Financial Report

University of Virginia

2019 - 20

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From the Executive Vice President and Chief Operating Officer

JENNIFER (J.J.) WAGNER DAVIS
Executive Vice President and Chief Operating Officer

When Fiscal Year 2020 started on July 1, 2019, few of us could imagine the challenge the University, the nation, and the world would encounter later that year. Midway through the spring 2020 semester, the University faced an unprecedented global coronavirus pandemic that disrupted many facets of our daily organization including the academic enterprise, the Medical Center, and the University's operations. Recognizing that there was no historical experience to easily draw on, the team at UVA came together to partner in new ways, guided by three principles: maintain excellence in our core mission, support the most vulnerable, and be creative.

We followed those principles and worked together to protect health and safety of our students, faculty, staff, and the local community. While this report focuses on the financial health of the University, stewardship of our resources during this critical time is paramount. The University's executive leadership team faced major decisions in FY2020 that have both short-term and long-term impact. UVA's long-term financial stability enabled leaders to take advantage of emerging opportunities and prepare for future uncertainties. Our position of strength was publicly confirmed in FY2020 through the reaffirmation of our triple-A bond rating from all three rating agencies and exemplary rankings for our academic, research, and medical programs for delivering an excellent education and providing a great value.

Leadership Transitions

The fiscal year began with a new Executive Vice President and Provost, Liz Magill, in place and a search underway for a new Executive Vice President for Health Affairs (EVP-HA). Dr. Craig Kent joined UVA as EVP-HA on February 1, 2020, completing the transformation of the entire executive leadership team that began with President Ryan taking office in August 2018, followed by the beginning of my tenure as Executive Vice President and Chief Operating Officer in November 2018. We quickly developed close working relationships as we faced extraordinary circumstances together.

We had two important leadership changes in our operational units this fiscal year. In the fall, Tim Longo joined the team as Associate Vice President for Safety and Security and Chief of University Police. He brought significant experience and strategic thinking to this combined leadership role. At the end of the fiscal year, Kelley Stuck stepped down from her role as Vice President and Chief Human Resources Officer. During her four years at the University, Kelley led the transformation of HR at UVA across the Academic Division, Medical Center, and University Physicians Group. I am grateful for the work she did and the team she built, which includes John Kosky, who is now serving most capably as Interim Chief Human Resources Officer for Operations. Their transformation of HR laid the groundwork for the Finance Strategic Transformation now underway, furthering our commitment to continuous improvement and service enhancements.

Change is constant, and 2019-20 brought additional changes throughout the academic enterprise. Ian Solomon succeeded Allan Stam as Dean of the Batten School at the start of the academic year and Nicole Jenkins succeeded Carl Zeithaml after 22 years as dean of the McIntire School at the close of fiscal year. Vice President and Chief Student Affairs Officer Pat Lampkin announced her plan to retire after over 40 years at UVA, nearly half as vice president. A search is now underway for her successor, and searches will be conducted this year for deans in the Schools of Medicine, Architecture, Engineering, and Nursing.

Strategic Debt Management

Debt management has been and continues to be a critical element of our long-term financial strategy. As we kicked off the fiscal year, the UVA Finance team positioned the University to take advantage of market conditions and issue debt at favorable rates. Because of UVA's uncommonly strong and consistent triple-A ratings from Moody's, Standard & Poor's, and Fitch Investor Services, the University is among a small group of institutions that are positioned to secure debt at the lowest rates. Careful planning and agility led to exceptional success in the market in Fall 2019.

Preparations had begun months earlier, with the Board of Visitors' approval of debt shelf registration in April 2019. All three major rating agencies reaffirmed UVA's triple-A rating during the summer months. In early Fall 2019, we moved quickly to take advantage of favorable rates and executed three bond sales that position UVA to save millions in interest payments over the coming decades while backing strategic projects across Grounds. In early September 2019, the University successfully priced $350 million in "century bonds" at a record-setting yield of 3.227 percent. This was the lowest interest rate ever achieved on a domestic century bond across American higher education. In the same month, UVA issued two more bond series at remarkably low rates, setting another record by refinancing $255.3 million in outstanding debt at a taxable rate of 2.974 percent and issuing a $150 million, tax-exempt 30-year bond series at a rate of 3.167 percent. These bond sales will benefit the

University for generations and support essential and strategic projects across our twelve schools through the University's internal bank. I am especially grateful to the Board, the senior leadership team, our VP of Finance Melody Bianchetto, and Treasurer Julie Richardson and her entire team for their exceptional work and dedication to the long-term financial health of UVA.

Long-Term Investment Pool

Just as carefully managing debt benefits the University over time, management of the long-term investment pool is essential to ensuring UVA's financial strength and stability for future generations. In a year marked by volatility, UVIMCO reported a 5.3 percent return in FY2020, exceeding its policy portfolio return of 3.3 percent. Over the ten-year period ending June 30, 2020, the Long-Term Pool generated a return of 10.1 percent, exceeding both the 8.2 percent return for the policy portfolio and the University's inflation-adjusted spending rate. At the close of the fiscal year, the Long-Term Pool, which includes the endowment, the University's central bank and other long-term assets, was valued at $9.9 billion and the Short-Term Pool was valued at $211.4 million. Both the Long-Term Pool and the Short-Term Pool include portions of the Strategic Investment Fund and investments from University-Associated Organizations.

Progress toward Strategic Plan Initiatives

The University's financial stability over time enables leaders to develop and execute long-term strategic plans. Despite the global uncertainties of FY2020, UVA made important progress toward the goals identified in the 2030 Plan that were formally approved by the Board of Visitors in August 2019. Successful fundraising efforts continue to bolster financial support for students and faculty through the Bicentennial Scholars and Bicentennial Professors programs.

In Fall 2019, the University established a $15 hourly base wage for full-time, benefits-eligible UVA employees and followed in early 2020 by announcing the same base wage for employees of the major contractors that work on Grounds on a daily basis. Continuing work toward being both great and good outlined in the "Good Neighbor Program" portion of the 2030 Plan, President Ryan created a President's Council on UVA-Community Partnerships with four working groups focused on affordable housing, the local economy, growing the employment pipeline, and early childhood education. These groups began their work in Spring 2020 and paused as attention shifted to pandemic response. In Fall 2020, the University has recommitted to this important work.

UVA announced bold sustainability goals in FY2020, including an arrangement with the College of William & Mary in which both institutions pledged to be carbon-neutral by 2030. UVA also plans to be fossil-fuel-free by 2050. These auspicious goals build on UVA's significant progress in meeting or exceeding several previous sustainability and greenhouse gas emissions goals years ahead of schedule.

The University made progress on important capital construction projects in FY2020, opening a new hospital bed tower ahead of schedule and a new upper-class residence hall – Bond House – for the start of the academic year, continuing work to develop the Brandon Avenue corridor and construct a new facility for Student Health and Wellness, completing UVA softball's new home at Palmer Park, and advancing long-term plans for the Emmet-Ivy Corridor. In addition, the University continues the renovation of the Chemistry Building and Gilmer Hall, a project largely funded by the state. In FY2020, the state approved funding for the Alderman Library renewal project, which is now under construction, and authorized the University to begin the renovation of the Physics Building.

Tuition and Fees

In December 2019, the Board approved a 3.6-percent increase in tuition and mandatory fees for most undergraduates. This followed a year in which the Board rolled back its previously-approved increase and held tuition at the 2018-19 rate for two years after the Commonwealth allocated an additional $5.52 million in support for 2019-20. The University remains committed to providing one of the best values in higher education. Tuition increases are implemented only after considering other revenue sources and looking for opportunities to increase efficiency. The University distinguishes itself by offering need-blind admission, meeting 100 percent of demonstrated financial need, and limiting need-based loans for all students.

Financial Implications of the Pandemic: Individual and Institutional

The COVID-19 pandemic has had a significant financial impact on our students and their families since the spring. Student Financial Services and Student Affairs partnered to assist undergraduate, graduate, and professional students who were enrolled in the Spring 2020 semester. Students could request funding for expenses related to the disruption of campus operations due to the pandemic including, but not limited to, travel, technology, food, medication, and other living expenses. Funding for these efforts was initially provided by the University, and later supplemented through an allocation from the federal Coronavirus Aid Relief and Economic Security (CARES) Act, with $5.86 million for grants to be paid directly to students. The University issued refunds to students for pro-rated housing and dining charges after residence halls closed following an extended break in the spring 2020 semester and a shift to online learning. UVA received an additional $5.86 million in CARES Act funds that it used to partially offset the cost of these housing and dining refunds.

Student financial needs persist into the current fiscal year, and we continue to support students affected by the pandemic. In addition to institutional funds and CARES Act support, a generous group of alumni, parents, and friends provided nearly $2 million in private funds to create a new Bridge Scholarship that is providing one-year grants to students affected by the pandemic. By using private and institutional funds, the University can assist students who do not qualify for federal support.

UVA faced both substantial expenses and decreased revenues related to COVID-19. Auxiliaries, athletics, and summer programs were among the areas that faced the greatest loss of revenues due to credits issued, programs canceled, and ticket sales lost. As the fiscal year ended, the University began to incur new expenses related to the provision of personal protective equipment (PPE), cleaning and disinfecting supplies, barriers and other physical changes to facilities, technology infrastructure, and most significantly, testing and isolation and quarantine capacity as a result of COVID-19. A portion of the new expenses will be reimbursable through CARES Act funds flowing from the federal government and through the state, but the expenses far exceed funds available for reimbursement.

UVA Health felt the constraints of lost revenues most acutely when the Medical Center and clinics were forced to suspend elective procedures and routine care for an extended period, resulting in a significant reduction in revenue during March and April of 2020. As a result of the impact to revenues, the University's leadership team announced the implementation of fiscal mitigation measures in mid-April. These included freezing both hiring and salaries, limiting capital projects, reducing expenses, and instituting pay cuts for senior leadership. At UVA Health, circumstances necessitated broader pay cuts and furloughs of non-patient care staff that extended into the summer months. Coupled with federal and state funds, these financial measures allowed the Medical Center to end the fiscal year in a much stronger position.

These measures affected UVA employees and contracted workers alike, and the University responded by creating an Emergency Assistance Fund to help bridge the gap for those impacted until state and federal benefits began to flow. UVA also contributed to a similar fund at the Charlottesville Area Community Foundation and helped those who needed assistance applying for unemployment insurance benefits.

While facing enormous pressure, the team at UVA Health continued to lead by developing in-house COVID-19 testing and offering it to hospitals in Virginia, Washington, D.C., and North Carolina. UVA Health also opened the first COVID-19 clinic in Virginia and expanded to serve four sites. This was possible in part due to the accelerated completion and modification of a dedicated hospital bed tower for the safe treatment of COVID-19 patients in our community. UVA Health also offered several local community testing opportunities and launched a very effective COVID-19 wastewater testing program for students living in our dormitories.

A Tradition of Philanthropy

With an exceptionally strong philanthropic tradition, it was no surprise that members of the UVA community came together in a time of great need and offered their support. The University publicly launched a Campaign in October 2019 with $2.75 billion already committed toward a $5-billion goal. Alumni, parents, and friends made remarkably generous gifts in support of students, faculty, and programs. When the world began to experience the financial effects of the pandemic, many of these same people looked for new ways to help, and together, a group created the Bridge Scholarship program to provide grants directly to students. By the end of the fiscal year, fundraising totals surpassed $500 million for the year and Campaign commitments totaled nearly $3.1 billion. This support in the face of a global pandemic is a testament to the love and commitment the University family has for this very special place.

Commitment and Dedication

Alumni are not alone in their deep commitment and loyalty to the University. Our students, faculty, and staff are also dedicated to the institution's current and future success. While grappling with uncertainty and challenges unlike anything we have experienced before, our team has come together to work across the Academic Division and UVA Health to build new programs and processes related to our COVID-19 response. I am humbled by the extraordinary talent and intelligence of the colleagues with whom I am privileged to work each day, and I am in awe of their abiding dedication. I have been on the job as EVP and COO for two years and I continue to be amazed by my colleagues at all levels of the organization. I am proud to work beside these remarkable people. Our front-line staff have always been essential to keeping the University running, and their important work has gained visibility and well-deserved recognition. Never has the UVA community valued the work of our staff in Facilities Management, Parking & Transportation, Dining Services, and Information Technology Services as it has since March 2020.

Like institutions across the nation and around the world, the University will be different when we emerge from this challenging period. We will have a deeper appreciation for the gift of time spent together and the sense of place on Grounds, for the interconnectedness of our work and the wellbeing of our community, and for the resiliency of the University of Virginia. I am confident that many of the lessons learned during this pandemic – including but not limited to learning how to work across work in teams across all facets of our organization, developing new innovative teaching opportunities, and finding nimble and effective ways to deal with challenges in an efficient manner – will serve the institution well for the long term. I am honored, humbled, and grateful to be a part of the University community, and to call Charlottesville my home.

Very truly yours,

Jennifer (J.J.) Wagner Davis
Executive Vice President and Chief Operating Officer

Management Responsibility

December 11, 2020

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

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2020. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. The financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

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

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

Respectfully submitted,

Melody S. Bianchetto
Vice President for Finance

Augie L. Maurelli
Associate Vice President
for Financial Operations

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 11, 2020

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
The University of Virginia

Independent Auditor's Report

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 8. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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

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

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

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, related to accounting for funds held by the University in a fiduciary capacity for the benefit of other organizations or individuals. Our opinion is not modified with respect to this matter.

Correction of 2019 Financial Statements

As discussed in Note 1 of the accompanying financial statements, the fiscal year 2019 financial statements have been restated to correct previous misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived, except where revised, as necessary, to correct a previous misstatement.

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 9 through 18; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information – Virginia Retirement System Pension Plans on pages 80 through 81; the Schedule of Employer's Share of Net OPEB Liability (Asset), the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information – Virginia Retirement System OPEBs on pages 82 through 84; and the Schedule of Total OPEB Liability and Related Ratios, Schedule of Total Liability, and the Notes to the Required Supplementary Information – UVA Administered OPEBs on page 85. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2020 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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Management's Discussion & Analysis

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia (the University) for the year ended June 30, 2020. Comparative information for the year ended June 30, 2019, has been provided where applicable. Management has prepared this discussion, which should be read in conjunction with the financial statements and the notes that follow this section.

Academic Division

As a public institution of higher learning with approximately 23,460 on-Grounds students and 2,899 full-time instructional and research faculty members in 12 schools in 2019-20, the University offers a diverse range of degree programs, from baccalaureate to postdoctoral levels, including doctorates in 98 programs. The University is recognized internationally for the quality of its faculty and its commitment to the primary academic missions of instruction, research, public service and medical care. The University consistently ranks among the nation's top public colleges and universities, both for its excellent academic programs as well as for its affordability and value. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

Medical Center

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

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 1,910 students and 104 full-time instructional and research faculty. It offers baccalaureate degrees in 34 majors and eight pre-professional programs, including dentistry, pharmacy, engineering, forestry, law, medicine, physical therapy and veterinary medicine.

Using the Financial Statements

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

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

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

Statement of Net Position

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

The University's Statement of Net Position at June 30, 2020, and June 30, 2019, is summarized as follows:

SUMMARY OF THE STATEMENT OF NET POSITION *(in thousands)*	**2020**	**2019**	**INCREASE (DECREASE)**	
			AMOUNT	**PERCENT**
Current assets	$ 1,035,205	$ 880,849	$ 154,356	17.5%
Noncurrent assets				
Endowment investments	5,151,300	5,068,614	82,686	1.6%
Other long-term investments	2,678,450	2,553,198	125,252	4.9%
Capital assets, net	4,338,842	4,039,554	299,288	7.4%
Other	406,799	317,304	89,495	28.2%
Total assets	**13,610,596**	**12,859,519**	**751,077**	**5.8%**
Deferred outflows of resources	200,480	144,136	56,344	39.1%
Total assets and deferred outflows of resources	**13,811,076**	**13,003,655**	**807,421**	**6.2%**
Current liabilities	864,657	878,370	(13,713)	(1.6%)
Noncurrent liabilities	3,519,026	2,886,051	632,975	21.9%
Total liabilities	**4,383,683**	**3,764,421**	**619,262**	**16.5%**
Deferred inflows of resources	301,640	321,701	(20,061)	(6.2%)
Total liabilities and deferred inflows of resources	**4,685,323**	**4,086,122**	**599,201**	**14.7%**
TOTAL NET POSITION	**$ 9,125,753**	**$ 8,917,533**	**$ 208,220**	**2.3%**

Current Assets and Liabilities

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

Current assets cover current liabilities 1.2 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. Current assets cover 3.7 months of total operating expenses, excluding depreciation. For 2019-20, one month of operating expenses equaled approximately $278.9 million.

Endowment and Other Investments

Performance. The major portion of the University's endowment and other investments continues to be maintained in a long-term investment pool managed by the University of Virginia Investment Management Company. The return for the long-term investment pool was 5.3 percent in fiscal year 2019-20. This performance figure includes realized and unrealized gains and losses, along with cash income. Total investment income for all funds was $342.5 million for the fiscal year ended June 30, 2020.

Distribution. The University uses its endowment funds to support operations by distributing endowment earnings with the objective of balancing the annual funding needed to support the endowed programs against the preservation of future purchasing power. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. For the year ended June 30, 2020, the total distribution for the University's endowment was $229.6 million, excluding fiduciary funds, or 4.72 percent of the market value of the endowment as of June 30, 2018, the measurement date.

Other Investments. The total of other short-term and long-term investments as well as investment in affiliated companies is $2.86 billion, a $67.2-million increase over the prior year, which is primarily due to positive investment returns of the long-term and short-term investment pools of 5.3 and 1.5 percent, respectively.

Endowment investments. The total of endowment investments is $5.2 billion, a $82.7-million increase over the prior year. Additional new gifts and investment earnings were the primary drivers of this increase.

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

Including endowment investments held by the nine related foundations reported as component units, the combined University system endowment was just under $6.8 billion as of June 30, 2020.

Capital and Debt Activities

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

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

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

MAJOR CAPITAL PROJECTS DURING 2019-20 *(in thousands)*	**PROJECTED COST**	**FY2020 ACTUAL EXPENSES**
UVA Medical Center - MRI/ED/OR/Bed Tower	$ 391,600	$ 62,651
Gilmer Hall and Chemistry Building renovations	197,000	30,850
UVA Medical Center Ivy Musculoskeletal Center and Utility Plant	174,000	52,163
Alderman Library	152,500	13,992
McCormick Road Residence Hall	104,700	23,321
Student Health and Wellness Center	100,000	30,732
TOTAL	**$ 1,119,800**	**$ 213,709**

As infrastructure and building projects were completed or otherwise acquired during the year, the University's capital asset balances grew significantly. More than $577.3 million of completed projects were added to depreciable capital assets during the fiscal year. The largest infrastructure and building projects completed or acquired during the year are listed below:

MAJOR PROJECTS COMPLETED OR ACQUIRED DURING 2019-20 *(in thousands)*	**CAPITALIZED COST**
Brandon Avenue Bond House	$ 61,819
2420 Old Ivy Road Building and Garage	36,436
Brandon Avenue Green Street Infrastructure	24,443
Palmer Softball Stadium	23,560
University Hospital renovation - levels 7 & 8	17,314
Hospital HVAC - phase III and phase IV	16,447
Emily Couric Clinical Cancer Center - 4th floor fitout	13,502
TOTAL	**$ 193,521**

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

The University's debt portfolio contains a strategic mix of maturity structures and both variable- and fixed-rate obligations. The University achieves this mix through issuing a combination of variable- and fixed-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its Board-approved interest-rate risk-management policy. The University had just under $2.5 billion of debt outstanding as of June 30, 2020.

Net Position

The four net-position categories represent the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position on June 30, 2020, and June 30, 2019, is summarized below:

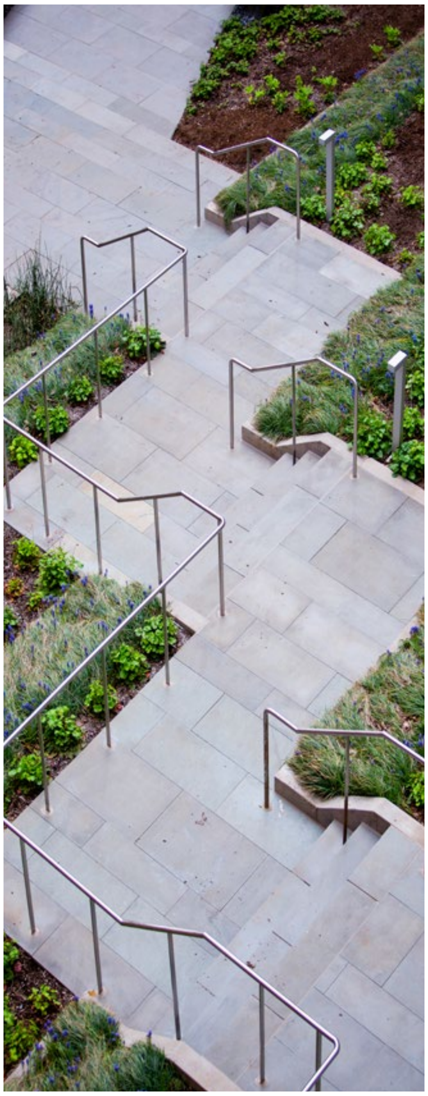
NET POSITION (in thousands)	2020	2019	INCREASE (DECREASE) AMOUNT	INCREASE (DECREASE) PERCENT
Net investment in capital assets	$2,064,432	$ 1,960,130	$ 104,302	5.3%
Restricted				
Nonexpendable	998,964	891,397	107,567	12.1%
Expendable	3,356,964	3,286,385	70,579	2.1%
Unrestricted	2,705,393	2,779,621	(74,228)	(2.7%)
TOTAL NET POSITION	**$ 9,125,753**	**$ 8,917,533**	**$ 208,220**	**2.3%**

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Capitalized assets, net of accumulated depreciation, increased by $299.3 million and were offset by a $195-million increase in debt used to finance those capital assets, for a net change of $104.3 million.

Restricted nonexpendable net position represents the historical value (corpus) of the University's permanent endowments, which cannot be expended due to donor restrictions. The increase in nonexpendable net position included new gifts of $45.7 million as well as $60.9 million in related matches from the Strategic Investment Fund.

Restricted expendable net position includes spendable earnings on permanent and quasi-endowments, gifts, grants and contracts, and loan funds that are subject to externally imposed restrictions governing their use. The increase in the restricted expendable net position is related to new quasi and true endowments as well as investment returns. As mentioned above, the increase is mainly a result of UVIMCO long-term pool's investment return of 5.3 percent for the fiscal year.

Unrestricted net position includes all other activities that are both spendable and not subject to externally imposed restrictions. The majority of the University's unrestricted net position has been internally designated for the core mission activities of instruction, research, health services programs and initiatives, and capital projects that align with the University's highest priorities. The decrease is largely a result of investment returns of 5.3 percent, offset by a decrease in the Medical Center's operating margin as result of reduced patient service revenues and an increase in operating expenses as well as an increase in other unrestricted expenses and liabilities.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of activities for the year. Presented below is a summarized statement for the years ended June 30, 2020, and June 30, 2019:

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(in thousands)*	**2020**	**2019**	**INCREASE (DECREASE) AMOUNT**	**INCREASE (DECREASE) PERCENT**
Operating revenues				
Student tuition and fees, net	$ 619,517	$ 595,751	$ 23,766	4.0%
Patient services, net	1,688,766	1,719,128	(30,362)	(1.8%)
Sponsored programs	413,058	376,935	36,123	9.6%
Other	225,354	223,212	2,142	1.0%
Total operating revenues	**2,946,695**	**2,915,026**	**31,669**	**1.1%**
Operating expenses	**3,612,932**	**3,520,088**	**92,844**	**2.6%**
Operating loss	**(666,237)**	**(605,062)**	**(61,175)**	**10.1%**
Nonoperating revenues (expenses)				
State appropriations	192,642	175,152	17,490	10.0%
Gifts	206,454	197,161	9,293	4.7%
Investment income	342,496	400,223	(57,727)	(14.4%)
Pell grants	15,010	14,225	785	5.5%
Nonoperating grant revenue	65,009	-	65,009	100%
Interest on capital asset-related debt	(87,607)	(88,013)	406	(0.5%)
Build America Bonds (BAB) rebate	10,837	5,646	5,191	91.9%
Other net nonoperating expenses	(6,123)	(6,887)	764	(11.1%)
Net nonoperating revenues	**738,718**	**697,507**	**41,211**	**5.9%**
Income before other revenues, expenses, gains, or losses	**72,481**	**92,445**	**(19,964)**	**(21.6%)**
Capital appropriations, gifts, and grants	89,047	179,177	(90,130)	(50.3%)
Additions to permanent endowments	46,692	83,717	(37,025)	(44.2%)
Special Items	-	(4,875)	4,875	(100.0%)
Total other revenues (expenses)	**135,739**	**258,019**	**(122,280)**	**(47.4%)**
INCREASE IN NET POSITION	**208,220**	**350,464**	**(142,244)**	**(40.6%)**
NET POSITION - BEGINNING OF YEAR	8,917,533	8,550,165	367,368	4.3%
Net effect of prior period adjustments	-	16,904	(16,904)	(100.0%)
NET POSITION - END OF YEAR	**$ 9,125,753**	**$ 8,917,533**	**$ 208,220**	**2.3%**

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

Revenues

The University maintains a diverse stream of revenues, which decreases its dependence on any single source and allows it to adapt during difficult economic times. The University's revenues, for the years ended June 30, 2020, and June 30, 2019, are summarized below:

SUMMARY OF REVENUES *(in thousands)*	2020			2019			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition and fees, net	$ 619,517	$ -	$ 619,517	$ 595,751	$ -	$ 595,751	$ 23,766	4.0%
Patient services, net	-	1,688,766	1,688,766	-	1,719,128	1,719,128	(30,362)	(1.8%)
Federal, state, and local grants and contracts	341,151	-	341,151	310,853	-	310,853	30,298	9.7%
Nongovernmental grants and contracts	71,907	-	71,907	66,082	-	66,082	5,825	8.8%
Sales and services of educational departments	26,259	-	26,259	31,437	-	31,437	(5,178)	(16.5%)
Auxiliary enterprises revenue, net	137,345	-	137,345	140,787	-	140,787	(3,442)	(2.4%)
Other operating revenues	-	61,750	61,750	-	50,988	50,988	10,762	21.1%
Total operating revenues	**1,196,179**	**1,750,516**	**2,946,695**	**1,144,910**	**1,770,116**	**2,915,026**	**31,669**	**1.1%**
Nonoperating revenues								
State appropriations	192,642	-	192,642	175,152	-	175,152	17,490	10.0%
Private gifts	204,168	2,286	206,454	193,335	3,826	197,161	9,293	4.7%
Investment income	302,999	39,497	342,496	339,873	60,350	400,223	(57,727)	(14.4%)
Nonoperating grant revenues	8,310	56,699	65,009	-	-	-	65,009	100.0%
Other nonoperating revenues	155,011	107	155,118	281,087	-	281,087	(125,969)	(44.8%)
Total nonoperating revenues	**863,130**	**98,589**	**961,719**	**989,447**	**64,176**	**1,053,623**	**(91,904)**	**(8.7%)**
TOTAL REVENUES	**$ 2,059,309**	**$ 1,849,105**	**$ 3,908,414**	**$ 2,134,357**	**$1,834,292**	**$ 3,968,649**	**$ (60,235)**	**(1.5%)**

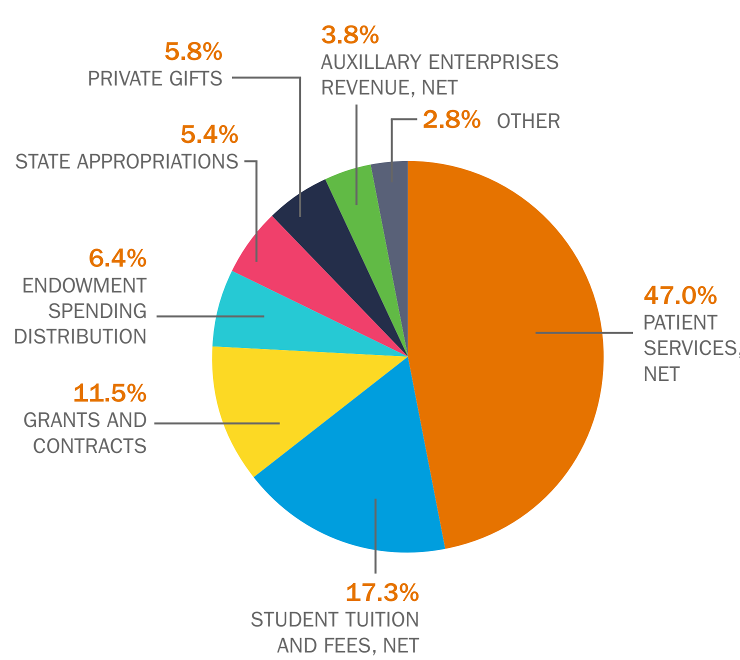
Net student tuition and fees revenue increased due to new programs, enrollment growth, and changes in tuition and fee rates, albeit leaving in-state undergraduate tuition rates unchanged from the previous academic year. Tuition and fees revenue is reported net of scholarships and allowances provided from University sources. Net patient services revenues decreased due to a decline in volume as a result of the COVID-19 pandemic and the Governor's executive order cancelling all elective procedures, surgeries, and clinic visits. Grant and contract activity, including direct research and the recovery of indirect facilities and administrative costs, increased in an environment of ongoing pressure at the federal level. The decrease in nonoperating revenues is attributable to a decrease in investment income resulting from a lower market return on the University's long-term investments of 5.3 percent compared to 5.8 percent in fiscal year 2019 as well as a decrease in capital appropriations, capital grants and gifts, and additions to permanent endowments which are included in other nonoperating revenues. The decreases are partially offset by various COVID-19 relief funding received from federal and state governments which is reported as nonoperating grant revenues.

Revenues and Other Sources of Operational Funding

Below is a chart of revenues by source (both operating and nonoperating). These revenues were used to fund the University's operating activities for the fiscal year ended June 30, 2020. As noted earlier, GASB requires state appropriations, current gifts and Pell grants to be treated as nonoperating revenues. Endowment spending is not current-year revenue but a distribution of previously recognized investment income. However, it is an important funding source for current operations and is included in the chart below to present a more accurate picture of the University's funding of current operations.

Patient services revenues are principally generated within the University's Medical Center under contractual arrangements with governmental payers and private insurers and accounted for nearly one-half of the University's revenues and operational funding sources. The Medical Center continues to negotiate annual payment increases with managed-care companies and receives annual payment updates from the Medicare program.

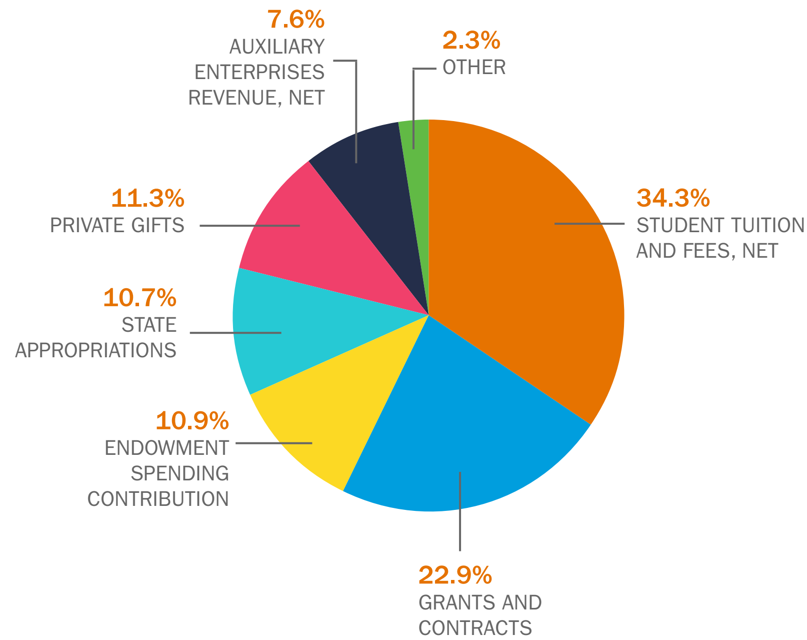
Total University Revenues and Other Sources of Operational Funding



Net student tuition and fees, and grants and contracts are the next largest revenue categories. Private support from endowment spending and gifts combined provides 12.2 percent of the University's funding. State appropriations account for just 5.4 percent of funding for operations. With ongoing economic pressures on state revenues and increasing consideration of affordability, funding from private sources continues to be vitally important to the University's operations.

The University measures its performance both for the University as a whole and for the University without its Medical Center and other clinical activities. A clearer picture of the academic and research mission revenue stream emerges when the Medical Center's data are excluded, as presented below. Net tuition and fees make up more than one-third of the operating revenues for the Academic Division and Wise. Contributing a combined 22.2 percent, private support in the form of endowment spending distribution and gifts has been, and will continue to be, essential to maintaining the University's academic excellence. External research support from grants and contracts makes up another 22.9 percent of operational funding.

Academic and Wise Revenues and Other Sources of Operational Funding



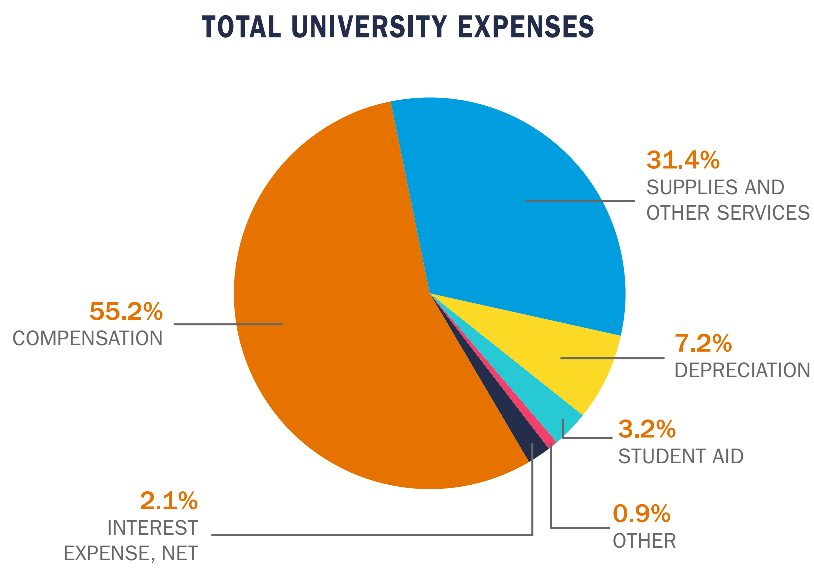
Expenses

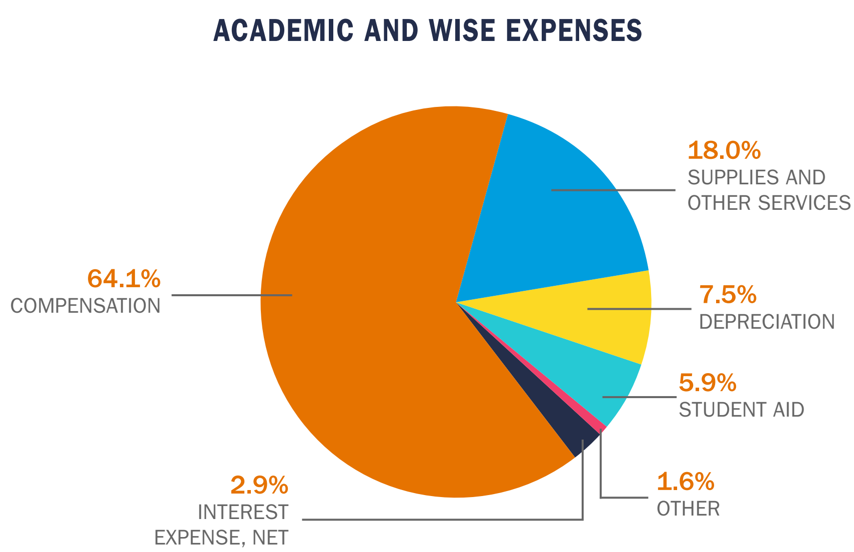
The University's expenses for the years ended June 30, 2020, and June 30, 2019, are summarized as follows:

SUMMARY OF EXPENSES *(in thousands)*	**2020**			**2019**			**TOTAL INSTITUTION INCREASE (DECREASE)**	
	ACADEMIC DIVISION & WISE	**MEDICAL CENTER**	**TOTAL INSTITUTION**	**ACADEMIC DIVISION & WISE**	**MEDICAL CENTER**	**TOTAL INSTITUTION**	**AMOUNT**	**PERCENT**
Operating expenses								
Compensation	$ 1,287,181	$ 754,261	$ 2,041,442	$ 1,217,975	$ 739,912	$ 1,957,887	$ 83,555	4.3%
Supplies and other services	361,598	801,635	1,163,233	424,162	781,497	1,205,659	(42,426)	(3.5%)
Student aid	117,856	-	117,856	104,793	-	104,793	13,063	12.5%
Depreciation	150,108	115,887	265,995	141,376	102,444	243,820	22,175	9.1%
Other operating expenses	24,406	-	24,406	7,929	-	7,929	16,477	207.8%
Total operating expenses	**1,941,149**	**1,671,783**	**3,612,932**	**1,896,235**	**1,623,853**	**3,520,088**	**92,844**	**2.6%**
Nonoperating expenses and other								
Interest expense (net of BAB rebate)	58,463	18,307	76,770	62,971	19,396	82,367	(5,597)	(6.8%)
Loss on capital assets	-	-	-	5,832	252	6,084	(6,084)	(100.0%)
Other nonoperating expenses	6,310	4,182	10,492	4,875	4,771	9,646	846	8.8%
Total nonoperating expenses	**64,773**	**22,489**	**87,262**	**73,678**	**24,419**	**98,097**	**(10,835)**	**(11.0%)**
TOTAL EXPENSES	**$ 2,005,922**	**$ 1,694,272**	**$ 3,700,194**	**$ 1,969,913**	**$ 1,648,272**	**$ 3,618,185**	**$ 82,009**	**2.3%**

Increases in operating expenses are primarily driven by the increase in compensation and benefits (including the Virginia Retirement System pension and OPEB accruals). The University is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers. The decrease in supplies and other services for the Academic Division and Wise is primarily related to the COVID-19 pandemic and a move to telework and virtual instruction in the last quarter. The decrease is partially offset by an increase in supplies and services on the Medical Center side due to strategic initiatives, ongoing relationships with other health systems, contractual increases with pharmaceutical suppliers, the opening of new clinics, continuing collaborative effort to increase staffing levels to meet patient demand, and the purchase of COVID-19 related equipment, telemedicine functionality for clinics, supplies, and opening of COVID-19 specific inpatient units.

The following are graphic illustrations of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2020.





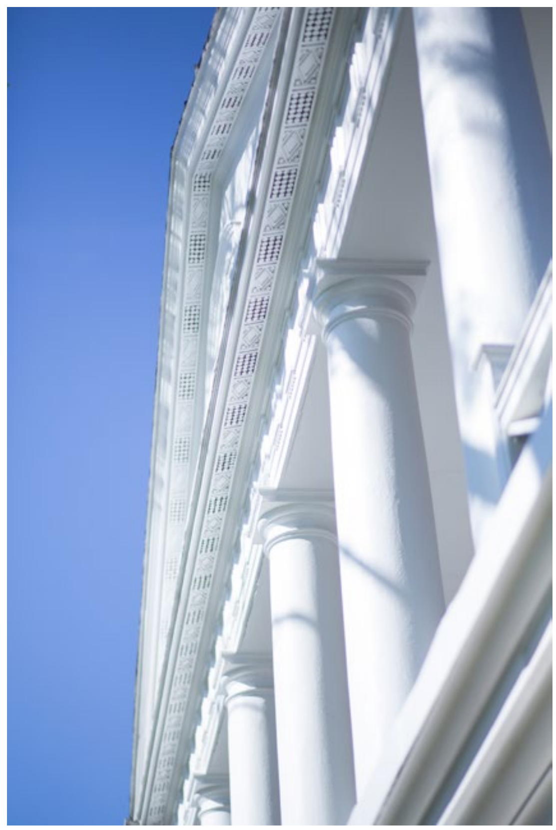
The first chart presents information for the total University, including the Medical Center, while the second chart presents information for just the Academic and Wise divisions. In addition to their natural (object) classification, it is also informative to review operating expenses by function.

A complete matrix of expenses, natural versus functional, is contained in Note 9 of the Notes to the Financial Statements. Expenses for core mission functions of patient services, instruction and research account for 71.3 percent of total operating expenses. The remainder is for support costs of these core mission functions and includes academic support, libraries, student services, institutional support services, and operation and maintenance of facilities.

Economic Outlook

The last thirteen months brought a new way of life to everyone as the nation, the Commonwealth of Virginia, and all aspects of the University were presented with a novel virus that sparked a global pandemic. And while COVID-19 has certainly changed the business and social norms for all colleges, universities, and health care systems, UVA continues to deliver on its mission of providing excellence in education, research, and patient care.

Necessity is often the catalyst of innovation, and UVA nimbly implemented a robust number of actions including hybrid learning, virus testing protocols, restrictions on facilities, as well as efforts surrounding athletics and patient care delivery. These are just a handful of the issues that have forced UVA to rethink its efforts for fiscal year 2020 and forward. The current dynamic and ongoing battle against COVID-19 has demonstrated in real time the University's resiliency as well as its ability to address and engage in the ongoing effort of protecting human, community, and intellectual capital.



As we progress into the new challenges of fiscal year 2021, UVA will look to its strong leadership team, healthy balance sheet, diverse and stable revenue streams, and most importantly, overall sound business acumen to aid in curtailing any sustained financial impact while seeking unexpected opportunities. While UVA continues to tirelessly navigate these new and challenging times, it is abundantly clear that significant hurdles and change continue to present themselves as we forge a new academic year.

Strategic priorities often become malleable in the face of uncertainty; however, the University continues to evaluate and explore its strategic initiatives encompassed in its 2030 Plan amidst the lingering impact of the coronavirus. As a result, UVA continues to advance exciting new initiatives that are critical to the long-term success of the institution.

The University is steadfast in its commitment to diversity and inclusion, with the formation of the Racial and Equity task force in June and an expanded scope that now includes not only students, faculty, and staff, but also community partnerships that all will work closely with the President's Council. Capital investments in classrooms and labs in the Gilmer/Chemistry complex, Alderman Library, and medical facilities continue, as does master planning for the Emmet-Ivy corridor to the University.

Other initiatives to retain top faculty, expand research opportunities, improve the residential experience, and address a ground-breaking commitment to sustainability are in balance with other pressing needs that include the overall financial impact of COVID.

At a macro level, the University of Virginia, as a public institution of higher education, faces a similar economic outlook as the Commonwealth of Virginia and the nation, according to rating agencies. Higher education remains a focus of attention at the state and national levels, particularly in terms of access, affordability, and student outcomes. With the economic and fiscal challenges COVID has presented, the overall outlook for The Higher Education Sector in 2020 shifted from stable to negative according to Moody's. The rationale for the sector downgrade cites uncertainty around the financial impact of the coronavirus and the unprecedented enrollment uncertainty it brings. Standard and Poor's has a similar outlook, and dropped its rating from stable to negative due to similar concerns around the novel virus and the burden it will create on sector credit quality and investment deterioration.

Both Moody's and Standard and Poor's share that while UVA may be better positioned to meet the demands of this challenging market dynamic, it is not immune to all the financial pressures at hand. As we navigate this environment, several challenges come to the forefront that included modified learning environments and athletic participation, increasing costs around health and safety, state funding compression, and financial market uncertainty. Fortunately, a diverse revenue base, strong endowment, broad philanthropic base, a commitment to organizational excellence and risk management, and relatively strong student demand all aid in mitigating the current fiscal climate, as all three rating agencies re-affirmed UVA's AAA debt rating in 2020.

With challenging times comes opportunity, and UVA has been able to leverage its strong market position to access capital markets at favorable terms. In July 2020, UVA issued $600 million of taxable, 30-year bonds, priced at 2.256 percent.

Some of the known uses of the proceeds include the University's 2030 Strategic Plan as well as $275 million in approved capital projects, refunding $81 million of the outstanding Series 2015A, and new capital projects under consideration but pending approval. When reaffirming UVA's triple-A rating, the rating agencies made positive comments about the University's superior market position and broad national reputation, excellent student demand and healthy enrollment trend (including geographic diversity), robust financial resources and sizable endowment, strong operating performance, treasury management, and carefully-managed self-liquidity program, generous donor support, prudent financial and strategic planning, excellent strategic positioning, sponsored research, and academic and Medical Center reputations, and revenue diversity, among other factors.

Increased liquidity and a bolstered balance sheet were not the only relief effort taken by the University. The $2.2-trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided Federal support for UVA, ultimately aiding in curtailing some of the financial impacts that COVID created. During the fiscal year, the University was awarded $11.6 million from the CARES Act for the Higher Education Emergency Relief Fund (HEERF). Over $5.86 million of those funds have been used to provide students with emergency hardship support related to the disruption of on-Grounds operations due to COVID-19. The remaining $5.86 million, which will be drawn in fiscal year 2021, will cover costs associated with refunding student housing and dining charges in the Spring 2020 semester.

In addition to HEERF funds, UVA was also awarded $10.4 million in Coronavirus Relief Funding (CRF) as federal pass-through funds from the Commonwealth of Virginia. The primary use of these funds is in enhanced efforts around hybrid learning, personal protective equipment, adequate virus testing, improved quarantine and isolation support, and preparing Grounds for social distancing requirements.

The Medical Center was awarded $40.4 million in Provider Relief Funding to help offset $99 million in estimated lost patient revenues during the Coronavirus pandemic. The Medical Center was also granted $16.3 million in CRF federal pass-through funds from the Commonwealth, which is used primarily for personal protective equipment of patients and staff, telemedicine and teleworking costs, and COVID testing.

The CARES Act also provided cash flow relief in several forms. Both the Academic and Medical Center divisions elected to take advantage of relief under Section 2302 of the CARES Act. Section 2302 permits employers to defer payment of the 6.2 percent employer FICA tax on all wages paid between March 27, 2020, and December 31, 2020, and to pay 50% of the deferred FICA by December 31, 2021, and the remaining 50% by December 31, 2022. In addition, Centers for Medicare & Medicaid Services (CMS) accelerated Medicare payments to the Medical Center to minimize the effects of revenue shortfalls. The Medicare Accelerated and Advance Payment Programs, which existed before the pandemic, are designed to help hospitals facing cash flow disruptions during an emergency. These are loans that must be paid back, with timelines and terms for repayment. The total value of the combined Medical Center and Academic area deferrals is approximately $218 million at fiscal year end and will total approximately $250 million over the life of the program.

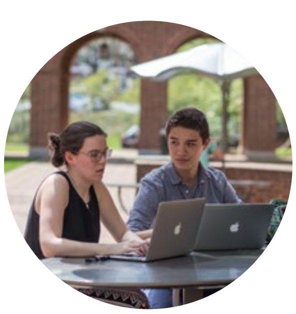
For fall of 2020, over 41,000 students applied to UVA with approximately 9,400 admission offers released, illustrating record application levels and yield. First year student enrollment for fall of 2020 is steady compared to previous years at 3,790, despite the pandemic. In addition, summer session attendance across the academic enterprise exceeded forecasts by over 3 percent. While the Provost and Vice President for Enrollment contemplate the 2021-22 academic year, the strong demand surrounding UVA's educational delivery continues to provide strong enrollment, even during these challenging times.

The Federal Government is not the only entity focusing its efforts on long term fiscal sustainability. The Commonwealth of Virginia also remains committed to diversifying and strengthening the workforce development, and business investments with less dependence on Federal spending. A clear signal of that commitment was represented in the additional $3 million of general funds awarded to UVA for fiscal year 2021 in October. In addition, the state stayed true to its commitment to higher education by maintaining its general funding support from fiscal year 2020 despite all the challenges COVID has created. While uncertainty remains at both the Federal and State level, it appears all parties are working diligently to support the mission and delivery of higher education for fiscal year 2021.

While cost recovery and expense management are critical components of UVA's 2021 plan, top line growth remains a strength that will be leveraged moving into a new fiscal year. In October 2019, UVA publicly launched *Honor the Future: The Campaign for the University of Virginia*, with a $5-billion fundraising goal. The University has both a strong tradition of philanthropy and exceptional leadership among volunteers and staff, who are executing strategic fundraising plans to grow support for institutional priorities. The Advancement team works with alumni and friends of the University to align their interests and philanthropic goals with UVA's priorities. Despite the global pandemic, donor commitment to the university has remained strong, with nearly $3.2 billion committed toward priority areas as of October 2020. Donors responded to the pandemic, contributing funds to support emergency assistance to students and employees and the Bridge Scholarship program to ensure that students who have experienced significant financial impact related to COVID do not have their studies interrupted.

The same commitment to excellence and resiliency is shared by the UVA Medical Center. When the Commonwealth of Virginia halted all elective surgeries during the early months of the COVID-19 pandemic, the Medical Center experienced dramatic volume declines, creating significant financial pressures from the loss of revenue. UVA Health managed this initial crisis with a successfully executed temporary financial mitigation plan. In fiscal year 2021 volumes are projected to return to pre-COVID levels, but the pandemic is expected to continue to drive significant uncertainty and financial challenges. Looking forward, UVA Health will begin a strategic planning process that will guide the organization into the future, keeping responsibility to care for the medically underserved as a cornerstone.

UVA continues to explore growth opportunities in instruction, research, and patient care while effectively managing its current operating model. As UVA remains true to its 2030 Strategic Plan with aspirations of being both Great and Good, it will leverage a strong sense of community combined with effective and efficient leadership and a proven track record of fiscal management to navigate these unprecedented times.



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

AS OF JUNE 30, 2020 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$	314,161	$	123,304
Short-term investments (Note 2)		177,234		235,286
Appropriations available		12,989		11,772
Accounts receivable, net (Note 3a)		425,837		402,293
Prepaid expenses		25,661		25,450
Inventories		37,801		33,654
Notes receivable, net (Note 3b)		5,526		6,045
Pledges receivable, net (Note 3c)		35,996		43,045
Total current assets		**1,035,205**		**880,849**
Noncurrent assets				
Cash and cash equivalents (Note 2)		101,103		12,854
Long-term investments (Note 2)		2,584,830		2,455,688
Endowment (Note 2)		5,151,300		5,068,614
Notes receivable, net (Note 3b)		34,379		29,189
Pledges and other receivables, net (Note 3c)		165,098		185,238
Capital assets - depreciable, net (Note 3d)		3,765,491		3,320,737
Capital assets - nondepreciable, net (Note 3d)		573,351		718,817
Derivative instrument asset (Note 6)		1,422		140
Investment in affiliated companies (Note 7)		93,620		97,510
OPEB asset (Note 12)		15,321		17,048
Other (Note 3e)		89,476		72,835
Total noncurrent assets		**12,575,391**		**11,978,670**
DEFERRED OUTFLOWS OF RESOURCES (Note 3f)		**200,480**		**144,136**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**13,811,076**	**$**	**13,003,655**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 3g)	$	645,842	$	430,039
Unearned revenue (Note 3h)		85,781		80,038
Deposits held in custody for others		17,874		14,716
Commercial paper (Note 4)		-		243,900
Long-term debt - current portion (Note 5a)		10,514		10,186
Long-term liabilities - current portion (Note 5b)		104,646		99,491
Total current liabilities		**864,657**		**878,370**
Noncurrent liabilities				
Long-term debt (Note 5a)		2,475,090		1,980,362
Derivative instrument liability (Note 6)		51,414		35,068
Net pension liability (Note 11)		569,102		474,206
OPEB liability (Note 12)		265,810		255,675
Other noncurrent liabilities (Note 5b)		157,610		140,740
Total noncurrent liabilities		**3,519,026**		**2,886,051**
DEFERRED INFLOWS OF RESOURCES (Note 3i)		**301,640**		**321,701**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$**	**4,685,323**	**$**	**4,086,122**
NET POSITION				
Net investment in capital assets	$	2,064,432	$	1,960,130
Restricted:				
Nonexpendable		998,964		891,397
Expendable		3,356,964		3,286,385
Unrestricted		2,705,393		2,779,621
TOTAL NET POSITION	**$**	**9,125,753**	**$**	**8,917,533**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$**	**13,811,076**	**$**	**13,003,655**

Certain 2019 amounts have been restated to conform to 2020 classifications.

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

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

AS OF JUNE 30, 2020 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents	$	206,109	$	110,415
Receivables		176,519		190,038
Short-term investments		274,559		668,270
Other current assets		5,998		5,548
Total current assets		**663,185**		**974,271**
Noncurrent assets				
Pledges receivable, net		166,584		170,821
Long-term investments		10,120,197		9,532,621
Capital assets, net of depreciation		484,615		468,028
Other noncurrent assets		57,258		51,784
Total noncurrent assets		**10,828,654**		**10,223,254**
TOTAL ASSETS	**$**	**11,491,839**	**$**	**11,197,525**
LIABILITIES AND NET ASSETS				
Current liabilities				
Assets held in trust for others	$	118,590	$	116,777
Other liabilities		352,202		310,488
Total current liabilities		**470,792**		**427,265**
Noncurrent liabilities				
Long-term debt, net of debt issuance cost and current portion of $9,852 and $5,181		92,390		137,731
Other noncurrent liabilities		8,515,079		8,297,032
Total noncurrent liabilities		**8,607,469**		**8,434,763**
TOTAL LIABILITIES	**$**	**9,078,261**	**$**	**8,862,028**
NET ASSETS				
Unrestricted	$	455,341	$	477,587
Temporarily restricted		969,153		934,699
Permanently restricted		989,084		923,211
TOTAL NET ASSETS	**$**	**2,413,578**	**$**	**2,335,497**
TOTAL LIABILITIES AND NET ASSETS	**$**	**11,491,839**	**$**	**11,197,525**

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

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CUSTODIAL FUND ASSETS		
Noncurrent assets		
Long-term investments	$ 19,164	$ 17,466
Total noncurrent assets	**19,164**	**17,466**
TOTAL ASSETS	**$ 19,164**	**$ 17,466**
CUSTODIAL FUND LIABILITIES		
Current liabilities		
Distributions Payable	$ 937	$ 708
Total current liabilities	**937**	**708**
TOTAL LIABILITIES	**$ 937**	**$ 708**
CUSTODIAL FUND NET POSITION		
Restricted for outside organizations	$ 18,227	$ 16,758
TOTAL CUSTODIAL FUND NET POSITION	**$ 18,227**	**$ 16,758**
TOTAL CUSTODIAL FUND LIABILITIES AND NET POSITION	**$ 19,164**	**$ 17,466**

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

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarship allowances of $157,278 and $143,610	$ 619,517	$ 595,751
Patient services, net of charity care and contractual adjustments of $4,334,197 and $4,252,671	1,688,766	1,719,128
Federal grants and contracts	333,612	304,008
State and local grants and contracts	7,539	6,845
Nongovernmental grants and contracts	71,907	66,082
Sales and services of educational departments	26,259	31,437
Auxiliary enterprises revenue, net of scholarship allowances of $17,371 and $22,098	137,345	140,787
Other operating revenues	61,750	50,988
TOTAL OPERATING REVENUES	**2,946,695**	**2,915,026**
EXPENSES		
Operating expenses (Note 9)		
Compensation and benefits	2,041,442	1,957,887
Supplies and other services	1,163,233	1,205,659
Student aid	117,856	104,793
Depreciation	265,995	243,820
Other	24,406	7,929
TOTAL OPERATING EXPENSES	**3,612,932**	**3,520,088**
OPERATING LOSS	**(666,237)**	**(605,062)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	192,642	175,152
Gifts	206,454	197,161
Investment income	342,496	400,223
Pell grants	15,010	14,225
Nonoperating grants (Note 15)	65,009	-
Interest on capital asset-related debt	(87,607)	(88,013)
Build America Bonds rebate	10,837	5,646
Gain (loss) on capital assets	4,369	(6,084)
Other net nonoperating expenses	(10,492)	(803)
NET NONOPERATING REVENUES	**738,718**	**697,507**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**72,481**	**92,445**
Capital appropriations	45,339	49,379
Capital grants and gifts	43,708	129,798
Additions to permanent endowments	46,692	83,717
Special items	-	(4,875)
TOTAL OTHER REVENUES (EXPENSES)	**135,739**	**258,019**
INCREASE IN NET POSITION	**208,220**	**350,464**
NET POSITION		
Net position - beginning of year	8,917,533	8,550,165
Net effect of prior period adjustments (Note 1)	-	16,904
NET POSITION - BEGINNING OF YEAR AS RESTATED	**8,917,533**	**8,567,069**
NET POSITION - END OF YEAR	**$ 9,125,753**	**$ 8,917,533**

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

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 33,734	$ 29,716
Fees for services, rentals and sales	413,791	441,239
Investment income	54,022	51,410
Net assets released from restriction	135,527	161,226
Other revenues	158,648	145,073
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**795,722**	**828,664**
EXPENSES		
Program services, lectures and special events	558,482	549,663
Scholarships and financial aid	87,889	79,786
Management and general	39,805	38,400
Other expenses	130,551	148,568
TOTAL EXPENSES	**816,727**	**816,417**
(DEFICIENCY) EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(21,005)**	**12,247**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	89,123	95,565
Investment and other income	72,475	81,307
Reclassification per donor stipulation	-	(2,435)
Net assets released from restriction	(128,278)	(151,611)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**33,320**	**22,826**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	63,180	168,168
Investment and other income (loss)	9,835	(1,822)
Reclassification per donor stipulation	-	30
Net assets released from restriction	(7,249)	(9,615)
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**65,766**	**156,761**
CHANGES IN NET ASSETS	**78,081**	**191,834**
Net assets - beginning of year	2,335,497	2,143,663
NET ASSETS - END OF YEAR	**$ 2,413,578**	**$ 2,335,497**

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

UNIVERSITY OF VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
ADDITIONS		
Investment income		
Net increase in fair value of investments	$ 1,103	$ 974
Less: Investment fees	(36)	(38)
Net investment income	**1,067**	**936**
Participant contributions	1,389	-
TOTAL ADDITIONS	**2,456**	**936**
DEDUCTIONS		
Annual distribution to participants	937	708
Additional shares redeemed	50	35
TOTAL DEDUCTIONS	**987**	**743**
INCREASE IN FIDUCIARY NET POSITION	**1,469**	**193**
NET POSITION		
Net position - beginning of year	16,758	-
Net effect of prior period adjustments (Note 1)	-	16,565
NET POSITION - BEGINNING OF YEAR AS RESTATED	**16,758**	**16,565**
NET POSITION - END OF YEAR	**$ 18,227**	**$ 16,758**

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

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 622,608	$ 594,746
Grants and contracts	410,594	385,487
Patient services	1,871,747	1,794,254
Sales and services of educational activities	24,573	36,724
Sales and services of auxiliary enterprises	129,896	133,647
Payments to employees and fringe benefits	(1,962,385)	(1,941,427)
Payments to vendors and suppliers	(1,176,308)	(1,216,731)
Payments for scholarships and fellowships	(117,856)	(104,793)
Perkins and other loans issued to students	(10,979)	(7,344)
Collection of Perkins and other loans to students	7,982	8,908
Other receipts	(14,294)	60,824
NET CASH USED BY OPERATING ACTIVITIES	**(214,422)**	**(255,705)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	190,872	169,878
Additions to permanent endowments	46,692	83,717
Federal Direct Loan Program receipts	129,428	133,178
Federal Direct Loan Program payments	(129,428)	(133,178)
Pell grants	15,010	14,225
Nonoperating grants	69,481	-
Deposits held in custody for others	3,232	2,949
Noncapital gifts and grants and endowments received	239,625	181,350
Proceeds from noncapital debt	100	73,454
Repayments from noncapital debt	(49,000)	(137,745)
Other net nonperating expenses	(29,974)	(41,364)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**486,038**	**346,464**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	45,808	47,683
Capital gifts and grants received	66,923	43,776
Proceeds from capital debt	818,104	189,433
Proceeds from sale of capital assets	9,013	325
Acquisition and construction of capital assets	(557,819)	(498,694)
Principal paid on capital debt and leases	(474,088)	(10,902)
Interest paid on capital debt and leases	(112,437)	(83,127)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(204,496)**	**(311,506)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	498,242	1,051,906
Interest on investments	(10,484)	(15,898)
Purchase of investments and related fees	(271,907)	(776,356)
Other investment activities	(3,865)	(2,132)
NET CASH PROVIDED BY INVESTING ACTIVITIES	**211,986**	**257,520**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**279,106**	**36,773**
Cash and cash equivalents - beginning of year	136,158	99,385
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 415,264**	**$ 136,158**

Certain 2019 amounts have been restated to conform to 2020 classifications.

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

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (666,237)	$ (605,062)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	265,995	243,820
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables, net	(30,829)	14,638
Inventories	(1,403)	(2,318)
OPEB asset	1,727	(1,611)
Other assets	(3)	-
Prepaid expenses	(2,930)	(2,092)
Notes receivable, net	(7,197)	3,215
Investment in affiliated companies	512	-
Capital assets, net	(1)	(5,142)
Deferred outflows of resources	(72,390)	732
Accounts payable and accrued liabilities	217,047	108,667
Unearned revenue	(8,281)	5,312
Long-term liabilities	10,602	21,030
Net pension liability	94,896	(32,180)
OPEB liability	10,135	(37,870)
Deferred inflows of resources	(26,065)	33,156
TOTAL ADJUSTMENTS	**451,815**	**349,357**
NET CASH USED BY OPERATING ACTIVITIES	**$ (214,422)**	**$ (255,705)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets acquired through assumption of a liability	$ 2,661	$ 7,564
Assets acquired through a gift	20	468
Change in fair value of investments	366,214	410,033
(Decrease) increase in receivables related to nonoperating income	(35,430)	99,242
Gain (loss) on disposal of capital assets	4,262	(5,832)
Loss on investments in affiliated companies	(11,751)	(146)
Change in non-controlling interest in subsidiary	(229)	(558)
Amortization of bond premium and deferral	30,331	(121)

Certain 2019 amounts have been restated to conform to 2020 classifications.

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

Notes to Financia Stateme

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NOTE 1

Organization and Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

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

INCOME TAX STATUS

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

FINANCIAL REPORTING ENTITY

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

BLENDED COMPONENT UNITS

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

DISCRETELY PRESENTED COMPONENT UNITS

The University has 23 legally separate, tax-exempt University-Associated Organizations (UAOs) operating in support of the interests of the University. These UAOs are not-for-profit corporations controlled by separate boards of directors. The University determined that the following nine UAOs qualify as component units of the University because of the nature and significance of their relationship with the University, including their ongoing financial support of its schools. As such, they are presented discretely in the financial statements as of and for the year ended June 30, 2020.

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

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

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

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

The **University of Virginia Darden School Foundation (Darden School Foundation)** was established to promote the advancement and further the aims and purposes of the Darden School of Business of the University and to provide education for business executives. For additional information, contact the Darden School Foundation at P.O. Box 6550, Charlottesville, VA 22906.

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

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

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation (VAF)**, was established to support intercollegiate athletic programs at the University by providing student-athletes the opportunity to achieve academic and athletic excellence. It provides funding for student-athlete scholarships, funding for student-athlete academic advising programs, operational support for various sports, informational services to its members and the general public, and ancillary support to the athletic programs. VAF has adopted December 31 as its year end. All amounts reflected are as of December 31, 2019. For additional information, contact the VAF Gift Accounting Office at P.O. Box 400833, Charlottesville, VA 22904.

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

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

The **University of Virginia Investment Management Company (UVIMCO)** was established to provide investment management services to the University and University foundations. For additional information, contact UVIMCO at 701 East Water Street, Charlottesville, VA 22902.

REPORTING BASIS AND MEASUREMENT FOCUS

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

The University also follows GASB Statement No. 84, *Fiduciary Activities* for activities that meet the fiduciary activity criteria defined by GASB. Fiduciary activities are those activities that state and local governments carry out for the benefit of individuals or other agencies outside the government. The University's fiduciary activities are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

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

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

CASH AND CASH EQUIVALENTS

In addition to cash on deposit in commercial bank accounts, petty cash and undeposited receipts, cash and cash equivalents include cash on deposit with fiscal agents and investments with original maturities of ninety days or less. Substantially all cash is concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2020, the Medical Center had $10.4 million in uncollateralized cash related to its subsidiary operations. Money market instruments are valued at amortized costs.

INVESTMENTS

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

Investments with UVIMCO are in the Short-Term Pool (STP) and Long-Term Pool (LTP), which are unitized investment pools. The STP commingles LTP cash, certain UVIMCO funds and short-term funds of the University and the UAOs. The LTP commingles endowment, charitable trusts, certain fiduciary assets, and other investments of the University and the UAOs. Assets of the STP and LTP are pooled on a fair value basis in accordance with U.S. GAAP. These assets are unitized daily for the STP and monthly for the LTP. Deposits and withdrawals are processed weekly for the STP and monthly for the LTP.

Effective July 1, 2019, the University and UVIMCO amended the Deposit and Management Agreement (DMA) for the LTP. In accordance with the new agreements, depositors may invest in the LTP on a monthly basis and redeem on a quarterly basis. Subject to the terms in the agreements, depositors may also request a special redemption at any month-end. Each depositor subscribes to or disposes of units on the basis of the market value per share as of the trade date for the STP. Contribution and redemption requests are processed weekly for the University and UAOs and daily for the LTP. LTP transactions are subject to the notification requirements and caps set forth in the DMA between the University and UVIMCO. There is also a quarterly withdrawal cap of 4 percent of the value of the University's total interest in the pool. All withdrawal requests require at least 120 days' written notice.

PLEDGES RECEIVABLE

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

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

PREPAID EXPENSES

Prepaid expenses are items paid for in the current year, but for which the underlying asset will not be entirely consumed until a future period. The University's prepaid expenses for fiscal year ended June 30, 2020 included prepaid insurance premiums, various prepayments to vendors, and prepaid rent.

INVENTORIES

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

CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

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

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. Net interest capitalized for the fiscal year ended June 30, 2020, was $5.2 million.

The estimated useful lives of capital assets are as follows:

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

COLLECTIONS

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

DEFERRED OUTFLOWS OF RESOURCES

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

DEPOSITS

Deposits held in custody for others represent cash and invested funds held by the University on behalf of various groups and organizations.

UNEARNED REVENUE

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

COMPENSATED ABSENCES

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2020, all unused vacation leave, and the amount payable upon termination under the Commonwealth's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

LONG-TERM DEBT AND DEBT ISSUANCE COSTS

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

PENSIONS

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

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

OTHER POSTEMPLOYMENT BENEFITS

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

Group Life Insurance

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

State Employee Health Insurance Credit Program

The VRS State Employee Health Insurance Credit (HIC) program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The HIC program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The HIC program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net HIC program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC program OPEB, and the HIC program OPEB expense, information about the fiduciary net position of the VRS HIC program; and the additions to/deductions from the VRS HIC program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

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

VRS Disability Insurance Program

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

University OPEB Plans

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

IRREVOCABLE SPLIT-INTEREST AGREEMENTS

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

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

DEFERRED INFLOWS OF RESOURCES

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

NET POSITION

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

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

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

> ***Nonexpendable.*** The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University, is classified as nonexpendable net position. This includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested.
>
> ***Expendable.*** The University's net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time is classified as expendable net position. This includes net appreciation of the University's permanent endowment funds that has not been stipulated by the donor to be reinvested permanently.

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

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

FIDUCIARY NET POSITION

The University's fiduciary net position is required to be classified for accounting and reporting purposes into pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, or custodial funds. All of the fiduciary funds of the University are classified as custodial funds and includes investments on behalf of other entities in UVIMCO and all related activity. These investments are not held in a trust that meets the criteria in paragraph 11c(1) in GASB 84, *Fiduciary Activities*, and therefore represent external investment pool funds within the custodial fund classification.

The provisions of GASB 84 were not applied to items that were considered by the University to be immaterial.

STUDENT TUITION AND FEES

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

MEDICAL CENTER SALES AND SERVICE

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

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

REVENUE AND EXPENSE CLASSIFICATIONS

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

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

ELIMINATIONS

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

COMPARATIVE DATA

The University presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, the prior-year information should be read in conjunction with the University's financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived. Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

RESTATEMENT OF NET POSITION

The Medical Center restated their net position as of June 30, 2019 due to the discovery of a formula error embedded in the Medicaid estimation calculation worksheet. The Medicaid estimation calculation worksheet is used to estimate the amount of cost the Medical Center incurs serving the indigent patient population. The total restatement for this error was $11.7 million.

The Academic Division also restated their net position as of June 30, 2019 due to a manual error in recording the interest expense on the 2009 and 2010 Series bonds reported in Note 5. The total restatement from this error was $5.2 million.

CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2020, the University implemented the following pronouncements issued by the GASB.

GASB Statement No. 84, *Fiduciary Activities* establishes standards of accounting and financial reporting for fiduciary activities and improves the guidance on the identification of such activities. The Statement provides criteria for three types of activities, defined as fiduciary component units, pension and OPEB arrangements that are not component units, and other fiduciary activities. In accordance with the standard, the University identified certain investment activities that meet the criteria. The activities are reported on the Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position as part of the basic financial statements.

NOTE 2

Cash, Cash Equivalents, Investments and Endowment

CASH

The University deposits cash in commercial banking accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq., *Code of Virginia*. The Virginia Security for Public Deposits Act significantly diminishes any custodial risk on the University's banking deposits. This Act includes a cross guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. On June 30, 2020, amounts on deposit covered by the Virginia Security of Public Deposits Act totaled $186.3 million and uncollateralized deposits totaled $10.4 million.

CASH EQUIVALENTS

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

Restricted cash and cash equivalents totaled $15.5 million and $39.7 million on June 30, 2020, and June 30, 2019, respectively, which is restricted in accordance with applicable debt or other contractual requirements.

RISK

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

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had no custodial credit risk related to investments as of June 30, 2020.

Interest-rate risk results if changes in interest rates adversely affect the fair market value of an investment. The longer the duration of an investment, the greater the interest-rate risks. Investments subject to interest-rate risk at June 30, 2020, are outlined in the accompanying chart.

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain nonendowed assets to short-term commercial paper, certificates of deposit, asset-backed securities and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2020, are outlined in the accompanying chart.

Concentration of credit risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The University minimizes this risk by diversifying its investments. As of June 30, 2020, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5 percent or more of its total investments.

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University has no foreign investments or deposits as of June 30, 2020.

Details of the University's investment risks as of June 30, 2020 are outlined below:

CREDIT QUALITY AND INTEREST RATE RISK *(in thousands)*	BALANCE AT JUNE 30, 2020	CREDIT RATING (S&P/ MOODY'S)	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1 YEAR	1 - 5 YEARS	6 - 10 YEARS	GREATER THAN 10 YEARS
CASH AND CASH EQUIVALENTS						
Cash on hand	$ 385	Not Applicable	N/A	N/A	N/A	N/A
Cash deposits	186,815	Not Applicable	N/A	N/A	N/A	N/A
Money market*	87,181	AAA/Aaa	$ 87,181	$ -	$ -	$ -
Repurchase agreements*	100,894	P-1/A-1	100,894	-	-	-
Agency notes*	39,989	P-1/A-1+	39,989	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	**$ 415,264**		**$ 228,064**	**$ -**	**$ -**	**$ -**
SHORT-TERM INVESTMENTS						
Cash deposits	$ 4	Not Applicable	N/A	N/A	N/A	N/A
UVIMCO STP	95,234	Not Rated	N/A	N/A	N/A	N/A
Agency notes	31,988	P-1/A-1+	$ 31,988	$ -	$ -	$ -
US Treasury bills	49,981	Aaa/AA+	49,981	-	-	-
Other investments not subject to credit or interest-rate risk	27	Not Applicable	27	-	-	-
TOTAL SHORT-TERM INVESTMENTS	**$ 177,234**		**$ 81,996**	**$ -**	**$ -**	**$ -**
LONG-TERM INVESTMENTS						
UVIMCO LTP	$ 2,580,773	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	4,057	Not Applicable	N/A	N/A	N/A	N/A
TOTAL LONG-TERM INVESTMENTS	**$ 2,584,830**		**$ -**	**$ -**	**$ -**	**$ -**
ENDOWMENT						
Cash and cash equivalents	$ 2,280	Not Applicable	$ 2,280	$ -	$ -	$ -
UVIMCO LTP	5,137,246	Not Rated	N/A	N/A	N/A	N/A
Other investments not subject to credit or interest-rate risk	11,774	Not Applicable	N/A	N/A	N/A	N/A
TOTAL ENDOWMENT	**$ 5,151,300**		**$ 2,280**	**$ -**	**$ -**	**$ -**
INVESTMENT IN AFFILIATED COMPANIES						
Other investments not subject to credit or interest-rate risk	$ 93,620	Not Applicable	N/A	N/A	N/A	N/A
TOTAL INVESTMENT IN AFFILIATED COMPANIES	**$ 93,620**		**$ -**	**$ -**	**$ -**	**$ -**

** These securities have original maturities of less than 90 days. In accordance with UVA policy, they are reported as cash and cash equivalents.*

INVESTMENTS

UVIMCO administers and manages most of the University's investments in its unitized investment pools. From time to time, the University also invests its operating funds with several other asset managers. At June 30, 2020, the University's investment in the UVIMCO LTP and STP was $7.8 billion representing 92.1 percent of the University's invested assets. These pools are not rated by NRSROs.

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

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

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

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

In the normal course of business, UVIMCO's external investment fund managers trade various financial instruments and enter into investment activities subject to various market risks. Market risk is the risk that the value of assets such as common stocks may fall. Fixed-income investments are subject to other market risks, including interest-rate and credit risk. Foreign investments are subject to currency exchange rates (foreign exchange risk), political and economic developments, limited legal recourse, and market risks. The prices of derivative positions such as futures, options, warrants, and swap contracts may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

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

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements as of June 30, 2020:

INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE *(in thousands)*	BALANCE AT JUNE 30, 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS MEASURED AT NAV*	AMOUNTS NOT MEASURED AT FAIR VALUE
CASH AND CASH EQUIVALENTS						
Cash on hand	$ 385	$ -	$ -	$ -	$ -	$ 385
Cash deposits	186,815	-	-	-	-	186,815
Repurchase agreements**	100,894	-	100,894	-	-	-
Money market**	87,181	-	-	-	-	87,181
Agency notes**	39,989	-	39,989	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	**$ 415,264**	**$ -**	**$ 140,883**	**$ -**	**$ -**	**$ 274,381**
SHORT-TERM INVESTMENTS						
Cash deposits	$ 4	$ -	$ -	$ -	$ -	$ 4
UVIMCO STP	95,234	-	-	-	95,234	-
Agency notes	31,988	-	31,988	-	-	-
US Treasury bills	49,981	49,981	-	-	-	-
Equity securities	27	27	-	-	-	-
TOTAL SHORT-TERM INVESTMENTS	**$ 177,234**	**$ 50,008**	**$ 31,988**	**$ -**	**$ 95,234**	**$ 4**
LONG-TERM INVESTMENTS						
Life insurance contracts***	$ 4,052	$ -	$ -	$ -	$ -	$ 4,052
Equity securities	5	-	-	5	-	-
UVIMCO LTP	2,580,773	-	-	-	2,580,773	-
TOTAL LONG-TERM INVESTMENTS	**$ 2,584,830**	**$ -**	**$ -**	**$ 5**	**$ 2,580,773**	**$ 4,052**
ENDOWMENT						
Cash and cash equivalents	$ 2,280	$ -	$ 1,589	$ -	$ -	$ 691
Equity securities	440	287	-	153	-	-
UVIMCO LTP	5,137,246	-	-	-	5,137,246	-
Exchange traded funds	11,334	11,334	-	-	-	-
TOTAL ENDOWMENT	**$ 5,151,300**	**$ 11,621**	**$ 1,589**	**$ 153**	**$ 5,137,246**	**$ 691**
INVESTMENT IN AFFILIATED COMPANIES						
Investment in affiliates	$ 93,620	$ -	$ -	$ -	$ -	$ 93,620
TOTAL INVESTMENT IN AFFILIATED COMPANIES	**$ 93,620**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 93,620**
INVESTMENT DERIVATIVE INSTRUMENTS******						
Fixed-receiver interest rate swaps	$ 1,422	$ -	$ 1,422	$ -	$ -	$ -
Fixed-payer interest rate swaps	(51,414)	-	(51,414)	-	-	-
TOTAL INVESTMENT DERIVATIVE INSTRUMENTS	**$ (49,992)**	**$ -**	**$ (49,992)**	**$ -**	**$ -**	**$ -**

** Certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been categorized in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.*
*** These securities have original maturities of less than 90 days. In accordance with UVA policy, they are reported as cash and cash equivalents.*
**** Investments in life insurance contracts are measured at cash surrender value.*
***** Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.*

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

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV) *(in thousands)*	BALANCE AT JUNE 30, 2020	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY (IF CURRENTLY ELIGIBLE)	REDEMPTION NOTICE PERIOD
UVIMCO STP	$ 95,234	$ -	Weekly	2 days
UVIMCO LTP	7,718,019	-	Monthly	(a)
TOTAL INVESTMENTS MEASURED AT NAV	**$ 7,813,253**	**$ -**		

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

ENDOWMENT

Endowments are invested in accordance with Virginia Uniform Prudent Management Institutional Funds Act (UPMIFA), Chapter 11 of Title 64.2 of the *Code of Virginia*, as amended; and paragraph 23-50.10:01 of the *Code of Virginia*. The market value of the endowment on June 30, 2020, was $5.2 billion. Three annual distributions are made from the University's endowment to departments holding endowment accounts. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index (HEPI). The current inflation factor in use by the University is 2.7 percent, based on a five-year rolling average of the HEPI. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board may recommend increasing or decreasing the spending rate. For fiscal year 2020, the endowment spending distribution of $229.6 million, excluding fiduciary funds, equaled 4.72 percent of the fiscal year 2018 ending market value. Since the results fell within the range, no further action by the board was needed. Restricted expendable net assets includes $1.5 billion of appreciation on donor-restricted endowments.

For the year ended June 30, 2020, the University had the following endowment-related activities:

SUMMARY OF ENDOWMENT ACTIVITY *(in thousands)*	TYPE OF ENDOWMENT FUND				
	DONOR-RESTRICTED	QUASI	TRUSTS	OTHER	TOTAL
Investment earnings	$ 114,988	$ 119,700	$ 3,584	$ 117	$ 238,389
Contributions to permanent endowments	46,692	-	-	-	46,692
Other gifts	-	-	3,706	-	3,706
Spending distribution	(109,161)	(120,388)	-	-	(229,549)
Endowment administrative fee*	(18,357)	(20,267)	-	-	(38,624)
Transfers in (out)**	63,454	12,469	(8,580)	(24)	67,319
TOTAL CHANGE IN ENDOWMENT FUNDS	**$ 97,616**	**$ (8,486)**	**$ (1,290)**	**$ 93**	**$ 87,933**

** The University has implemented an administrative fee on the endowment of up to 100 basis points.*
*** Transfers into donor-restricted endowments include donor-directed income capitalizations, and transfers out of trusts include payments to income beneficiaries.*

NOTE 3

Statement Of Net Position Details

a. Accounts receivable: The composition of accounts receivable at June 30, 2020, is summarized as follows:

ACCOUNTS RECEIVABLE *(in thousands)*	
Patient care	$ 853,312
Grants and contracts	56,407
Student payments	11,805
Institutional loans	1,736
Bond requisition receivables	641
Build America Bonds rebate	936
Equipment Trust Fund reimbursement	14,177
Auxiliary	3,860
Service concession arrangements	8,664
Related foundation	57,258
Higher Education Relief funds	5,858
Other	25,453
Less: Allowance for doubtful accounts	(614,270)
TOTAL ACCOUNTS RECEIVABLE	**$ 425,837**

b. Notes receivable: The principal repayment and interest-rate terms of federal and University loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various other loan programs. The composition of notes receivable at June 30, 2020, is summarized as follows:

NOTES RECEIVABLE *(in thousands)*	
Perkins	$ 9,624
Nursing	1,662
Institutional	21,158
Fraternity loan	575
Dues from related foundation	8,839
Less: Allowance for doubtful accounts	(1,953)
Total notes receivable, net	**39,905**
Less: Current portion, net of allowance	(5,526)
TOTAL NONCURRENT NOTES RECEIVABLE	**$ 34,379**

c. Pledges and other receivables: As discussed in Note 1, permanent endowment pledges do not meet eligibility requirements, as defined by GASB, until the related gift is received. Accordingly, permanent endowment pledges totaling $89.3 million and $109 million at June 30, 2020, and June 30, 2019, respectively, are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. The composition of pledges and other receivables at June 30, 2020, is summarized as follows:

PLEDGES AND OTHER RECEIVABLES *(in thousands)*	
PLEDGES AND OTHER RECEIVABLES OUTSTANDING	
Gift pledges - operations	$ 12,390
Gift pledges - capital	77,441
Service concession arrangements	126,335
Total pledges and other receivables outstanding	**216,166**
Less:	
Allowance for uncollectible accounts	(6,271)
Discount to present value	(8,801)
Total pledges and other receivable, net	**201,094**
Less: Current portion, net of allowance	(35,996)
TOTAL NONCURRENT PLEDGES AND OTHER RECEIVABLES	**$ 165,098**

d. Capital assets: The capital assets activity for the year ended June 30, 2020, is summarized as follows:

CAPITAL ASSETS *(in thousands)*	**BEGINNING BALANCE JULY 1, 2019**	**INCREASES**	**DECREASES**	**ENDING BALANCE JUNE 30, 2020**
NONDEPRECIABLE CAPITAL ASSETS				
Land	$ 97,580	$ 4	$ (527)	$ 97,057
Construction in progress	617,287	464,058	(610,949)	470,396
Software in development	3,950	1,948	-	5,898
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**$ 718,817**	**$ 466,010**	**$ (611,476)**	**$ 573,351**
DEPRECIABLE CAPITAL ASSETS				
Buildings	$ 4,264,530	$ 510,742	$ (5,729)	$ 4,769,543
Equipment	991,171	122,024	(23,886)	1,089,309
Infrastructure	547,275	35,882	-	583,157
Improvements other than buildings	192,278	31,732	(5)	224,005
Capitalized software	275,922	6,611	(24)	282,509
Library books	124,789	691	-	125,480
Total depreciable capital assets	**6,395,965**	**707,682**	**(29,644)**	**7,074,003**
Less: Accumulated depreciation for:				
Buildings	(1,703,964)	(132,436)	3,418	(1,832,982)
Equipment	(676,606)	(77,493)	22,300	(731,799)
Infrastructure	(253,876)	(17,997)	-	(271,873)
Improvements other than buildings	(143,927)	(9,193)	3	(153,117)
Capitalized software	(180,034)	(19,453)	9	(199,478)
Library books	(116,821)	(2,442)	-	(119,263)
Total accumulated depreciation	**(3,075,228)**	**(259,014)**	**25,730**	**(3,308,512)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**$ 3,320,737**	**$ 448,668**	**$ (3,914)**	**$ 3,765,491**
TOTAL CAPITAL ASSETS, NET	**$ 4,039,554**	**$ 914,678**	**$ (615,390)**	**$ 4,338,842**

e. Other assets: The composition of other assets on June 30, 2020, is summarized as follows:

OTHER ASSETS *(in thousands)*	
Funds held at foundation	$ 76,606
UVA LVG seed funds	9,918
Trustee held split-interest agreement assets	2,948
UVA Global LLC	4
TOTAL OTHER ASSETS	**$ 89,476**

f. Deferred outflows of resources: The composition of deferred outflows of resources on June 30, 2020, is summarized as follows:

DEFERRED OUTFLOWS OF RESOURCES *(in thousands)*	
Goodwill	$ 11,168
Deferred loss on early retirement of debt	14,109
OPEB	46,172
Pension	129,031
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 200,480**

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

In November 2004, the Medical Center purchased Amherst and Lynchburg renal facilities. As a result of the purchase, the Medical Center recorded goodwill of $3.4 million and $4 million, respectively. The goodwill is to be amortized over a period of 20 years, however as a result of staffing, operational, and business environment changes related to the Amherst and Lynchburg renal facilities during fiscal year 2020, the Medical Center fully amortized the remaining goodwill balances related to those facilities. As a result of management's goodwill determination, the total amount amortized is $1.5 and $1.8 million for the Amherst and Lynchburg renal facilities, respectively.

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

g. Accounts payable and accrued liabilities: The composition of accounts payable on June 30, 2020, is summarized as follows:

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(in thousands)*	
Accounts payable	$ 123,365
Accrued salaries and wages payable	130,162
Due to related foundations	51,928
Due to third party payors	319,191
Other	21,196
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**$ 645,842**

h. Unearned revenue: The composition of unearned revenue on June 30, 2020, is summarized as follows:

UNEARNED REVENUE *(in thousands)*	
Grants and contracts	$ 46,982
Student payments	18,706
Medical Center unearned revenues	760
Other	19,333
TOTAL UNEARNED REVENUE	**$ 85,781**

i. Deferred inflows of resources: The composition of deferred inflows on June 30, 2020, is summarized as follows:

DEFERRED INFLOWS OF RESOURCES *(in thousands)*	
Deferred gain on early retirement of debt	$ 261
Service concession arrangements	192,813
Split-Interest agreements	14,285
Pension	33,155
OPEB	61,126
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 301,640**

During the year ended June 30, 2015, the University entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. The University also receives a yearly minimum guarantee on dining and vending commissions and has a minimum guaranteed profit split on residential and athletics services regardless of gross sales. In accordance with GASB requirements, as of June 30, 2020, the University has accrued $135 million in current and noncurrent receivables and a $192.8 million deferred inflow of resources related to the service concession arrangement.

NOTE 4

Short-Term Debt

Short-term debt at June 30, 2020, is summarized as follows:

SHORT-TERM DEBT *(in thousands)*	BEGINNING BALANCE JULY 1, 2019	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2020
Taxable commercial paper	$ 48,900	$ 100	$ 49,000	$ -
Tax-exempt commercial paper	195,000	15,100	210,100	-
TOTAL COMMERCIAL PAPER	**$ 243,900**	**$ 15,200**	**$ 259,100**	**$ -**

The University has a $500 million combined taxable and tax-exempt commercial paper program that is primarily used to bridge finance capital projects and, from time to time, fund operations. In fiscal year 2020, interest rates on commercial paper ranged from 1.3 to 2.27 percent.

The University has four revolving credit agreements from four different banks in an aggregate amount of $500 million to provide liquidity for its operating expenses and variable-rate debt obligations. In the event of default under the agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions. As of June 30, 2020, there were no advances outstanding, collateral pledged, or subjective acceleration clauses.

NOTE 5

Long-Term Obligations

a. Long-term debt: The composition of long-term debt at June 30, 2020, is summarized as follows:

LONG-TERM DEBT *(in thousands)*	INTEREST RATES AT ISSUANCE	FINAL MATURITY FISCAL YEAR	BEGINNING BALANCE JULY 1, 2019	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2020	CURRENT PORTION
BONDS AND NOTES PAYABLE							
Revenue bonds:							
University of Virginia Series 2009 (9d)	4.16%*	2040	$ 250,000	$ -	$ -	$ 250,000	$ -
University of Virginia Series 2010 (9d)	3.35%**	2041	190,000	-	-	190,000	-
University of Virginia Series 2011 (9d)	4.0% to 5.0%	2033	58,259	-	51,624	6,635	3,245
University of Virginia Series 2013A (9d)	2.0% to 5.0%	2043	156,114	-	147,719	8,395	2,660
University of Virginia Series 2013B (9d)	5.0%	2037	61,595	-	61,595	-	-
University of Virginia Series 2015A-1 (9d)	4.0%	2045	86,995	-	-	86,995	-
University of Virginia Series 2015A-2 (9d)	3.57% to 5.0%	2045	97,735	-	-	97,735	-
University of Virginia Series 2015B (9d)	2.0% to 5.0%	2022	106,910	-	-	106,910	-
University of Virginia Series 2017A (9d)	4.0% to 5.0%	2047	231,780	-	-	231,780	-
University of Virginia Series 2017B (9d)	4.0% to 5.0%	2046	123,440	-	-	123,440	-
University of Virginia Series 2017C (9d)	4.2%	2118	300,000	-	-	300,000	-
University of Virginia Series 2018A (9d)	4.0%	2049	64,080	-	-	64,080	-
University of Virginia Series 2018B (9d)	4.0%	2049	135,920	-	-	135,920	-
University of Virginia Series 2019A (9d)	3.2%	2120	-	350,000	-	350,000	-
University of Virginia Series 2019B (9d)	3.0% to 5.0%	2055	-	150,000	-	150,000	-
University of Virginia Series 2019C-1 (9d)	3.0%	2050	-	200,140	-	200,140	-
University of Virginia Series 2019C-2 (9d)	3.0%	2050	-	87,270	-	87,270	-
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	663	335	663	335	335
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	3,530	-	3,530	-	-
Notes payable to VCBA 2010B (9d)	2.0% to 5.0%	2021	3,435	-	-	3,435	3,435
Other	various	various	5,086	262	726	4,622	839
Total bonds and notes payable			**1,875,542**	**788,007**	**265,857**	**2,397,692**	**10,514**
Less: Current portion of debt			(10,186)	-	328	(10,514)	
Bond premium			115,006	14,883	41,977	87,912	
NET LONG-TERM DEBT			**$ 1,980,362**	**$ 802,890**	**$ 308,162**	**$ 2,475,090**	

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

*** The University of Virginia Series 2010 (9d) revenue bonds are Build America Bonds, issued at five percent. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35 percent. This amount has been reduced as noted in the footnote on the next page. With the current credit, the effective interest rate on the bonds is reduced to 3.35 percent.*

On September 12, 2019, the University issued $350 million taxable in General Revenue Pledge Bonds, Series 2019A to fund capital projects at the University's academic facilities and refund $158.3 million of the outstanding principal balance of the University's commercial paper notes.

On September 12, 2019, the University issued $150 million in tax-exempt General Revenue Pledge Bonds, Series 2019B to fund capital projects at the University's medical center facilities and refund $95.9 million of the outstanding principal balance of the University's commercial paper notes. The Series 2019B bonds were issued with a premium of $14.9 million.

On September 17, 2019, the University issued an additional $287.4 million in taxable General Revenue Pledge Refunding Bonds, Series 2019C to advance refund $255.3 million of the University's Series 2011, Series 2013A, and Series 2013B bonds. The refunding resulted in net present value savings of $37.8 million and a recognized accounting loss of $5.6 million, calculated as the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding.

Notes to Financial Statements

At its April 24, 2020 meeting, the University's Board of Visitors approved an extension to its shelf registration program for issuing up to $600 million in fixed or variable rate bonds. The maximum yield on fixed rate bonds, or the initial maximum yield on variable bonds, is authorized up to six percent per year.

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

FISCAL YEAR MATURITIES *(in thousands)*	**PRINCIPAL**	**INTEREST**	**BUILD AMERICA BONDS INTEREST REBATE**	**NET INTEREST EXPENSE**
2021*	$ 10,514	$ 102,111	$ (8,234)	$ 93,877
2022	113,959	99,144	(8,234)	90,910
2023	3,814	96,354	(8,234)	88,120
2024	900	96,186	(8,234)	87,952
2025	323	96,170	(8,234)	87,936
2026-2030	822	480,756	(41,169)	439,587
2031-2035	-	480,707	(41,169)	439,538
2036-2040	397,700	462,839	(38,616)	424,223
2041-2045	492,440	312,553	(1,563)	310,990
2046-2050	627,220	214,331	-	214,331
2051-2055	100,000	132,658	-	132,658
2056-2060	-	119,158	-	119,158
2061-2065	-	119,158	-	119,158
2066-2070	-	119,158	-	119,158
2071-2075	-	119,158	-	119,158
2076-2080	-	119,158	-	119,158
2081-2085	-	119,158	-	119,158
2086-2090	-	119,157	-	119,157
2091-2095	-	119,157	-	119,157
2096-2100	-	119,157	-	119,157
2101-2105	-	119,157	-	119,157
2106-2110	-	119,157	-	119,157
2111-2115	-	119,157	-	119,157
2116-2120	650,000	82,167	-	82,167
TOTAL	**$ 2,397,692**	**$ 4,085,866**	**$ (163,687)**	**$ 3,922,179**

* *Fiscal year 2020 represents a 6.2 percent reduction in the credit interest payment for September 1, 2019, and a 5.9 percent reduction in the credit interest payment for March 1, 2020. The 5.9 percent sequestration reduction rate will be applied to all future years unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.*

Prior Year Refundings: As of June 30, 2020, prior years' in-substance defeased bonds and notes had no outstanding balances.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2020, is summarized as follows:

LONG-TERM LIABILITIES *(in thousands)*	BEGINNING BALANCE JULY 1, 2019	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2020
Investments held for related entities*	$ 2,348	$ 520	$ 449	$ 2,419
Accrual for compensated absences	100,447	100,590	94,254	106,783
Perkins loan program	9,047	-	3,866	5,181
Deferred FICA taxes	-	25,782	-	25,782
Investment in Culpeper Regional Hospital	35,953	-	3,652	32,301
Irrevocable split-interest agreements	72,919	2,848	3,846	71,921
Other	19,517	6,913	8,561	17,869
Total long-term liabilities	**240,231**	**136,653**	**114,628**	**262,256**
Less: Current portion of long-term liabilities	(99,491)	(5,155)	-	(104,646)
NET LONG-TERM LIABILITIES	**$ 140,740**	**$ 131,498**	**$ 114,628**	**$ 157,610**

**The balance as of July 1, 2019 has been adjusted for certain investments that are now included in the Statement of Fiduciary Net Position. Please see Note 1 for additional information.*

NOTE 6

Derivatives

The University recognizes all derivative instruments as either assets or liabilities on the Statement of Net Position at their respective fair values. Changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the Statement of Net Position. Changes in fair values of investment derivative instruments, including derivative instruments that are determined to be ineffective, are reported as investment income or loss on the Statement of Revenues, Expenses and Changes in Net Position. On June 30, 2020, the University held the following derivative instruments:

INVESTMENT DERIVATIVE INSTRUMENTS *(in thousands)*	EFFECTIVE DATE	MATURITY DATE	RATE PAID	RATE RECEIVED	NOTIONAL AMOUNT	FAIR VALUE ASSET (LIABILITY)	CHANGE IN FAIR VALUE
INVESTMENT DERIVATIVE ASSETS							
Fixed-receiver interest rate swaps	4/8/2015	8/1/2021	SIFMA*	1.2%	$ 128,000	$ 1,422	$ 1,282
TOTAL INVESTMENT DERIVATIVE ASSETS					**$ 128,000**	**$ 1,422**	**$ 1,282**
INVESTMENT DERIVATIVE LIABILITY							
Fixed-payer interest rate swaps	6/1/2008	6/1/2038	4.07-4.15%	SIFMA*	$ 100,000	$ (51,414)	$ (16,346)
TOTAL INVESTMENT DERIVATIVE LIABILITIES					**$ 100,000**	**$ (51,414)**	**$ (16,346)**

* *Securities Industry and Financial Markets Municipal Swap Index*

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

RISK

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

Credit risk is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2020, the University's swap counterparties were rated at least BBB+ from Standard & Poor's or A3 by Moody's Investors Service. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. As of June 30, 2020, no collateral was required to be posted by the counterparties.

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

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

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

NOTE 7

Affiliated Companies

NOVANT HEALTH UNIVERSITY OF VIRGINIA HEALTH SYSTEM

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

UNIVERSITY OF VIRGINIA / ENCOMPASS HEALTH CORPORATION

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

VALIANCE HEALTH, LLC

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

UNIVERSITY HEALTH SYSTEM CONSORTIUM

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

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

VALLEY REGIONAL HEALTH AND UNIVERSITY OF VIRGINIA RADIOSURGERY CENTER, LLC

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

HEALTHCARE PARTNERS, INC.

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

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

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

FORTIFY CHILDREN'S HEALTH, LLC

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

BROADAXE CARE COORDINATION, INC.

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

During fiscal year 2020, the Medical Center determined the investment is not expected to increase and will therefore yield no future returns. Therefore, the Medical Center wrote off the investment in the amount at the end of fiscal year 2020. The amount of the write-off was $804,925.

GLOBAL GENOMICS AND BIOINFORMATICS RESEARCH INSTITUTE

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

The GGBRI will be located at the campus of the Inova Center for Personalized Health in Falls Church, Virginia. In June 2018, the University agreed to contribute $53.5 million to retrofit Building C into laboratory and ancillary research space and $4 million for the recruitment of high performing researchers. The University was also appropriated and allotted $20 million in VCBA funds in August 2017 in accordance with Item C-52.10 and Item 478.20 of Chapter 780 of the 2016 Acts of Assembly, as amended by Chapter 836 of the 2017 Acts of Assembly. The Commonwealth will also contribute $8 million to UVA for immediate transfer to the GGBRI for recruitment of high performing researchers. As of June 30, 2020, the University has made $11.3 million in contributions to the GGBRI.

Details of the University's net investment in affiliated companies, accounted for using the equity method of accounting as of June 30, 2020, is summarized below:

INVESTMENT IN AFFILIATED COMPANIES *(in thousands)*	**CAPITAL CONTRIBUTIONS**	**SHARE OF ACCUMULATED INCOME (LOSS)**	**NET INVESTMENT**
Fortify Children's Health, LLC	$ 2,500	$ (2,273)	$ 227
Broadaxe Care Coordination, Inc.	805	(805)	-
Valley Regional Health, LLC	5	-	5
Valiance, LLC	249	-	249
University Health System Consortium	3,230	-	3,230
Encompass Health Corporation	-	22,216	22,216
Novant	94,041	(31,837)	62,204
Global Genomics and Bioinformatics Research Institute	11,277	(5,788)	5,489
TOTAL INVESTMENT IN AFFILIATED COMPANIES	**$ 112,107**	**$ (18,487)**	**$ 93,620**

NOTE 8

Component Units

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

STATEMENT OF FINANCIAL POSITION *(in thousands) as of June 30, 2020*	**UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION**	**THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA**	**UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION**	**ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA**	**JEFFERSON SCHOLARS FOUNDATION**	**VIRGINIA ATHLETICS FOUNDATION***	**UNIVERSITY OF VIRGINIA FOUNDATION**	**UNIVERSITY OF VIRGINIA PHYSICIANS GROUP**	**UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY**	**ELIMINATIONS**	**COMPONENT UNITS TOTAL**
ASSETS											
Current assets											
Cash and cash equivalents	$ 37	$ 18,528	$ 18,124	$ 42,094	$ 11,216	$ 18,515	$ 2,820	$ 92,497	$ 2,278	$ -	$ 206,109
Receivables	4,114	11,041	18,533	1,605	23,089	17,257	6,364	81,275	13,241	-	176,519
Short-term investments	24,448	808	7,395	13,465	2,710	-	3,616	10,680	211,437	-	274,559
Other current assets	54	541	1,559	178	208	-	885	2,022	551	-	5,998
Total current assets	**28,653**	**30,918**	**45,611**	**57,342**	**37,223**	**35,772**	**13,685**	**186,474**	**227,507**	**-**	**663,185**
Noncurrent assets											
Long-term investments	502,863	120,848	362,039	343,022	393,828	76,708	121,233	267,753	9,806,855	(1,874,952)	10,120,197
Capital assets, net and other assets	34,816	22,052	103,152	9,986	116,431	30,362	356,221	39,627	4,522	(8,712)	708,457
Total noncurrent assets	**537,679**	**142,900**	**465,191**	**353,008**	**510,259**	**107,070**	**477,454**	**307,380**	**9,811,377**	**(1,883,644)**	**10,828,654**
TOTAL ASSETS	**$ 566,332**	**$ 173,818**	**$ 510,802**	**$ 410,350**	**$ 547,482**	**$ 142,842**	**$ 491,139**	**$ 493,854**	**$10,038,884**	**$(1,883,664)**	**$11,491,839**
LIABILITIES AND NET ASSETS											
Current liabilites											
Total current liabilities	**$ 1,075**	**$ 2,008**	**$ 19,797**	**$ 120,875**	**$ 12,996**	**$ 1,835**	**$ 168,114**	**$ 127,776**	**$ 16,316**	**$ -**	**$ 470,792**
Noncurrent liabilities											
Long-term debt, net of debt issuance cost and current portion of $9,852	-	484	-	-	22,500	-	61,206	8,200	-	-	92,390
Other noncurrent liabilities	391	-	-	4,161	28,417	-	117,356	244,815	10,003,603	(1,883,664)	8,515,079
Total noncurrent liabilities	**391**	**484**	**-**	**4,161**	**50,917**	**-**	**178,562**	**253,015**	**10,003,603**	**(1,883,664)**	**8,607,469**
TOTAL LIABILITIES	**$ 1,466**	**$ 2,492**	**$ 19,797**	**$ 125,036**	**$ 63,913**	**$ 1,835**	**$ 346,676**	**$ 380,791**	**$10,019,919**	**$(1,883,664)**	**$ 9,078,261**
NET ASSETS											
Unrestricted	$ 72,071	$ 4,807	$ 80,033	$ 79,589	$ 9,293	$ 23,877	$ 53,643	$ 113,063	$ 18,965	$ -	$ 455,341
Temporarily restricted	298,488	65,160	195,570	113,143	146,681	74,067	76,044	-	-	-	969,153
Permanently restricted	194,307	101,359	215,402	92,582	327,595	43,063	14,776	-	-	-	989,084
TOTAL NET ASSETS	**$ 564,866**	**$ 171,326**	**$ 491,005**	**$ 285,314**	**$ 483,569**	**$ 141,007**	**$ 144,463**	**$ 113,063**	**$ 18,965**	**$ -**	**$ 2,413,578**
TOTAL LIABILITIES AND NET ASSETS	**$ 566,332**	**$ 173,818**	**$ 510,802**	**$ 410,350**	**$ 547,482**	**$ 142,842**	**$ 491,139**	**$ 493,854**	**$10,038,884**	**$(1,883,664)**	**$11,491,839**

* *December 31, 2019, year-end*

STATEMENT OF ACTIVITIES *(in thousands)* *for the year ended June 30, 2020*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
UNRESTRICTED REVENUES AND SUPPORT										
Contributions	$ 3,385	$ 7,360	$ 5,854	$ 1,399	$ 588	$ 15,148	$ -	$ -	$ -	$ 33,734
Fees for services, rentals, and sales	-	-	16,404	5,963	-	2,571	44,175	344,678	-	413,791
Other revenues	24,619	15,251	23,829	44,763	16,609	19,591	9,801	173,438	20,296	348,197
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**28,004**	**22,611**	**46,087**	**52,125**	**17,197**	**37,310**	**53,976**	**518,116**	**20,296**	**795,722**
EXPENSES										
Program services, lectures, and special events	31,338	14,300	42,928	47,341	15,861	32,801	27,040	419,667	15,095	646,371
Other expenses	4,626	6,265	9,578	4,331	3,888	4,228	28,802	104,622	4,016	170,356
TOTAL EXPENSES	**35,964**	**20,565**	**52,506**	**51,672**	**19,749**	**37,029**	**55,842**	**524,289**	**19,111**	**816,727**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(7,960)**	**2,046**	**(6,419)**	**453**	**(2,552)**	**281**	**(1,866)**	**(6,173)**	**1,185**	**(21,005)**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	3,928	6,627	10,504	31,697	2,290	33,362	715	-	-	89,123
Other	(3,545)	(5,912)	(6,744)	(26,304)	(1,961)	(9,138)	(2,199)	-	-	(55,803)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**383**	**715**	**3,760**	**5,393**	**329**	**24,224**	**(1,484)**	**-**	**-**	**33,320**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS										
Contributions	12,133	12,565	11,496	11,804	14,715	467	-	-	-	63,180
Other	2,994	(943)	-	(74)	(89)	698	-	-	-	2,586
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**15,127**	**11,622**	**11,496**	**11,730**	**14,626**	**1,165**	**-**	**-**	**-**	**65,766**
CHANGE IN NET ASSETS	**7,550**	**14,383**	**8,837**	**17,576**	**12,403**	**25,670**	**(3,350)**	**(6,173)**	**1,185**	**78,081**
Net assets - beginning of year	557,316	156,943	482,168	267,738	471,166	115,337	147,813	119,236	17,780	2,335,497
NET ASSETS - END OF YEAR	**$ 564,866**	**$ 171,326**	**$ 491,005**	**$ 285,314**	**$ 483,569**	**$ 141,007**	**$ 144,463**	**$ 113,063**	**$ 18,965**	**$2,413,578**

* *December 31, 2019, year-end*

PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units record an allowance against pledges receivable for estimated uncollectible amounts. UPG does not accept gifts. Unconditional promises to give at June 30, 2020, are as follows:

PLEDGES RECEIVABLE *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	COMPONENT UNITS TOTAL
Total pledges receivable	**$ 23,030**	**$ 36,830**	**$ 61,854**	**$ 2,652**	**$ 110,254**	**$ 39,705**	**$ 274,325**
Less:							
Allowance for uncollectible accounts	(1,152)	(3,961)	(1,752)	(273)	(6,312)	(1,820)	(15,270)
Unamortized discount to present value	(914)	(4,250)	(2,998)	(55)	(11,751)	(1,054)	(21,022)
Total pledges receivable, net	**20,964**	**28,619**	**57,104**	**2,324**	**92,191**	**36,831**	**238,033**
Less: Current portion, net of allowance	(4,102)	(11,041)	(16,923)	(633)	(23,088)	(15,662)	(71,449)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 16,862**	**$ 17,578**	**$ 40,181**	**$ 1,691**	**$ 69,103**	**$ 21,169**	**$ 166,584**

* *December 31, 2019, year-end*

INVESTMENTS

Investments are recorded at fair value, which is determined by readily available quotes on the stock exchange or as quoted by UVIMCO. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class on June 30, 2020, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
Common stocks, corporate notes, bonds, limited partnerships, and agency securities	$ 64,042	$ -	$ 19,111	$ 15,120	$ 2,962	$ -	$ -	$ 167,346	$ 2,290,134	$ -	$ 2,558,715
University of Virginia Investment Management Company	413,699	120,848	320,240	332,955	386,801	76,331	120,266	103,811	-	(1,874,951)	-
Mutual and money market funds	24,259	808	30,083	3,810	-	377	1,481	5,310	117,093	-	183,221
Other	25,310	-	-	4,603	6,775	-	3,101	1,966	7,611,065	-	7,652,820
Total investments	**527,310**	**121,656**	**369,434**	**356,488**	**396,538**	**76,708**	**124,848**	**278,433**	**10,018,292**	**(1,874,951)**	**10,394,756**
Less: Short-term investments	(24,448)	(808)	(7,395)	(13,465)	(2,710)	-	(3,616)	(10,680)	(211,437)	-	(274,559)
LONG-TERM INVESTMENTS	**$ 502,862**	**$ 120,848**	**$ 362,039**	**$ 343,023**	**$ 393,828**	**$ 76,708**	**$ 121,232**	**$ 267,753**	**$ 9,806,855**	**$(1,874,951)**	**$10,120,197**

* *December 31, 2019, year-end*

UVIMCO has investments in limited partnership hedge funds, private equity, venture capital investments and similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at NAV, based on UVIMCO's interest in the investee as determined and reported by the external manager of the investment. Such investments represent $9.3 billion on June 30, 2020. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

CAPITAL ASSETS

Capital assets are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over the estimated useful lives of the assets using the straight-line method. As of June 30, 2020, capital assets consisted of the following:

CAPITAL ASSETS *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
Land	$ 152	$ -	$ 633	$ 4,241	$ -	$ 83,199	$ 3,283	$ -	$ 91,508
Buildings and improvements	914	110,803	8,201	23,350	-	358,559	46,345	4,627	552,799
Furnishings and equipment	330	3,454	2,284	1,861	58	31,259	25,933	1,299	66,478
Collections	-	-	-	96	-	149	-	-	245
Construction in progress	-	6,616	-	260	-	16,362	3,737	-	26,975
Total	**1,396**	**120,873**	**11,118**	**29,808**	**58**	**489,528**	**79,298**	**5,926**	**738,005**
Less: Accumulated depreciation	(477)	(58,480)	(6,972)	(8,097)	(39)	(136,936)	(40,985)	(1,404)	(253,390)
NET CAPITAL ASSETS	**$ 919**	**$ 62,393**	**$ 4,146**	**$ 21,711**	**$ 19**	**$ 352,592**	**$ 38,313**	**$ 4,522**	**$ 484,615**

* *December 31, 2019, year-end*

SHORT-TERM AND LONG-TERM DEBT

The foundations listed below had the following lines of credit available and outstanding as of June 30, 2020:

LINES OF CREDIT *(in thousands)*	AVAILABLE	CURRENT OUTSTANDING BALANCE	NONCURRENT OUTSTANDING BALANCE
University of Virginia Foundation			
Wells Fargo, N.A.	$ 34,000	$ 34,000	$ -
Bank of America, N.A.	68,015	68,015	-
U.S. Bank, N.A.	20,000	20,000	-
Truist Bank	40,000	25,000	15,000
University of Virginia Investment Management Company			
Bank of America, N.A.	150,000	-	-
U.S. Bank, N.A.	50,000	-	-
Jefferson Scholars Foundation			
Truist Bank	10,000	-	-
Alumni Association of the University of Virginia			
Truist Bank	200	-	-
University of Virginia Darden School Foundation			
Truist Bank	3,000	3,000	-
University of Virginia Law School Foundation			
JP Morgan Chase	15,000	-	-
University of Virginia Physicians Group			
Atlantic Union Bank	10,000	10,000	-
TOTAL	**$ 400,215**	**$ 160,015**	**$ 15,000**

Notes to Financial Statements

The composition of the long-term debt of the component units on June 30, 2020, is summarized as follows:

LONG-TERM DEBT *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
University of Virginia Phase I and II	$ -	$ -	$ 2,880	$ -	$ -	$ -	$ -	$ 2,880
Notes payable	512	892	1,903	1,524	-	34,438	8,200	47,469
Recovery Zone Facility Bond	-	-	-	-	-	6,919	-	6,919
2011 Refinancing demand bonds	-	-	-	-	-	7,475	-	7,475
2017 Variable rate bank bonds	-	-	-	-	22,500	-	-	22,500
Total	**512**	**892**	**4,783**	**1,524**	**22,500**	**48,832**	**8,200**	**87,243**
Less: Current portion	(512)	(408)	(4,783)	(1,524)	-	(2,552)	-	(9,779)
Less: Unamortized issuance costs	-	-	-	-	-	(74)	-	(74)
NET LONG-TERM DEBT	**$ -**	**$ 484**	**$ -**	**$ -**	**$ 22,500**	**$ 46,206**	**$ 8,200**	**$ 77,390**

Principal maturities of long-term debt obligations on June 30, 2020, are as follows:

MATURITIES *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2021	$ 512	$ 408	$ 4,783	$ 1,524	$ -	$ 2,552	$ -	$ 9,779
2022	-	484	-	-	-	5,393	1,036	6,913
2023	-	-	-	-	-	8,752	725	9,477
2024	-	-	-	-	-	1,582	754	2,336
2025	-	-	-	-	-	20,606	784	21,390
Thereafter	-	-	-	-	22,500	9,947	4,901	37,348
TOTAL	**$ 512**	**$ 892**	**$ 4,783**	**$ 1,524**	**$ 22,500**	**$ 48,832**	**$ 8,200**	**$ 87,243**

LEASES

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

LEASES *(in thousands)*	**THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA**	**UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION**	**UNIVERSITY OF VIRGINIA FOUNDATION**	**UNIVERSITY OF VIRGINIA PHYSICIANS GROUP**	**COMPONENT UNITS TOTAL**
2021	$ 411	$ 2,810	$ 617	$ 3,886	$ 7,724
2022	411	2,903	631	3,689	7,634
2023	411	2,975	218	3,683	7,287
2024	411	3,050	223	3,577	7,261
2025	411	3,126	220	2,777	6,534
Thereafter	3,939	24,102	760	2,068	30,869
TOTAL	**$ 5,994**	**$ 38,966**	**$ 2,669**	**$ 19,680**	**$ 67,309**

For fiscal year 2020, rental expense for all Foundations was $8.5 million.

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY

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

The University has entered into agreements with the Darden School Foundation in which the University has committed to reimburse the Darden School Foundation for any defaults the Darden School Foundation is required to pay under its student loan guarantee programs with three banks. As of June 30, 2020, there were outstanding student loan balances under the program of approximately $19.9 million. At the inception of the agreements with the banks, origination fees were used to fund reserve accounts that are to be used to cover subsequent student loan defaults. As of June 30, 2020, the reserve account balances totaled $417,389. No payments have been made to the Darden School Foundation related to student loan guarantee program defaults.

UPG has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately $128.6 million for the year ended June 30, 2020. Approximately $64 million of the fiscal year payments were provided through the Medical Center for the purpose of treating indigent and Medicaid patients. UPG contributed approximately $31.8 million to the University in support of various academic programs, equipment, teaching and research for the year ended June 30, 2020.

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

During fiscal year 2018, UVAF entered into an Investment Management Agreement with the University. Under the agreement, the University will, from time to time, deposit funds to be held in the custody and control of the Foundation, with the University retaining beneficial ownership of the funds. The funds will be invested and reinvested by the Foundation to the extent permitted by the agreement and provide other related services for or on behalf of the University, all for the benefit of the University. The total aggregate amount held by the Foundation shall not exceed $100 million. Furthermore, funds from the agreement were used to pay off the affiliated notes payable agreements. At June 30, 2020, the outstanding balance due to UVA was $76.6 million.

NOTE 9

Expense Classification Matrix

The composition of the University's operating expenses by functional classification for the year ended June 30, 2020, is as follows:

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION *(in thousands)*	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	$ 417,254	$ 36,060	$ 7,870	$ -	$ 1,161	$ 462,345
Research	284,668	134,380	22,944	-	927	442,919
Public service	26,890	22,369	776	-	491	50,526
Academic support	158,358	34,252	278	-	17,652	210,540
Student services	40,192	10,400	1,134	-	201	51,927
Institutional support	156,171	57,316	542	-	2,794	216,823
Operation of plant	104,335	18,760	-	-	210	123,305
Student aid	3,641	2,903	83,803	-	124	90,471
Auxiliary	88,751	88,064	509	-	846	178,170
Depreciation	-	-	-	150,108	-	150,108
Patient services	754,261	801,635	-	115,887	-	1,671,783
Other	6,921	(8,672)	-	-	-	(1,751)
Central services recoveries	-	(34,234)	-	-	-	(34,234)
TOTAL OPERATING EXPENSES	**$ 2,041,442**	**$ 1,163,233**	**$ 117,856**	**$ 265,995**	**$ 24,406**	**$ 3,612,932**

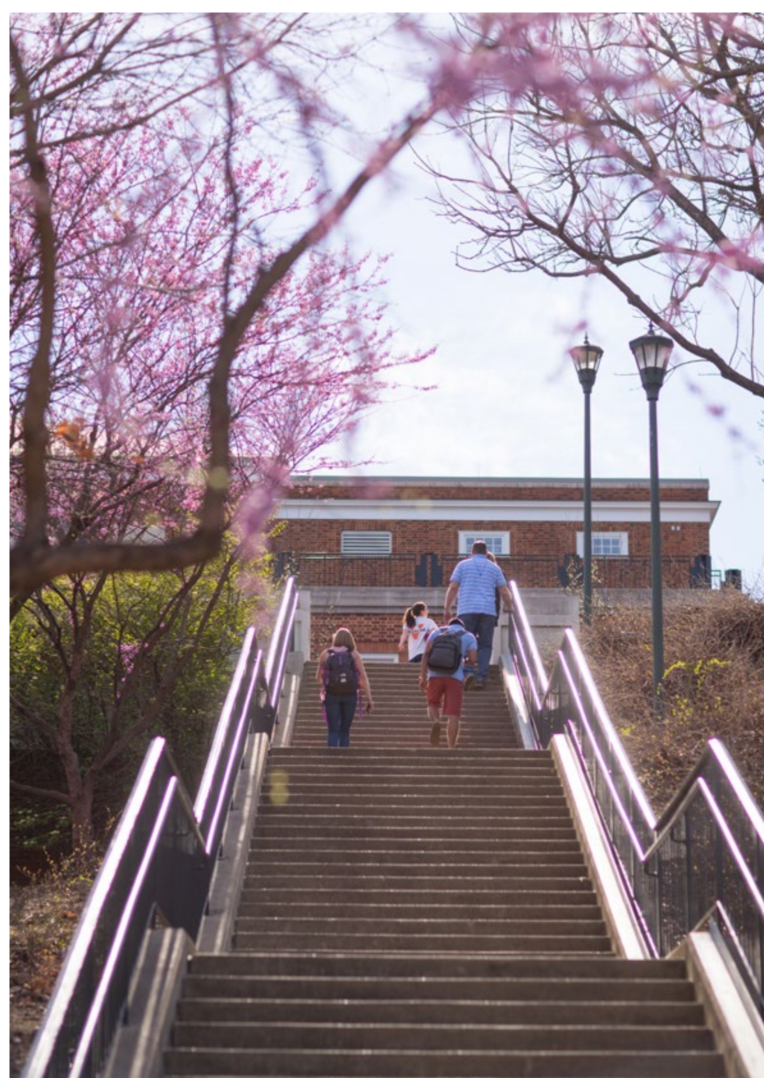
NOTE 10

Appropriations

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

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions for the year ended June 30, 2020, is provided in the following chart:

APPROPRIATIONS *(in thousands)*	
Original legislative appropriation per Chapter 854	$ 162,409
Adjustments:	
Financial aid - General Fund	15,809
Financial assistance for educational and general	13,192
Miscellaneous	1,232
TOTAL	**$ 192,642**



NOTE 11

Retirement Plans

VIRGINIA RETIREMENT SYSTEM

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

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. **Hybrid Opt-In Election** VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** **Defined Benefit Component:** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.</td>
<td>Vesting

Same as Plan 1.</td>
<td>Vesting

Defined Benefit Component:
Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit.

Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component:
Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

• After two years, a member is 50% vested and may withdraw 50% of employer contributions.
• After three years, a member is 75% vested and may withdraw 75% of employer contributions.
• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required except as governed by law.</td>
</tr>
<tr>
<td>Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</td>
<td>Calculating the Benefit

See definition under Plan 1.</td>
<td>Calculating the Benefit

Defined Benefit Component:
See definition under Plan 1.

Defined Contribution Component:
The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</td>
</tr>
</table>

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

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>Cost-of-Living Adjustment (COLA) In Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

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

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
• The member retires on disability.
• The member retires directly from short-term or long-term disability.
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</td>
<td>Cost-of-Living Adjustment (COLA) In Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1.

Exceptions to COLA Effective Dates:

Same as Plan 1.</td>
<td>Cost-of-Living Adjustment (COLA) In Retirement

Defined Benefit Component:
Same as Plan 2.

Defined Contribution Component:
Not applicable.

Eligibility:

Same as Plan 1 and Plan 2.

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2.</td>
</tr>
</table>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS-refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute five percent of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2020, was 13.52 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61 percent of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were $51.3 million and $50.9 million for the years ended June 30, 2020, and June 30, 2019, respectively. Contributions from the University to the VaLORS Retirement Plan were $763,052 and $718,919 for the years ended June 30, 2020, and June 30, 2019, respectively.

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

At June 30, 2020, the University reported a liability of $563 million for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability (NPL) and a liability of $6.1 million for its proportionate share of the VaLORS Retirement Plan NPL. The NPL was measured as of June 30, 2019, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The University's proportion of the NPL was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion of the VRS State Employee Retirement Plan was 8.91 percent as compared to 8.66 percent at June 30, 2018. At June 30, 2019, the University's proportion of the VaLORS Retirement Plan was 0.88 percent as compared to 0.89 percent at June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $75.3 million for the VRS State Employee Retirement Plan and $787,928 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018, and June 30, 2019, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

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

YEAR ENDING JUNE 30 *(in thousands)*	**DEFERRED OUTFLOWS OF RESOURCES**	**DEFERRED INFLOWS OF RESOURCES**
Differences between expected and actual experience	$ 11,793	$ 15,215
Change in assumptions	44,723	9
Net difference between projected and actual earnings on pension plan investments	-	14,172
Changes in proportion and differences between Employer contributions and proportionate share of contributions	20,438	3,758
Employer contributions subsequent to the measurement date	52,078	-
TOTAL	**$ 129,032**	**$ 33,154**

Deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date of $52.1 million will be recognized as a reduction of the NPL in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDING JUNE 30 *(in thousands)*	
2021	$ 22,176
2022	4,510
2023	15,987
2024	1,125
TOTAL	**$ 43,798**

Actuarial Assumptions: VRS State Employee Retirement Plan

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP - 2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increase rate from 14% to 25%
Discount rate	Decrease rate from 7% to 6.75%

Actuarial Assumptions: VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

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

Mortality rates:

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP - 2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decrease rate from 50% to 35%
Discount rate	Decrease rate from 7% to 6.75%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows:

NET PENSION LIABILITY *(in thousands)*	**STATE EMPLOYEE RETIREMENT PLAN**	**VaLORS RETIREMENT PLAN**
Total pension liability	$ 25,409,842	$ 2,190,025
Less: Plan fiduciary net position	(19,090,110)	(1,495,990)
EMPLOYERS' NET PENSION LIABILITY	**$ 6,319,732**	**$ 694,035**
Plan fiduciary net position as a percentage of the total pension liability	75.13%	68.31%

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

Long-Term Expected Rate of Return

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

ASSET CLASS (STRATEGY)	**TARGET ALLOCATION**	**ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN PLAN**	**WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN**
Public equity	34%	5.61%	1.91%
Fixed income	15%	0.88%	0.13%
Credit strategies	14%	5.13%	0.72%
Real assets	14%	5.27%	0.74%
Private equity	14%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6%	3.52%	0.21%
PIP - Private Investment Partnership	3%	6.29%	0.19%
TOTAL	**100%**		**5.13%**
Inflation			2.50%
Expected arithmetic nominal return*			7.63%

** The above allocation provides a one-year return of 7.63 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11 percent, including expected inflation of 2.5 percent. The VRS Board elected a long-term rate of 6.75 percent which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

SENSITIVITY OF NET PENSION LIABILITY *(in thousands)*	**1% DECREASE (5.75%)**	**CURRENT DISCOUNT RATE (6.75%)**	**1% INCREASE (7.75%)**
The University's proportionate share of the VRS State Employee Retirement Plan net pension liability	$ 826,992	$ 562,966	$ 341,015
The University's proportionate share of the VaLORS Retirement Plan net pension liability	8,618	6,136	4,087
TOTAL NET PENSION LIABILITY	**$ 835,610**	**$ 569,102**	**$ 345,102**

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan at June 30, 2019, was approximately $1.9 million for legally required contributions into the plans.

OPTIONAL RETIREMENT PLANS

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

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

Medical Center employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan where the retirement benefits received are based on the employer and employee contributions, all of which are paid by the Medical Center, plus interest and dividends. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately $70.6 million and were calculated using base salaries of $936.3 million, for the year ended June 30, 2020. The contribution percentage amounted to 7.5 percent.

DEFERRED COMPENSATION PLANS

State employees may elect to participate in the Commonwealth's Deferred Compensation 457 Plan and/or the University's 403(b) Plan. Participating employees can contribute to either plan each pay period, with the Commonwealth matching at 50 percent up to $20 per pay period. This dollar amount match can change depending on the funding available in the Commonwealth's budget. The Employer Matching Plan falls under Section 401(a) of the Internal Revenue Code. Employer contributions for University employees to the 401(a) plan were approximately $2.8 million for the year ended June 30, 2020.

The Deferred Compensation Plan for the University Medical Center employees hired on or after September 30, 2002, allows employee contributions up to four percent of their salary and an employer match of 50 percent of the employee's four percent deferral amount, not to exceed two percent of the employee's salary. Employer contributions under this plan were approximately $5 million for the year ended June 30, 2020.

The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and University Medical Center. The University makes contributions on behalf of each participant as determined by the Board of Visitors. For the year ended June 30, 2020, the University contributed $2.5 million to these accounts.

NOTE 12

Postemployment Benefits Other Than Pension Benefits

VIRGINIA RETIREMENT SYSTEM OTHER POSTEMPLOYMENT (OPEB) PLANS

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

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

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS

GLI	HIC	LODA	VSDP
Eligible Employees The GLI program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools 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.	**Eligible Employees** The HIC program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Employees who retire after being on long-term disability under VSDP must also have at least 15 years of service credit to qualify for the health insurance credit as a retiree. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.	**Eligible Employees** The eligible employees of the LODA program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, the SPORS, or the VaLORS.	**Eligible Employees** The VSDP, also known as the Disability Insurance Trust Fund, was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in the 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. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels. A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.

VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS			
GLI	**HIC**	**LODA**	**VSDP**
Benefit Amounts The benefits payable under the GLI program have several components: • **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. • **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option.	**Benefit Amounts** The HIC program provides the following benefits for eligible employees: • **At Retirement** – For State employees who retire with at least 15 years of service credit, the monthly benefit is $4 per year of service per month with no cap on the benefit amount. The monthly benefit cannot exceed the individual's premium amount. • **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the VSDP program, the monthly benefit is $120 or $4 per year of service, whichever is higher. For State police officers employees with a non-work-related disability who retire on disability or go on long-term disability under the VSDP program the monthly benefit is $120 or $4 per year of service, whichever is higher. For State police officers employees with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the LODA program. However, they may receive the credit for premiums paid for other qualified health plans. The monthly benefit cannot exceed the individual's premium amount.	**Benefit Amounts** The LODA program provides death and health insurance benefits for eligible individuals: • **Death** – The LODA death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: • $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. • $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. • An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **Health Insurance** – The LODA program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.	**Benefit Amounts** The VSDP provides the following benefits for eligible employees: • **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer. • **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. • **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP. • **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • **VSDP Long-Term Care Plan**– The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

<table>
<tr><th colspan="4">VIRGINIA RETIREMENT SYSTEM OPEB PLAN PROVISIONS</th></tr>
<tr><th>GLI</th><th>HIC</th><th>LODA</th><th>VSDP</th></tr>
<tr><td>Reduction in Benefit Amounts

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

Not applicable</td><td>Reduction in Benefit Amounts

Not applicable</td><td>Reduction in Benefit Amounts

Not applicable</td></tr>
<tr><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at $8,000 by statute 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 $8,463 as of June 30, 2020.</td><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

Not applicable</td><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

Not applicable</td><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

During periods an employee receives long-term disability benefits, the long-term disability benefit may be increased annually by an amount recommended by the actuary and approved by the Board.

• Plan 1 employees vested as of January 1, 2013 – 100% of the VRS Plan1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
• Plan 1 employee non-vested as of January 1, 2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
• 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4%

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

CONTRIBUTIONS

The contribution requirements for the GLI program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent (1.31 percent x 60 percent) and the employer component was 0.52 percent (1.31 percent x 40 percent). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI program from the University were $2 million and $1.9 million for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirement for the HIC program for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 1.17 percent of covered employee compensation for employees in the HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the HIC program were $15.4 million and $14.9 million for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirements for the LODA program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2020 was $705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from the University were $42,346 and $38,817 for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2020 was 0.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the University were $2.1 million and $2 million for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the University reported a liability of $201.3 million for its proportionate share of the Net OPEB Liability (NOL) for GLI, HIC, and LODA Programs. At June 30, 2020, the University reported an asset of $15.3 million for its proportionate share of the Net VSDP OPEB Asset (NOA). The NOL/(NOA) was measured as of June 30, 2019 and the total OPEB liability used to calculate the NOL/(NOA) was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

The University's proportion of the NOL/(NOA) for GLI, HIC, and VSDP was based on the University's actuarially determined employer contributions to those programs for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. The University's proportion of the LODA NOL was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. The schedule below presents the University's proportion at June 30, 2019 and June 30, 2018.

University's proportion of contributions, as of June 30, 2019

DIVISION	GLI	HIC	LODA	VSDP
Academic - State Employees	1.6645%	12.1544%	N/A	(7.5631%)
Academic - Law Officers	0.0140%	0.0404%	0.2419%	(0.0514%)
Medical Center	0.1711%	5.8934%	N/A	N/A
College at Wise - State Employees	0.0438%	0.2559%	N/A	(0.1874%)
College at Wise - Law Officers	0.0017%	0.0050%	0.0473%	(0.0070%)

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

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

For the year ended June 30, 2020, the University recognized OPEB expense of $19.2 million. Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the agency reported deferred outflows of resources and deferred inflows of resources related to the VRS administered OPEBs from the following sources:

YEAR ENDING JUNE 30 *(in thousands)*	**DEFERRED OUTFLOWS OF RESOURCES**	**DEFERRED INFLOWS OF RESOURCES**
Differences between expected and actual experience	$ 4,256	$ 3,075
Net difference between projected and actual earnings on OPEB plan investments	-	1,294
Change in assumptions	5,760	3,052
Changes in proportion	14,368	6,113
Employer contributions subsequent to the measurement date	19,525	-
TOTAL	**$ 43,909**	**$ 13,534**

$19.5 million reported as deferred outflows of resources related to the VRS administered OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEBs will be recognized in OPEB expense in future reporting periods as follows:

YEAR ENDING JUNE 30 *(in thousands)*	
2021	$ 2,254
2022	2,254
2023	2,940
2024	1,972
2025	1,014
Thereafter	416
TOTAL	**$ 10,850**

ACTUARIAL ASSUMPTIONS

The total OPEB liability for all VRS Programs was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent

Salary increases, including inflation per plan:

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

LODA Medical cost trend rates assumption:

Under age 65	7.25 percent – 4.75 percent
Ages 65 and older	5.50 percent – 4.75 percent

LODA Year of Ultimate Trend Rate:

Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028

Investment rate of return	6.75 percent (3.5 percent for LODA), net of pension plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75 percent (3.5 percent for LODA). However, since the difference was minimal, and a more conservative 6.75 percent (3.5 percent for LODA) investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75 percent (3.5 percent for LODA) to simplify preparation of the OPEB liabilities for GLI, HIC, and VSDP. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.5 percent was used since it approximates the risk-free rate of return.*

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

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

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increased rate from 14% to 25%
Discount rate	Decrease rate from 7% to 6.75%

Mortality rates – Teachers* (GLI)

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

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1 percent increase compounded from ages 70 to 90; females set back 3 years with 1.5 percent increase compounded from ages 65 to 70 and 2 percent increase compounded from ages 75 to 90.

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Discount rate	Decrease rate from 7% to 6.75%

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

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

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Increased rate from 60% to 85%
Discount rate	Decrease rate from 7% to 6.75%

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

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

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement rates	Increased age 50 rates and lowered rates at older ages
Withdrawal rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability rates	Adjusted rates to better match experience
Salary scale	No change
Line of duty disability	Decreased rate from 50% to 35%
Discount rate	Decrease rate from 7% to 6.75%

Mortality rates – JRS Employees* (GLI, HIC)

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

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount rate	Decrease rate from 7% to 6.75%

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

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

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

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; 110 percent of rates; females 125 percent of rates

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Lowered disability rates
Salary scale	No change
Line of duty disability	Increased rate from 14% to 20% (14% to 15% for Non-Largest Ten Locality Employers)
Discount rate	Decrease rate from 7% to 6.75%

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

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

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

Mortality rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement rates	Lowered retirement rates at older ages and increased age 50 rates for Non-Largest Ten Locality Employers
Withdrawal rates	Adjusted termination rates to better fit experience at each age and service year
Disability rates	Increased disability rates and adjusted rates to better match experience for Non-Largest 10 Locality Employers
Salary scale	No change
Line of duty disability	Increased rate from 60% to 70% for Largest Ten Locality Employers and decreased rate from 60% to 45% for Non-Largest Ten Locality Employers.
Discount rate	Decrease rate from 7% to 6.75%

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

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or net OPEB asset (NOA) for the VRS administered OPEB plans represent the programs' total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL and NOA amounts for these programs are as follows:

NET OPEB LIABILITY (ASSET) *(in thousands)*	GLI	HIC	LODA	VSDP
Total OPEB liability	$ 3,390,238	$ 1,032,094	$ 361,626	$ 292,046
Less: Plan fiduciary net position	(1,762,972)	(109,023)	(2,839)	(488,241)
EMPLOYER'S NET OPEB LIABILITY (ASSET)	**$ 1,627,266**	**$ 923,071**	**$ 358,787**	**$ (196,195)**
Plan fiduciary net position as a percentage of the total OPEB liability	52.00%	10.56%	0.79%	167.18%

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

Discount Rate

The discount rate used to measure the total GLI, HIC, and VSDP OPEB liability was 6.75 percent and 3.5 percent for the LODA OPEB liability. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the OPEBs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100 percent of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the OPEBs' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

ASSET CLASS (STRATEGY)	TARGET ALLOCATION	ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN PLAN	WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN
Public equity	34%	5.61%	1.91%
Fixed income	15%	0.88%	0.13%
Credit strategies	14%	5.13%	0.72%
Real assets	14%	5.27%	0.74%
Private equity	14%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6%	3.52%	0.21%
PIP - Private Investment Partnership	3%	6.29%	0.19%
TOTAL	**100%**		**5.13%**
Inflation			2.50%
Expected arithmetic nominal return*			7.63%

** The above allocation provides a one-year return of 7.63 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11 percent, including expected inflation of 2.5 percent. The VRS Board elected a long-term rate of 6.75 percent, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Long-Term Expected Rate of Return - LODA

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.5 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75 percent assumption. Instead, the assumed annual rate of return of 3.5 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

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

The following presents the University's proportionate share of the NOL/(NOA) using the discount rate of 6.75 percent (3.5 percent for LODA), as well as what the University's proportionate share of the NOL/(NOA) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

SENSITIVITY OF NET OPEB LIABILITY (ASSET) *(in thousands)*	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the VRS administered net OPEB liability	$ 229,443	$ 201,253	$ 177,507
Employer's proportionate share of the VRS administered net OPEB asset	(13,911)	(15,321)	(16,569)

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

Because the LODA program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the LODA NOL using a health care trend rate of 7.75 percent decreasing to 4.75 percent, as well as what the University's proportionate share of the LODA NOL would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

SENSITIVITY OF LODA NET OPEB LIABILITY *(in thousands)*	1% Decrease (6.75% decreasing to 3.75%)	Health Care Trend Rates (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA net OPEB liability	$ 877	$ 1,038	$ 1,240

VRS Administered OPEB Programs' Fiduciary Net Position

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

UNIVERSITY OF VIRGINIA OTHER POSTEMPLOYMENT (OPEB PLANS)

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

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

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

The University also provides dental benefits through the UVA Dental Plan for retirees enrolled in the UVA Health Plan that elected dental coverage. Enrollment in the UVA Dental Plan must be completed at initial enrollment in the health benefits program. Dental enrollment can also be added or dropped during the open enrollment period each year. If dropped by the employee, the employee and/or their covered family members will not be able to re-enroll in the dental plan. As of June 30, 2020, the premiums paid by retirees exceed dental claims, as such, there is no liability associated with this plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2020, the University and Medical Center contributed $288,252 to the plan for retiree costs. Retirees receiving benefits contributed $3.6 million, or approximately 92.5 percent of the total costs, through their required contributions, ranging from $757 to $3,895 per month.

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

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

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

At June 30, 2020, the University reported a total OPEB liability (TOL) for University administered programs of $64.6 million. The actuarial valuation was performed as of July 1, 2018 and rolled forward to the measurement date of June 30, 2019. Update procedures were used to roll-forward the census data and actuarially determined liability to the measurement date using standard methodology.

For the year ended June 30, 2020, the University recognized a negative OPEB expense of $611,413. The University also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

YEAR ENDING JUNE 30 *(in thousands)*	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	$ -	$ (24,670)
Changes in assumptions or other inputs	1,970	(22,923)
Transactions subsequent to the measurement date	294	-
TOTAL	**$ 2,264**	**$ (47,593)**

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

YEAR ENDING JUNE 30 *(in thousands)*	
2021	$ (7,476)
2022	(7,476)
2023	(7,476)
2024	(6,802)
2025	(3,765)
Thereafter	(12,628)
TOTAL	**$ (45,623)**

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	4 percent
Discount rate	3.51 percent, based on the Bond Buyer GO 20-Bond Municipal Bond Index.
Healthcare cost trend rates	7.25 percent for June 30, 2018, decreasing 0.25 percent per year to an ultimate rate of 5 percent for fiscal year 2027 and thereafter.
Retirees' share of benefit-related costs	Equal to applicable percentage of projected average claims based on all relevant assumptions described in this section, including health care trend rates, health care cost aging, and various demographic assumptions.
Mortality rates	For healthy annuitants: Pub TH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2019 for faculty and Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2019 for non-faculty. For disabled annuitants: Pub TH-2010 disabled mortality table projected generationally using Scale MP-2019 for faculty and Pub GH-2010 disabled mortality table projected generationally using Scale MP-2019 for non-faculty.

Total OPEB Liability

TOTAL OPEB LIABILITY *(in thousands)*	
BEGINNING BALANCE AS OF JUNE 30, 2019	**$ 58,329**
Changes for the year:	
Service cost	4,435
Interest	2,429
Expected vs actual experience	(2,871)
Changes in assumptions *	2,275
Benefit payments	(13)
ENDING BALANCE AS OF JUNE 30, 2020	**$ 64,584**

** Changes of assumptions reflect the following:*

- *A change in the discount rate from 3.87 percent in 2019 to 3.51 percent in 2020.*
- *A change in the employees and healthy annuitants mortality assumption from the Pub TH 2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for faculty and the Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2018 for non-faculty to the Pub TH 2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2019 for faculty and the Pub GH-2010 employees and healthy annuitants mortality table projected generationally using Scale MP-2019 for non-faculty.*
- *A change in the disability mortality assumption from the Pub TH 2010 disabled retirees mortality table projected generationally using Scale MP-2018 to the Pub TH 2010 disabled retirees mortality table projected generationally using Scale MP-2019.*

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

The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.51 percent) or one percentage point higher (4.51 percent) than the current discount rate:

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATE *(in thousands)*	1% DECREASE (2.51%)	DISCOUNT RATE (3.51%)	1% INCREASE (4.51%)
TOTAL OPEB LIABILITY	**$ 71,624**	**$ 64,584**	**$ 58,633**

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

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

SENSITIVITY OF TOTAL OPEB LIABILITY TO HEALTHCARE TREND RATE *(in thousands)*	1% DECREASE (6.25% DECREASING TO 4%)	HEALTHCARE TREND RATES (7.25% DECREASING TO 5.00%)	1% INCREASE (8.25% DECREASING TO 6%)
TOTAL OPEB LIABILITY	**$ 59,398**	**$ 64,584**	**$ 70,677**

NOTE 13

Self-Insurance

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments on June 30, 2020, was $50.1 million. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2020, was $8.6 million. The University has contracted with several third-party claims administrators: Aetna for its medical claims, United Concordia for its dental claims and OptumRx for its pharmacy claims.

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

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

NOTE 14

Commitments and Contingencies

COMMITMENTS

Authorized expenditures for construction and other projects unexpended as of June 30, 2020, were approximately $378.3 million.

The University has entered into numerous operating lease agreements to rent, lease, and maintain land, buildings, and equipment, which expire on various dates. In most cases, the University has renewal options on the leased assets for another similar term and expects that, in the normal course of business, these leases will be replaced by similar leases. Operating lease expense totaled approximately $32.7 million for the year ended June 30, 2020.

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

YEARS ENDING JUNE 30 *(in thousands)*	**LEASE OBLIGATION**
2021	$ 16,872
2022	11,671
2023	9,029
2024	5,734
2025	9,129
2026-30	11,733
2031-35	2,418
TOTAL	**$ 66,586**

LITIGATION

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

NOTE 15

Nonexchange Federal Grants

HIGHER EDUCATION EMERGENCY RELIEF FUNDING

During the fiscal year, the University was awarded $11.6 million from the CARES Act for the Higher Education Emergency Relief Fund (HEERF). $5.8 million will be used to provide students with emergency hardship support related to the disruption of on-Grounds operations due to COVID-19. The remaining $5.8 million, which will be drawn in fiscal year 2021, will be used to cover costs associated with refunding student housing and dining charges in the Spring 2020 semester.

As of June 30, 2020, the University had spent $1.7 million on emergency aid to students. The University's total refunds for housing and dining charges were in excess of the awarded HEERF amount.

CORONAVIRUS RELIEF FUNDING

During the fiscal year, the University and Medical Center were awarded a combined $26.7 million in Coronavirus Relief Funding (CRF) as federal pass-through funds from the Commonwealth of Virginia. At the University, the funds will primarily be used to reimburse computer and peripheral equipment used in distance learning, teleworking, telemedicine, COVID testing, personal protective equipment, and preparing Grounds for social distancing requirements. As of June 30, 2020, the University and Medical Center had spent $17 million towards these purposes.

Total nonexchange federal grants recognized as non-operating revenue during FY20 at the University and Medical Center are presented in the table below.

Nonexchange Federal Grants *(in thousands)*	UVA	UVA MEDICAL CENTER	TOTAL INSTITUTION
Higher Education Emergency Relief Funding	$ 7,570	$ -	$ 7,570
Coronavirus Relief Funding	740	16,287	17,027
Provider Relief Funding	-	40,412	40,412
TOTAL NONEXCHANGE FEDERAL GRANTS	**$ 8,310**	**$ 56,699**	**$ 65,009**

NOTE 16

Subsequent Events

On July 14, 2020, the University issued $600 million federally taxable General Revenue Pledge and Refunding Bonds, Series 2020. The bonds were issued with a coupon rate of of 2.256 percent and are due on September 1, 2050. The bonds are callable on March 1, 2050 for 100% of the principal amount to be redeemed and accrued interest. The bonds are also callable prior to March 1, 2050 for 100% of the principal amount to be redeemed, the sum of the present values of the remaining scheduled payments of principal and interest to the par call date, and accrued interest on the redemption date.

The proceeds will primarily be used to finance or refinance costs of capital projects at the University's academic facilities, working capital and general operating purposes, and refund a portion of the outstanding principal balance of the University's Series 2015B bonds originally issued to finance or refinance costs of capital projects at the University's academic facilities.

In conjunction with the Series 2020 bond issuance, the University terminated its fixed receiver swaps that were originally used as a hedging derivative for the Series 2015B bonds. The University received $1.5 million from the termination. Please refer to Note 6 for more information on the derivative instruments as of June 30, 2020.

In November 2020, UVA and the Medical Center were awarded a combined $20.6 million in additional Coronavirus Relief Funding to be used for qualifying expenditures directly relating to the response to the pandemic.

On September 19, 2020, HHS issued a Post-Payment Notice of Reporting Requirements for the PRF that were disbursed under the CARES Act. This notice changed guidance that had been previously communicated in June and July 2020. Key differences include introduction of the concept of calendar year measurement as opposed to quarterly measurement, the requirement to first apply stimulus monies received to healthcare related expenses attributable to COVID-19 (net of reimbursements from other sources), and change (negative change comparing 2020 over 2019) from lost revenues, as defined to net patient care operating income as defined, net of healthcare related expenses previously applied. These new requirements may result in a change in the amount of CARES Act stimulus funds the UVA Medical Center and University Physicians Group will be able to retain based on the terms and conditions. If the UVA Medical Center and the University Physicians Group do not expend PRF in full by December 31, 2020, they will have an additional six months through June 30, 2021, in which to use the remaining amounts toward expenses attributable to COVID-19 not reimbursed by other sources, or apply toward lost net patient care operating income in an amount not to exceed the calendar 2019 net gain. The definitions included in the Post-Payment Notice of Reporting Requirements may be subject to change or further interpretation. As a result, management cannot estimate the impact resulting from this change in guidance. management will continue to evaluate and monitor compliance with the terms and conditions through June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

VIRGINIA RETIREMENT SYSTEM PENSION PLANS

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY*
(in thousands)

	VRS STATE EMPLOYEE RETIREMENT PLAN					
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	8.91%	8.66%	8.59%	8.28%	8.19%	8.12%
Employer's proportionate share of the net pension liability	$ 562,966	$ 468,658	$ 500,697	$ 545,568	$ 501,446	$ 454,655
Covered payroll	$ 393,943	$ 371,724	$ 352,738	$ 332,184	$ 318,920	$ 314,268
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.91%	126.08%	141.95%	164.24%	157.23%	144.67%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

** The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only six years of data are presented. However, additional years will be included as they become available.*

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (CONTINUED)*
(in thousands)

	VaLORS RETIREMENT PLAN					
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.88%	0.89%	0.87%	0.80%	0.86%	0.79%
Employer's proportionate share of the net pension liability	$ 6,137	$ 5,548	$ 5,689	$ 6,218	$ 6,144	$ 5,294
Covered payroll	$ 4,011	$ 3,367	$ 3,255	$ 3,085	$ 3,036	$ 3,088
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	153%	164.78%	174.78%	201.56%	202.37%	171.44%
Plan fiduciary net position as a percentage of the total pension liability	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

** The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only six years of data are presented. However, additional years will be included as they become available.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS* (in thousands) PLAN		CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTION DEFICIENCY	EMPLOYER'S COVERED PAYROLL	CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL
VRS State Employee Retirement Plan	2020	$ 51,315	$ 51,315	$ -	$ 387,464	13.24%
	2019	50,862	50,862	-	393,943	12.91%
	2018	47,979	47,979	-	371,724	12.91%
	2017	46,238	46,238	-	352,738	13.11%
	2016	44,925	44,925	-	332,184	13.52%
	2015	37,781	37,781	-	318,920	11.85%
VaLORS Retirement Plan	2020	$ 763	$ 763	$ -	$ 3,640	20.96%
	2019	719	719	-	4,011	17.92%
	2018	649	649	-	3,367	19.28%
	2017	643	643	-	3,255	19.75%
	2016	570	570	-	3,085	18.48%
	2015	498	498	-	3,036	16.40%

** Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only six years of data are presented. However, additional years will be included as they become available.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM PENSION PLANS

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

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

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Line of Duty Disability rate increased from 14 percent to 25 percent
- Discount rate decreased from 7 percent to 6.75 percent

The following changes in actuarial assumptions were made for the VRS State Employee Retirement Plan effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Update mortality table to RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Increased age 50 retirement rates and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Decrease service related disability rate from 50 percent to 35 percent
- Discount rate decreased from 7 percent to 6.75 percent

POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - VIRGINIA RETIREMENT SYSTEM OPEBS

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET)* *(in thousands)*	2020	2019	2018
EMPLOYER'S PROPORTION OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE			
GLI OPEB Liability (Asset)			
University Employees - VRS	1.664%	1.619%	1.586%
University Employees - VaLORS	0.014%	0.014%	0.014%
Medical Center Employees - VRS	0.171%	0.184%	0.186%
College at Wise Employees - VRS	0.044%	0.046%	0.047%
College at Wise Employees - VaLORS	0.002%	0.002%	0.002%
HIC OPEB Liability (Asset)			
University Employees - VRS	12.154%	11.596%	11.325%
University Employees - VaLORS	0.040%	0.040%	0.040%
Medical Center Employees - VRS	5.893%	6.533%	6.386%
College at Wise Employees - VRS	0.256%	0.249%	0.255%
College at Wise Employees - VaLORS	0.005%	0.006%	0.006%
LODA OPEB Liability (Asset)			
University Employees - VRS	N/A	N/A	N/A
University Employees - VaLORS	0.242%	0.272%	0.268%
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VaLORS	0.047%	0.048%	0.047%
VSDP OPEB Liability (Asset)			
University Employees - VRS	(7.563%)	(7.309%)	(7.259%)
University Employees - VaLORS	(0.051%)	(0.051%)	(0.052%)
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	(0.187%)	(0.197%)	(0.203%)
College at Wise Employees - VaLORS	(0.007%)	(0.008%)	(0.008%)
EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) BY PLAN AND EMPLOYEE TYPE			
GLI OPEB Liability (Asset)			
University Employees - VRS	$ 27,086	$ 24,583	$ 23,866
University Employees - VaLORS	218	216	216
Medical Center Employees - VRS	2,785	2,793	2,794
College at Wise Employees - VRS	713	704	713
College at Wise Employees - VaLORS	28	30	31
HIC OPEB Liability (Asset)			
University Employees - VRS	$ 112,193	$ 105,773	$ 103,119
University Employees - VaLORS	373	366	368
Medical Center Employees - VRS	54,400	59,595	58,152
College at Wise Employees - VRS	2,362	2,268	2,324
College at Wise Employees - VaLORS	46	51	52
LODA OPEB Liability (Asset)			
University Employees - VRS	N/A	N/A	N/A
University Employees - VaLORS	$ 868	$ 852	$ 705
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VaLORS	170	150	124
VSDP OPEB Liability (Asset)			
University Employees - VRS	$ (14,838)	$ (16,471)	$ (14,896)
University Employees - VaLORS	(101)	(116)	(107)
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	(368)	(443)	(417)
College at Wise Employees - VaLORS	(14)	(18)	(17)

** The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.*

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (ASSET) (CONTINUED)* *(in thousands)*	2020	2019	2018
EMPLOYER'S COVERED PAYROLL			
GLI OPEB Liability (Asset)			
University Employees - VRS	$ 326,293	$ 307,783	$ 292,551
University Employees - VaLORS	2,753	2,704	2,772
Medical Center Employees - VRS	33,547	34,969	40,629
College at Wise Employees - VRS	8,595	8,812	8,532
College at Wise Employees - VaLORS	342	376	375
HIC OPEB Liability (Asset)			
University Employees - VRS	$ 828,243	$ 780,764	$ 739,172
University Employees - VaLORS	2,753	2,700	2,761
Medical Center Employees - VRS	401,596	439,856	423,097
College at Wise Employees - VRS	17,438	16,734	15,960
College at Wise Employees - VaLORS	342	376	378
LODA OPEB Liability (Asset)**			
University Employees - VRS	N/A	N/A	N/A
University Employees - VaLORS	$ 3,624	$ 3,019	$ 3,254
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VaLORS	387	348	375
VSDP OPEB Liability (Asset)			
University Employees - VRS	$ 306,127	$ 288,230	$ 291,594
University Employees - VaLORS	2,080	2,030	2,237
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	7,587	7,762	7,993
College at Wise Employees - VaLORS	281	315	336
EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL			
GLI OPEB Liability (Asset)			
University Employees - VRS	8.301%	7.987%	8.158%
University Employees - VaLORS	8.299%	7.988%	7.792%
Medical Center Employees - VRS	8.301%	7.987%	6.877%
College at Wise Employees - VRS	8.300%	7.989%	8.357%
College at Wise Employees - VaLORS	8.279%	7.979%	8.267%
HIC OPEB Liability (Asset)			
University Employees - VRS	13.546%	13.547%	13.951%
University Employees - VaLORS	13.546%	13.556%	13.329%
Medical Center Employees - VRS	13.546%	13.549%	13.744%
College at Wise Employees - VRS	13.546%	13.553%	14.561%
College at Wise Employees - VaLORS	13.549%	13.564%	13.757%
LODA OPEB Liability (Asset)**			
University Employees - VRS	N/A	N/A	N/A
University Employees - VaLORS	23.949%	28.221%	21.666%
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VaLORS	43.880%	43.103%	33.067%
VSDP OPEB Liability (Asset)			
University Employees - VRS	(4.847%)	(5.715%)	(5.108%)
University Employees - VaLORS	(4.846%)	(5.714%)	(4.783%)
Medical Center Employees - VRS	N/A	N/A	N/A
College at Wise Employees - VRS	(4.847%)	(5.707%)	(5.217%)
College at Wise Employees - VaLORS	(4.853%)	(5.714%)	(5.060%)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY			
GLI OPEB Liabiliity	52.00%	51.22%	48.86%
HIC OPEB Liability	10.56%	9.51%	8.03%
LODA OPEB Liability	0.79%	0.60%	1.30%
VSDP OPEB Liability	167.18%	194.74%	186.63%

** The amounts presented have a measurement date of the previous fiscal year end. Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.*

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

Required Supplementary Information (Unaudited)

SCHEDULE OF EMPLOYER CONTRIBUTIONS* *(in thousands)*		**CONTRACTUALLY REQUIRED CONTRIBUTION**	**CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION**	**CONTRIBUTION DEFICIENCY**	**EMPLOYER'S COVERED PAYROLL**	**CONTRIBUTIONS AS A % OF EMPLOYER'S COVERED PAYROLL**
GLI	2020	$ 2,013	$ 2,013	$ -	$ 389,158	0.52%
	2019	1,932	1,932	-	371,530	0.52%
	2018	2,069	2,069	-	354,644	0.58%
HIC	2020	$ 15,383	$ 15,383	$ -	$ 1,307,498	1.18%
	2019	14,907	14,907	-	1,250,372	1.19%
	2018	14,721	14,721	-	1,240,430	1.19%
LODA**	2020	$ 42	$ 42	$ -	$ 3,640	1.16%
	2019	39	39	-	4,011	0.97%
	2018	35	35	-	3,367	1.04%
VSDP	2020	$ 2,086	$ 2,086	$ -	$ 336,012	0.62%
	2019	1,962	1,962	-	316,075	0.62%
	2018	1,970	1,970	-	298,337	0.66%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - VIRGINIA RETIREMENT SYSTEM OPEBS

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Additional details regarding the changes of assumptions can be found in Note 12 to the financial statements.

POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS - UVA ADMINISTERED OPEBS

TOTAL OPEB LIABILITY AND RELATED RATIOS* *(in thousands)*	2020	2019	2018
TOTAL OPEB LIABILITY			
Retiree Health Plan	$ 48,640	$ 44,652	$ 78,230
Optional Retirement Retiree Life Insurance	15,944	13,677	22,851
COVERED-EMPLOYEE PAYROLL			
Retiree Health Plan	$ 543,660	$ 522,750	$ 482,636
Optional Retirement Retiree Life Insurance	347,724	334,350	481,884
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL			
Retiree Health Plan	8.95%	8.54%	16.21%
Optional Retirement Retiree Life Insurance	4.59%	4.09%	4.74%

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TOTAL OPEB LIABILITY* *(in thousands)*	2020	2019	2018
BEGINNING BALANCE	**$ 58,329**	**$ 101,081**	**$ 96,696**
Changes for the year:			
Service cost	4,435	7,849	8,200
Interest	2,429	3,883	2,932
Changes in terms	-	-	4,736
Expected vs actual experience	(2,871)	(28,669)	-
Changes in assumptions	2,275	(24,864)	(7,401)
Benefit payments	(13)	(951)	(4,082)
ENDING BALANCE	**$ 64,584**	**$ 58,329**	**$ 101,081**

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - UVA ADMINISTERED OPEBS

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

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

Financial Report 2019-20

Prepared by UVAFinance

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