and \$329,378 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2020 and June 30, 2021, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	State employee plan		VaLORs plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 68,718,831	\$ -	\$ 914,653
Differences between expected and actual experience	899,154	5,731,569	24,793	65,626
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,595,604	475,271	26,554	36,660
Change in assumptions	11,475,274	-	171,050	-
Employer contributions subsequent to the measurement date	17,091,265	-	352,338	-
Total deferred outflows/inflows related to pensions	<u>\$ 32,061,297</u>	<u>\$ 74,925,671</u>	<u>\$ 574,735</u>	<u>\$ 1,016,939</u>

\$17,443,603 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. 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 Ending June 30,	State employee plan	VaLORs plan
2023	\$ (9,138,560)	\$ (123,629)
2024	(14,309,505)	(178,450)
2025	(15,525,533)	(213,514)
2026	(20,982,041)	(278,949)
2027	-	-
Total	<u>\$ (59,955,639)</u>	<u>\$ (794,542)</u>

Actuarial Assumptions (State Employee Plan)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.5% – 5.35%

Investment rate of return 6.75%, net of pension plan investment expense,
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, 2020 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

Actuarial Assumptions (VaLORS Plan)

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2020 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

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 system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State employee plan	VaLORs plan
Total Pension Liability	\$ 26,739,647	\$ 2,390,609
Plan Fiduciary Net Position	23,112,417	1,868,924
Employer' Net Pension Liability (Asset)	<u>\$ 3,627,230</u>	<u>\$ 521,685</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.44%	78.18%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate 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, 2021, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1.00 % Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00 % Increase (7.75%)</u>
The University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	186,973,514	99,818,822	26,787,592
The University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	3,838,979	2,384,254	1,192,400

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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

Included in Accounts Payable and Accrued Expenses at June 30, 2022 are payables of \$1,681,935 and \$20,724 for the outstanding amount of contributions to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, respectively.

B. Optional Retirement Plans

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

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$7,455,067 for the year ended June 30, 2022. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$77,080,484 for fiscal year 2022.

Included in Accounts Payable and Accrued Expenses at June 30, 2022 are payables of \$1,108,762 for the outstanding amount of contributions to the Optional Retirement Plans.

C. Deferred Compensation Plan

Employees of the University are employees of the Commonwealth. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University's expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was approximately \$884,089 for the fiscal year 2022.

13. OTHER POSTEMPLOYMENT BENEFITS

Note: the information presented applies to all programs, unless a specific program is referenced.

Group Life Insurance: Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • 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 \$8,722 as of June 30, 2022.

Health Insurance Credit: Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>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.</p> <p>For State police officers employees 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.</p>

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.

VRS Disability Insurance: Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).• State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.• Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
<p>Benefit Amounts</p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer.• Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and

then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.

- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

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

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

Line of Duty Act: Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the LODA Program are paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under VRS, SPORS, or VaLORS.</p>
<p>Benefit Amounts</p> <p>LODA provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • Health Insurance – The LODA program provides health insurance benefits. <ul style="list-style-type: none"> ○ The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Virginia DHRM: Pre-Medicare Retiree Healthcare: Plan Description

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

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were

approximately 4,100 retirees and 88,000 active employees in the program as of June 30, 2021. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Contributions – VRS:

The contribution requirements for each program are governed by the respective *Code of Virginia* sections, as follows:

- Group Life Insurance Program: §51.1-506 and §51.1-508, as amended
- Health Insurance Credit Program: §51.1-1400(D), as amended
- VRS Disability Insurance Program: §51.1-1140, as amended
- Line of Duty Act Program: §9.1-400.1, as amended

These requirements may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

The total rate information for each program was as follows:

	Required Contribution Rate (based on actuarial valuation as of June 30, 2019)	Allocation	Rate Expectation
Group Life Ins.	1.34% of covered employee compensation	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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.	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.
Health Ins. Credit	1.12% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an

	for employees in the program.		additional amount to finance any unfunded accrued liability.
VRS Disability Ins.	0.61% of covered employee compensation	N/A	The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets.
Line of Duty Act	\$722.55 per covered full-time-equivalent employee	N/A	This rate represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Contributions to each program by James Madison University for the years ended June 30, 2022 and June 30, 2021 are as follows:

Program:	June 30, 2022	June 30, 2021
Group Life Ins.	\$ 1,109,397	\$ 1,071,696
Health Ins. Credit	\$ 2,314,184	\$ 2,252,267
VRS Disability Ins.	\$ 676,811	\$ 642,689
Line of Duty Act	\$ 32,515	\$ 34,431

In June 2021, the Commonwealth made a special contribution of approximately \$38.7 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included Chapter 552 of the 2021 Appropriation Act.

OPEB Liabilities/Assets, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Each Program

At June 30, 2022, James Madison University reported the following liabilities (assets) for its proportionate share of each program's Net OPEB Liability (Asset) for each of the VRS administered OPEB plans. The Net OPEB Liability (Asset) was measured as of June 30, 2021 and the total OPEB liability (asset) used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. At June 30, 2022, James Madison University reported the following liability for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$448.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Program:	Liability (Asset) at June 30, 2022
Group Life Ins.	\$ 11,261,298
Health Ins. Credit	\$ 23,362,950
VRS Disability Ins.	\$ (8,378,671)
Line of Duty Act	\$ 1,102,875
DHRM Pre-Medicare Retirees	\$ 16,260,296

The University's proportion of each VRS Net OPEB Liability (Asset) was based on the University's actuarially determined employer contributions (pay-as-you-go, for LODA) to each program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions (pay-as-you-go, for LODA) for all participating employers.

The University's proportion of the DHRM Pre-Medicare Retiree Healthcare OPEB liability was based on its calculated healthcare premium contributions, to include the December premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers.

At June 30, 2021 and 2020, respectively, James Madison University's proportions were:

Program:	June 30, 2021	June 30, 2020
Group Life Ins.	0.96724%	0.98637%
Health Ins. Credit	2.76635%	2.81430%
VRS Disability Ins.	2.43057%	2.43058%
Line of Duty Act	0.25009%	0.27524%
DHRM Pre-Medicare Retirees	3.62232%	3.64059%

For the year ended June 30, 2022, James Madison University recognized OPEB expenses as shown in the following table. Since there was a change in proportionate share between measurement dates, a portion of each OPEB expense was related to deferred amounts from changes in proportion.

Program:	June 30, 2022
Group Life Ins.	\$ 517,740
Health Ins. Credit	\$ 2,113,988
VRS Disability Ins.	\$ (148,999)
Line of Duty Act	\$ 131,667
DHRM Pre-Medicare Retirees	\$ (5,685,510)
Total OPEB Expense:	\$ (3,071,114)

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to each OPEB from the following sources:

Group Life Ins.		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 1,284,390	\$ 85,805
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 2,687,830
	Change in assumptions	\$ 620,832	\$ 1,540,786
	Changes in proportionate share	\$ 294,712	\$ 239,262
	Employer contributions subsequent to the measurement date	\$ 1,109,397	\$ -
	Total	\$ 3,309,331	\$ 4,553,683
Health Ins. Credit		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 7,227	\$ 760,770
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 443,429
	Change in assumptions	\$ 605,065	\$ 65,913
	Changes in proportionate share	\$ 504,778	\$ 373,591
	Employer contributions subsequent to the measurement date	\$ 2,314,183	\$ -
	Total	\$ 3,431,253	\$ 1,643,703

VRS Disability Ins.		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 398,188	\$ 1,358,567
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 1,568,744
	Change in assumptions	\$ 56,445	\$ 197,444
	Changes in proportionate share	\$ 605	\$ 204,904
	Employer contributions subsequent to the measurement date	\$ 676,811	\$ -
	Total	\$ 1,132,049	\$ 3,329,659

Line of Duty Act		Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 91,950	\$ 166,985
	Net difference between projected and actual earnings on OPEB program investments	\$ -	\$ 6,386
	Change in assumptions	\$ 305,202	\$ 52,756
	Changes in proportionate share	\$ 286,423	\$ 88,325
	Employer contributions subsequent to the measurement date	\$ 32,515	\$ -
	Total	\$ 716,090	\$ 314,452

DHRM Pre-Medicare Retirees

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,267,369
Changes in assumptions	\$ -	\$ 15,638,979
Changes in proportionate share	\$ 2,230,877	\$ 204,014.00
Sub Total	\$ 2,230,877	\$ 24,110,362
Amounts associated with transactions subsequent to the measurement date	1,188,848	-
Total	<u>\$ 3,419,725</u>	<u>\$ 24,110,362</u>

Amounts reported as deferred outflows of resources related to each OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the related OPEB Liability (or adjustment to the Net OPEB Asset) in the Fiscal Year ending June 30, 2023. Those amounts are as follows:

Program:	2022 Contrib. Deferred Outflows
Group Life Ins.	\$ 1,109,397
Health Ins. Credit	\$ 2,314,184
VRS Disability Ins.	\$ 676,811
Line of Duty Act	\$ 32,515
DHRM Pre-Medicare Retirees	\$ 1,188,848
Total:	\$ 5,321,755

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

Year ended June 30	VRS				DHRM Pre- Medicare Retirees
	Group Life Ins.	Health Ins. Credit	Disability Ins.	Line of Duty Act	
FY 2023	\$ (498,390)	\$ (55,778)	\$ (648,154)	\$ 55,445	\$ (7,760,385)
FY 2024	(389,605)	(49,319)	(640,810)	55,738	(6,654,434)
FY 2025	(424,260)	(77,911)	(635,762)	55,825	(4,010,233)
FY 2026	(844,897)	(231,311)	(689,727)	55,917	(2,064,683)
FY 2027	(196,597)	(109,044)	(214,524)	59,467	(1,080,770)
Thereafter	-	(3,270)	(45,444)	86,731	(308,984)

Actuarial Assumptions – VRS:

The total OPEB liabilities (assets) were based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50%
Salary increases, including inflation (not applicable to LODA) –	
General state employees (all plans)	3.50% – 5.35%
Teachers (GLI only)	3.50% – 5.95%
SPORS employees (all plans)	3.50% – 4.75%
VaLORS employees (all plans)	3.50% – 4.75%
JRS employees (GLI, HIC only)	4.50%
Locality – General employees (GLI only)	3.50% – 5.35%
Locality – Hazardous Duty employees (GLI only)	3.50% – 4.75%
Medical cost trend rates assumption (LODA only) –	
Under age 65	7.00% – 4.75%
Ages 65 and older	5.375% – 4.75%
Year of ultimate trend rate (LODA only)	
Under age 65	Fiscal year ended 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	6.75% (LODA only: 2.16%**), net of investment expenses, including inflation

***** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.***

Mortality rates – General State Employees (all VRS OPEB programs)

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, 2020 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 (<i>LODA, N/A</i>)

Mortality rates – Teachers (GLI only)

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 General 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, 2020 valuation were based on the results of an actuarial experience study for the four-year 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
Discount Rate	No change

Mortality rates – SPORS Employees (all VRS OPEB programs)

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, 2020 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 (all VRS OPEB programs)

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, 2020 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 (<i>LODA, N/A</i>)

Mortality rates – JRS Employees (GLI, HIC only)

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, 2020 valuation were based on the results of an actuarial experience study for the four-year 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 Ten Locality Employers - General Employees (GLI only)

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, 2020 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 and Non-Largest Ten Locality Employers With Public Safety Employees (LODA only)

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

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	Largest: Decreased rates; Non-Largest: 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

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

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, 2020 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 Ten Locality Employers – Hazardous Duty Employees (GLI only)

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, 2020 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 Ten Locality Employers – Hazardous Duty Employees (GLI only)

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, 2020 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

Actuarial Assumptions and Methods – DHRM:

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2021. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2021 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.37 years
Discount Rate	2.16%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2021.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index.

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

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or asset (NOA) represents each program's total OPEB liability (asset) determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement date of June 30, 2021, NOL (NOA) amounts for each program (except DHRM) are as follows (amounts expressed in thousands):

	Group Life Ins.	Health Ins. Credit	VRS Disability Ins.	Line of Duty Act
Total OPEB Liability	\$ 3,577,346	\$ 1,052,400	\$ 267,198	\$ 448,542
Plan Fiduciary Net Position	\$ 2,413,074	\$ 207,860	\$ 611,919	\$ 7,553
Employer's Net OPEB Liability (Asset)	\$ 1,164,272	\$ 844,540	\$ (344,721)	\$ 440,989
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	67.45%	19.75%	229.01%	1.68%

Each total OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. Each net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information. The DHRM Pre-Medicare Retiree's Program is not included in the analysis above, as it does not accumulate assets in a trust and therefore does not report a fiduciary net position.

Long-Term Expected Rate of Return

All VRS Programs Except LODA:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.39%</u>

** The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.*

**On October 10, 2019, the VRS Board elected a long-term rate 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%.*

Line of Duty Act:

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

All VRS Programs Except LODA:

The discount rate used to measure each 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 at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the University for each 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, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, each 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 each total OPEB liability.

Line of Duty Act:

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the University's Proportionate Share of each OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of each VRS net OPEB liability (asset) using the discount rate of 6.75% (LODA: 2.16%), and the DHRM total OPEB liability at 2.16%, as well as what the University's proportionate share of each OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%, 1.16%, 1.16%) or one percentage point higher (7.75%, 3.16%, 3.16%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Employer's proportionate share of the Group Life Insurance Program	\$ 16,453,165	\$ 11,261,298	\$ 7,068,630
Net OPEB Liability			
Employer's proportionate share of the Health Ins. Credit Program	26,208,542	23,362,950	20,924,978
Net OPEB Liability			
Employer's proportionate share of the VRS Disability Ins. Program	(7,915,948)	(8,378,671)	(8,785,581)
Net OPEB Liability (Asset)			

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Employer's proportionate share of the Line of Duty Act Program	\$ 1,268,711	\$ 1,102,875	\$ 971,105
Net OPEB Liability			

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Employer's proportionate share of the Pre-Medicare Retirees	\$ 17,094,393	\$ 16,260,296	\$ 15,415,971
Total OPEB Liability			

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA and Total DHRM OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the University's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the LODA			
Net OPEB Liability	\$ 904,937	\$ 1,102,875	\$ 1,356,673

The following presents the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 6.75% decreasing to 4.50%, as well as what the University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

	1.00% Decrease (5.75% decreasing to 3.50%)	Health Care Trend Rates (6.75% decreasing to 4.50%)	1.00% Increase (7.75% decreasing to 5.50%)
Employer's proportionate share of the total DHRM			
Total OPEB Liability	\$ 14,668,205	\$ 16,260,296	\$ 18,108,824

OPEB Programs Fiduciary Net Position - VRS

Detailed information about each VRS program's Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-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 OPEB Plans

Included in Accounts Payable and Accrued Expenses at June 30, 2022 are payables related to the outstanding amount of contributions to the VRS OPEBs as follows: Group Life Insurance \$129,595; Health Insurance Credit \$270,371; Sickness and Disability Plan \$64,584. The Line of Duty Act does not have a related payable, as it is a one-time annual payment. Additionally, a payable related to the DHRM Pre-Medicare Retirees Plan cannot be reported separately from the remainder of the health insurance payable, as the applicable individual rate for this OPEB is not readily determinable.

14. AUXILIARY ACTIVITIES

Auxiliary operating revenues and expenses consisted of the following for the year ended June 30, 2022. The University used auxiliary revenues and cash reserves to pay debt service and capitalized improvements of \$26,532,230 and \$16,585,162. Those amounts are not included in the auxiliary operating expenses below.

Revenues:

Room contracts, net of scholarship allowances of \$3,722,542	\$ 33,352,429
Food service contracts, net of scholarship allowances of \$4,869,256	43,964,115
Comprehensive fee, net of scholarship allowances of \$9,639,800	85,846,597
Food service commissions	15,524,072
Parking fees and fines	4,877,167
Other student fees and sales and services	18,781,779
Total auxiliary enterprises revenues	<u>\$ 202,346,159</u>

Expenses:

Residential facilities	\$ 21,495,791
Dining operations	53,839,962
Athletics	37,419,300
Parking services	3,658,503
Health services	5,377,606
Student unions	6,338,365
Student recreation	8,111,431
Other auxiliary activities*	(5,742,040)
Total auxiliary activities expenses	<u>\$ 130,498,918</u>

**Expenses attributable to "other auxiliary activities" are offset by credits for undistributed agency service charge.*

15. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses for the year ended June 30, 2022, both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Compensation and Benefits	Services, Supplies and Utilities	Scholarships and Fellowships	Non-capitalized equipment, property and plant improvements	Depreciation and Amortization	Total
Instruction	\$ 168,213,695	\$ 13,557,652	\$ -	\$ 3,906,493	\$ -	\$ 185,677,840
Research	2,040,984	728,697	-	73,265	-	2,842,946
Public service	12,379,125	9,382,363	-	343,170	-	22,104,658
Academic support	30,994,895	4,500,973	-	12,170,432	-	47,666,300
Student services	19,295,060	5,215,132	-	678,772	-	25,188,964
Institutional support	33,002,443	12,275,457	-	1,614,941	-	46,892,841
Operation and maintenance- plant	19,050,754	15,773,550	-	6,721,584	-	41,545,888
Depreciation and Amortization	-	-	-	-	55,471,089	55,471,089
Student aid	-	-	36,454,373	-	-	36,454,373
Auxiliary activities	36,856,268	92,429,043	-	1,213,607	-	130,498,918
Total	\$ 321,833,224	\$ 153,862,867	\$ 36,454,373	\$ 26,722,264	\$ 55,471,089	\$ 594,343,817

16. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations that remain on the last day of the current year, ending June 30, 2022, shall be re-appropriated for expenditure in the first month of the next year, beginning on July 1, 2022, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the re-appropriated balances that relate to unexpended appropriations.

During the year ending June 30, 2022 the following adjustments were made to the University's original appropriations:

Original legislative appropriation:	
Educational and general programs	\$ 100,710,352
Student financial assistance	12,725,146
Mandated carryforward of FY2021 reversion	24,647,318
Maintain affordable access	8,211,700
Tech talent investment program	685,381
Online Virginia Network Authority	650,000
Supplemental adjustments:	
Central Fund appropriation transfers:	
Cost of salary increases	5,540,555
Health insurance premium	493,608
Changes in contribution rates for retirement and benefits	429,666
Other central fund transfers	72,674
Other financial aid transfers	427,617
Other	25,085
Reversion to the General Fund - planned FY2023 carryforward	(14,894,388)
Adjusted appropriation	<u><u>\$ 139,724,714</u></u>

17. CAPITAL APPROPRIATIONS AND CONTRIBUTIONS

Following are the capital appropriations and contributions recognized by the University from the Commonwealth for the year ending June 30, 2022:

Treasury reimbursement programs:	
VCBA 21st Century	\$ 4,837,646
VCBA Equipment Trust Fund	1,967,284
Capital Project General Fund Appropriations	5,012,314
Total capital appropriations and contributions	<u><u>\$ 11,817,244</u></u>

18. COMMITMENTS

At June 30, 2022, the University was a party to construction and other contracts totaling approximately \$40,176,335 of which \$17,658,513 has been incurred.

In December 2014, the University entered into a Memorandum of Understanding with the City of Harrisonburg, the Industrial Development Authority of the City of Harrisonburg, dpM Partners, LLC (the developer) and the James Madison University Foundation, to address the development, ownership, financing and operation of a 230-room hotel and conference center. As a part of this agreement, the University is leasing land located between Martin Luther King, Jr. Way and East Grace Street to the developer for an annual nominal rent payment for 50 years. The hotel and conference center opened in May 2018. The developer owns and operates the hotel and conference center. 300 of 1,021 spaces in the nearby Mason Street Parking Deck are available for the hotel.

The University is committed under various operating agreements for equipment and space. Those agreements that are long-term in nature and/or greater than \$50,000 in value are classified separately in accordance with GASB Statement No. 87 – *Leases* (See Note 5 for details). Otherwise, leases short-term in nature and/or less significant in value are recorded as outflows of resources in the period to which they pertain. Rental expense related to these types of lease agreements was approximately \$1,572,327 for the year ended June 30, 2022.

19. GRANTS AND CONTRACTS CONTINGENCIES

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

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2022, the University estimates that no material liabilities will result from such audits or questions.

20. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

21. FEDERAL DIRECT LENDING PROGRAM

The University participates in the Federal Direct Lending Program. Under this program, the University receives funds from the U.S. Department of Education for Stafford and Plus Parent Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student account balances or refunded directly to the student.

These loan programs are treated as student payments with the University acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected on the Statement of Revenues, Expenses and Changes in Net Position. The activity is included in the noncapital financing section of the Statement of Cash Flows. For the fiscal year ended June 30, 2022, cash provided and used by the program totaled \$89,969,676.

22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 22, 2023, the date the audited financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER'S SHARE OF THE NET PENSION LIABILITY

VRS STATE EMPLOYEE RETIREMENT PLAN

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	2.75193%	2.76228%	2.70274%	2.60653%	2.55125%	2.48665%	2.38118%	2.23926%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 99,818,822	\$ 200,123,255	\$ 170,805,939	\$ 141,108,000	\$ 148,674,000	\$ 163,889,000	\$ 145,789,000	\$ 125,362,000
Employer's Covered Payroll	\$ 114,276,113	\$ 115,844,068	\$ 112,195,218	\$ 106,622,132	\$ 100,984,332	\$ 96,387,707	\$ 90,050,760	\$ 85,089,890
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	87.35%	172.75%	152.24%	132.34%	147.22%	170.03%	161.90%	147.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

VALORS RETIREMENT PLAN

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.45703%	0.45034%	0.47326%	0.44065%	0.42201%	0.39940%	0.41071%	0.38856%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,384,254	\$ 3,521,129	\$ 3,284,586	\$ 2,746,000	\$ 2,769,000	\$ 3,092,000	\$ 2,919,000	\$ 2,620,000
Employer's Covered Payroll	\$ 1,603,393	\$ 1,665,382	\$ 1,644,314	\$ 1,511,584	\$ 1,408,518	\$ 1,378,784	\$ 1,377,116	\$ 1,333,379
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	148.70%	211.43%	199.75%	181.66%	196.59%	224.26%	211.96%	196.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

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

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS

VRS STATE EMPLOYEE RETIREMENT PLAN

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 17,091,265	\$ 16,524,326	\$ 15,662,118	\$ 14,766,205	\$ 14,037,842	\$ 13,466,814	\$ 13,331,290	\$ 10,894,300
Contributions in relation to the contractually required contribution	17,091,265	16,524,326	15,662,118	14,766,205	14,037,842	13,466,814	13,331,290	10,894,300
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered payroll	118,196,853	114,276,113	115,844,068	112,195,218	106,622,132	100,984,332	96,387,707	90,050,760
Contributions as a percentage of covered payroll	14.46%	14.46%	13.52%	13.16%	13.17%	13.34%	13.83%	12.10%

VALORS RETIREMENT PLAN

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 352,338	\$ 351,143	\$ 359,889	\$ 356,383	\$ 319,712	\$ 296,567	\$ 253,832	\$ 243,989
Contributions in relation to the contractually required contribution	352,338	351,143	359,889	356,383	319,712	296,567	253,832	243,989
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered payroll	1,608,849	1,603,393	1,665,382	1,644,314	1,511,584	1,408,518	1,378,784	1,377,116
Contributions as a percentage of covered payroll	21.90%	21.90%	21.61%	21.67%	21.15%	21.06%	18.41%	17.72%

Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER'S SHARE OF VRS AND DHRM POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

OTHER POST EMPLOYMENT BENEFITS - VRS GROUP LIFE INSURANCE

	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.96724%	0.98637%	0.97557%	0.97157%	0.95484%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	11,261,298	16,460,901	15,875,121	14,755,000	14,370,000
Employer's Covered Payroll	\$ 198,462,222	\$ 202,999,253	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.67%	8.11%	8.37%	8.23%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%

OTHER POST EMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT PLAN

	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	2.76635%	2.81430%	2.79920%	2.73750%	2.71863%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	23,362,950	25,835,445	25,838,610	24,973,000	\$ 24,753,000
Employer's Covered Payroll	\$ 201,095,268	\$ 202,758,881	\$ 189,732,328	\$ 179,323,377	\$ 170,718,914
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	11.62%	12.74%	13.62%	13.93%	14.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	19.75%	12.02%	10.56%	9.51%	8.03%

OTHER POST EMPLOYMENT BENEFITS - VRS SICKNESS AND DISABILITY PLAN

	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	(2.43057%)	(2.43058%)	(2.40915%)	(2.30943%)	(2.27373%)
Employer's Proportionate Share of the Net OPEB Liability (Asset)	(8,378,671)	(5,364,006)	(4,726,638)	(5,202,000)	\$ (4,668,000)
Employer's Covered Payroll	\$ 105,358,852	\$ 105,325,358	\$ 94,202,520	\$ 88,019,605	\$ 82,713,915
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(7.95%)	(5.09%)	(5.02%)	(5.91%)	(5.64%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	229.01%	181.88%	167.18%	194.74%	186.63%

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER'S SHARE OF VRS AND DHRM POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

OTHER POST EMPLOYMENT BENEFITS - VRS LINE OF DUTY ACT

	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.25009%	0.27524%	0.16828%	0.16512%	0.15782%
Employer's Proportionate Share of the Net OPEB Liability (Asset)	1,102,875	1,152,748	603,765	518,000	\$ 415,000
Employer's Covered-Employee Payroll	\$ 1,893,518	\$ 2,009,937	\$ 1,681,778	\$ 1,538,722	\$ 1,600,113
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	58.24%	57.35%	35.90%	33.66%	25.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.68%	1.02%	0.79%	0.60%	1.30%

OTHER POST EMPLOYMENT BENEFITS - DHRM PRE-MEDICARE RETIREES PROGRAM

	2022	2021	2020	2019	2018
Employer's Proportion of the Collective Total OPEB Liability (Asset)	3.62232%	3.64059%	3.57353%	3.46293%	3.41632%
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset)	16,260,296	20,708,551	24,260,004	34,824,640	\$ 44,374,693
Employer's Covered-Employee Payroll	\$ 187,905,619	\$ 187,408,920	\$ 176,974,664	\$ 169,510,476	\$ 161,869,196
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	8.65%	11.05%	13.71%	20.54%	27.41%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only four years of additional 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.

JAMES MADISON UNIVERSITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEBS

VRS OTHER POST EMPLOYMENT BENEFITS:

GROUP LIFE INSURANCE	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,109,397	\$ 1,071,696	\$ 1,059,821	\$ 1,001,769	\$ 963,513
Contributions in relation to the contractually required contribution	1,109,397	1,071,696	1,059,821	1,001,769	963,513
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	205,443,889	198,462,222	202,999,253	189,732,328	179,323,377
Contributions as a percentage of covered payroll	0.54%	0.54%	0.52%	0.53%	0.54%

HEALTH INSURANCE CREDIT	2022	2021	2020	2019	2018
Contractually required contribution	\$ 2,314,184	\$ 2,252,267	\$ 2,363,094	\$ 2,232,104	\$ 2,164,740
Contributions in relation to the contractually required contribution	2,314,184	2,252,267	2,363,094	2,232,104	2,164,740
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	206,623,571	201,095,268	202,758,881	189,732,328	179,323,377
Contributions as a percentage of covered payroll	1.12%	1.12%	1.17%	1.18%	1.21%

VRS SICKNESS AND DISABILITY PROGRAM	2022	2021	2020	2019	2018
Contractually required contribution	\$ 676,811	\$ 642,689	\$ 652,987	\$ 603,687	\$ 597,171
Contributions in relation to the contractually required contribution	676,811	642,689	652,987	603,687	597,171
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	110,952,623	105,358,852	105,325,358	94,202,520	88,019,605
Contributions as a percentage of covered payroll	0.61%	0.61%	0.62%	0.64%	0.68%

LINE OF DUTY ACT	2022	2021	2020	2019	2018
Contractually required contribution*	\$ 32,515	\$ 34,431	\$ 37,406	\$ 22,585	\$ 17,588
Contributions in relation to the contractually required contribution	32,515	34,431	37,406	22,585	17,588
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered-employee payroll	2,015,823	1,893,518	2,009,937	1,681,778	1,538,722
Contributions as a percentage of covered-employee payroll	1.61%	1.82%	1.86%	1.34%	1.14%

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

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

JAMES MADISON UNIVERSITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

1. PENSION:

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, 2020, 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:

VRS Changes

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

VaLORS Changes

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

2. OTHER POST-EMPLOYMENT BENEFITS (OPEBS)

VIRGINIA RETIREMENT SYSTEM

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, 2020, 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 (all VRS OPEB programs)

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 (LODA N/A)	No change

Teachers (GLI only)

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
Discount Rate	No change

SPORS Employees (all VRS OPEB programs)

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 (LODA N/A)	No change

VaLORS Employees (all VRS OPEB programs)

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 (LODA N/A)	No change

JRS Employees (GLI and HIC only)

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 Ten Locality Employers - General Employees (GLI only)

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 and Non-Largest Ten Locality Employers With Public Safety Employees (LODA only)

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	Largest 10 employers: Decreased rates Non-Largest 10 employers: 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

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

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 Ten Locality Employers – Hazardous Duty Employees (GLI only)

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 Ten Locality Employers – Hazardous Duty Employees (GLI only)

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

VIRGINIA DEPARTMENT OF HUMAN RESOURCE MANAGEMENT (DHRM)

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

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

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2022.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 22, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
James Madison University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit and remaining fund information of **James Madison University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 respective financial position of the business-type activities and discretely presented component unit and remaining fund information of James Madison University as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit of the University, which is discussed in Note 1. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based solely on the report of the other auditor.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 1 and 5 of the accompanying financial statements, James Madison University implemented Governmental Accounting Standards Board (GASB) Statement No. 87 Leases, related to accounting and financial reporting for lease liabilities and right-to-use lease assets. Our opinion is not modified with respect to this matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited the University's 2021 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated April 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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. 87, Leases, as discussed in Note 1.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 12; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Employer's Share of VRS and DHRM Post-Employment Benefit Plans Other than Pensions, the Schedule of Employer Contributions – OPEBS, and the Notes to Required Supplementary Information for Pensions and Other Post-Employment Benefits on pages 103 through 112. 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 March 22, 2023, on our consideration of the University'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 University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

JAMES MADISON UNIVERSITY

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