



Financial Report
For the year ended June 30, 2022
Audited

**University of
Mary Washington**

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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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

The University’s financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB 37, 38 and 63. The three required financial statements are the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections.

Using criteria provided in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity Omnibus, amendments to GASB Statement 14 and 34*, the University’s two affiliated organizations were evaluated on the nature and significance of their relationship to the University. The University of Mary Washington Alumni Association is not considered a component unit, however information regarding its financial activity can be found in Note 19 of the *Notes to the Financial Statements*. The University of Mary Washington Foundation was determined to be a component unit and is presented in a separate column on the University’s financial statements. The Foundation is not part of this MD&A, but additional detail regarding its financial activities can be found in Note 20 of the *Notes to the Financial Statements*.

Overview

The University of Mary Washington (UMW) is one of Virginia’s outstanding public liberal arts universities. UMW is a premier, selective, coeducational, public institution accredited by the Southern Association for Colleges and Schools Commission on Colleges (SACSCOC) offering graduate and undergraduate degrees. The University is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia’s *Annual Comprehensive Financial Report*. The twelve members of the University of Mary Washington’s Board of Visitors govern University operations. Members of the board are appointed by the Governor of Virginia.

In addition to its primary location in the heart of historic Fredericksburg, Virginia, UMW has two other campuses – one in Stafford, which caters to graduate degree and continuing education programs, and another in Dahlgren offering continuing education and professional development courses for the region’s engineers, scientists and administrative professionals. There are three academic colleges – arts and sciences, business, and education – all of which produce graduates who are critical thinkers prepared to succeed. The University operates a Center for Economic Development, that connects faculty and students with regional initiatives and businesses seeking their assistance. The University also oversees the James Monroe Museum and Law Library in historic Fredericksburg and the Gari Melchers’ Home and Studio at Belmont in neighboring Stafford.

UMW’s College of Business is fully accredited by the Association to Advance Collegiate Schools of Business (AACSB), an accreditation earned by only 5% of the world’s schools offering business degrees. The College of Education’s initial-licensure and advanced-level educator preparation programs are accredited by the Council for the Accreditation of Educator Preparation (CAEP). Chemistry has been approved by the American Chemical Society (ACS) to offer certified degrees in chemistry, and the baccalaureate degree in nursing is accredited by the Commission on Collegiate Nursing Education.

The University continues to receive national recognition for its programs and value. The *U.S. News & World Report, 2023 Best Colleges* ranked UMW 11th among public liberal arts colleges and 149th among national liberal arts colleges, both public and private. The guide also included UMW on its “Top Performers for Social Mobility” list. *The Princeton Review, 2023*, named UMW one of “The Best 388 Colleges”, and the *Fiske Guide to Colleges, 2023* included UMW on the list of the top 300 “best and most interesting” public and private colleges and universities in the nation, Canada, Great Britain and Ireland. The University was recognized as a *Top Producer of Student Fulbright Awards* by the U.S. Department of State’s Bureau of Educational and Cultural Affairs. The University also earned the “Great Colleges to Work For” distinction, which is one of the largest and most respected workplace recognition programs in the country.

There are approximately 3,660 undergraduate students enrolled at the Fredericksburg campus and about 300 students enrolled in professional studies and graduate programs. Students at UMW learn from master teachers, more than 86 percent of whom have earned a doctorate or other terminal degree in their field. The University has no graduate teaching assistants. UMW offers more than 50 majors, 41 minors and 4 graduate degree programs. Additionally, UMW students participate in a rich array of undergraduate research, internships and study abroad programs, along with leadership, service and recreational opportunities. UMW’s 19 intercollegiate athletic teams compete in the NCAA Division III Coast to Coast Athletic Conference, the Metropolitan Swim Conference and the Coastal Lacrosse Conference. The University also offers over 20 club sports and outstanding recreational facilities, including a fitness center and an indoor and outdoor tennis complex.

A strategic vision for the University was adopted and approved by the Board of Visitors in 2017. The University’s strategic goals include promoting service and community and civic engagement, immersing students in applied and impactful learning experiences, adapting the liberal arts to an age of acceleration and a global digital environment, and creating a diverse and inclusive community as an essential requirement for academic excellence and academic success.

The COVID-19 pandemic continued to impact UMW in fiscal year 2022, though not as severely as in the previous two fiscal years. The University remained committed to mitigating the spread of COVID-19 by monitoring the situation locally and nationally, informing the campus of new variants, reminding the campus of the importance of vaccination, requiring masks indoors, offering testing and maintaining isolation and quarantine spaces for residential students. The University continued to purchase personal protective equipment and cleaning supplies to help slow the spread of COVID-19 and its variants.

The U.S. Department of Education provided Higher Education Emergency Relief Funds (HEERF) to the University in fiscal year 2022 totaling \$2.65 million for institutional support. The University used the funds to recoup some of the housing and dining revenue losses and to offset additional costs for PPE, cleaning supplies and COVID-19 testing. In addition, the University received \$2.2 million in HEERF funding for direct support of our students.

Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University’s financial position.

The data presented aids readers in determining the assets available to continue operations of the University. It also allows readers to determine how much the University owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of net position and its availability for expenditure by the University. Sustained increases in net position over time are one indicator of the financial health of the organization.

The University's net position is made up of the following.

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

As reflected in the chart below, GASB 87, *Leases*, required restatement of prior year assets, liabilities and net investment in capital assets. GASB 87 is further discussed in Note 2. The University's total assets and deferred outflows increased \$8.4 million, or 1.7%, during fiscal year 2022, bringing total assets and deferred outflows to \$516.1 million at year end. Current assets grew \$8.3 million, or 28.0%, primarily due to the increase in unrestricted cash resulting from debt savings related to the Commonwealth's refinancing of debt in fiscal year 2021 that deferred principal payments on debt in fiscal years 2022 and 2023. In addition, the University recognized revenue from student housing assets that were acquired by the University from the Foundation at the end of fiscal year 2021.

Net capital assets includes land, construction in progress (CIP), buildings, infrastructure, improvements, equipment and intangible right-to-use leased assets less depreciation and amortization. The University's net capital assets grew \$3.2 million reflecting the completion of Seacobeck and Virginia Hall renovations. Capital assets are discussed further in the following section and in Note 6.

Virginia Retirement System (VRS) pension and other post-employment benefits transactions, as required by GASB 68 and GASB 75, make up \$7.7 million of deferred outflows of resources and debt related deferred outflows make up the remaining \$1.4 million.

Pension and other post-employment benefit transactions account for the \$3.2 million decrease in deferred outflows of resources. Deferred outflows of resources represent the consumption of net assets applicable to a future reporting period.

The University's liabilities and deferred inflows decreased \$16.0 million, or 4.5%, during fiscal year 2022 bringing total liabilities and deferred inflows to \$335.9 million. The decrease is primarily due to a decrease in pension liabilities resulting from large investment returns experienced by VRS.

Summary of Statement of Net Position

For the years ended June 30, 2022 and 2021

(All \$ in millions)

	2022	2021 *	Change Amount	Change Percent
Assets				
Current assets	\$ 37.9	\$ 29.6	\$ 8.3	28.0%
Net capital assets *	452.7	449.5	3.2	0.7%
Other assets	16.4	16.3	0.1	0.6%
Deferred outflows of resources	9.1	12.3	(3.2)	(26.0)%
Total assets & deferred outflows	<u>516.1</u>	<u>507.7</u>	<u>8.4</u>	<u>1.7%</u>
Liabilities				
Current liabilities	24.0	27.2	(3.2)	(11.8)%
Noncurrent liabilities *	285.7	314.2	(28.5)	(9.1)%
Deferred inflows of resources	26.2	10.5	15.7	149.5%
Total liabilities & deferred inflows	<u>335.9</u>	<u>351.9</u>	<u>(16.0)</u>	<u>(4.5)%</u>
Net position				
Net investment in capital assets*	195.0	191.6	3.4	1.8%
Restricted	9.1	1.9	7.2	378.9%
Unrestricted	(23.9)	(37.7)	13.8	(36.6)%
Total net position *	<u>\$180.2</u>	<u>\$155.8</u>	<u>\$24.4</u>	<u>15.7%</u>

*GASB 87, *Leases*, required restatement

Noncurrent liabilities of \$285.7 million make up the majority of the total liabilities and deferred inflows of resources. The noncurrent liabilities total is made up of capital debt of \$249.9 million, debt on leases of \$5.6 million, pension and other post-employment benefit liabilities of \$29.6 million, Federal Perkins Loan liabilities of \$0.4 million, and accrued compensated absences of \$0.2 million. Current liabilities of \$24.0 million is the combination of debt payments due within one year (\$2.8 million), the current portion of other post-employment benefit liabilities and accrued compensated absences (\$1.6 million), leases payable within one year (\$0.9 million), vendor and retainage payable (\$3.5 million), a securities lending obligation (\$0.6 million), accrued salaries payable (\$6.8 million), interest payable (\$2.7 million) and unearned revenue and deposits payable (\$4.9 million) and amounts due to the Foundation (\$0.2 million).

The University did not incur additional debt in fiscal year 2022, nor was it required to make principal payments on debt that was refinanced by the Virginia Department of Treasury in fiscal year 2021. Total current and noncurrent capital debt decreased \$3.6 million. Pension and other post-employment benefit liabilities decreased \$23.6 million due to VRS's large returns on investments. In addition to recording intangible right-to-use-assets, GASB 87, *Leases*, requires recognition of lease liability. UMW recorded a \$6.6 million lease liability and a \$1.0 million financed purchase in fiscal year 2022. Debt and other noncurrent liabilities are further discussed in Notes 8, 9 and 10.

Debt related deferred inflows of resources make up \$1.6 million of total deferred inflows of resources. VRS pension and other post-employment benefit transactions make up \$23.7 million of deferred inflows of resources. The \$15.7 million increase in deferred inflows of resources is due to the large investment returns experienced by VRS. Deferred inflows of resources represent the acquisition of net assets applicable to a future reporting period.

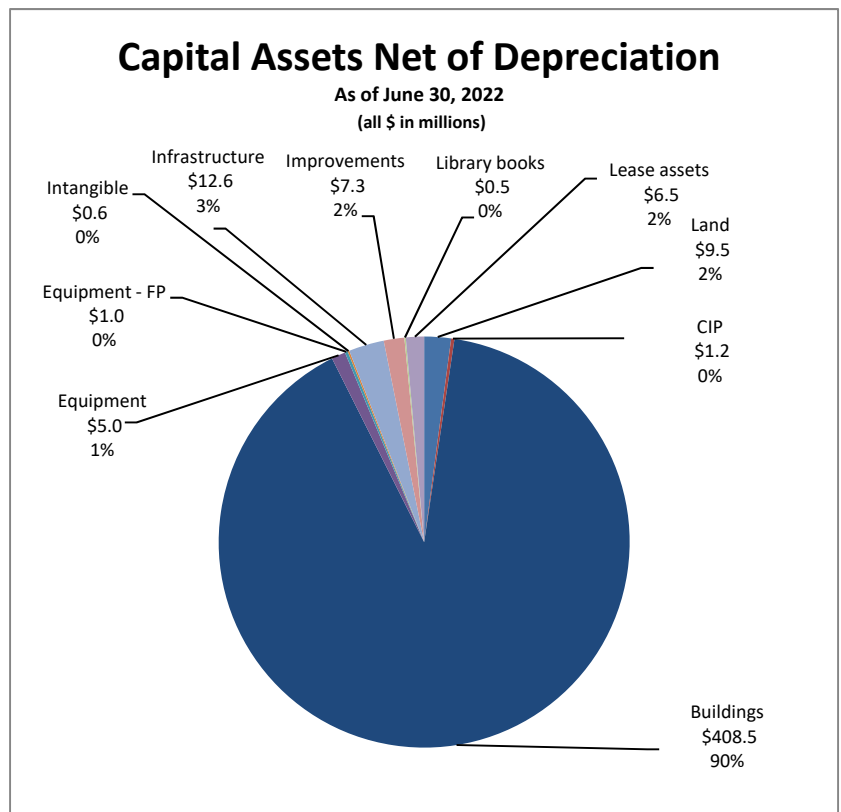
The University's net investment in capital assets increased \$3.4 million primarily due to capital expenditures for the Seacobeck renovation being financed by state appropriations. The University's restricted net position increased \$7.2 million due to unspent capital appropriations relating to the fine arts complex project. Funds will be reappropriated in fiscal 2023. Unrestricted net position is negatively impacted by the GASB 68 and GASB 75 requirements to record net pension liability and other post-employment benefits liabilities. Those liabilities contributed \$44.5 million to the negative unrestricted net position.

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs and residential lifestyles.

Construction in Progress	
For the year ended June 30, 2022 (All \$ in millions)	
	Project Amount
Fine arts	1.1
Other	0.1
Total construction in progress	\$ 1.2

Note 6 of the *Notes to Financial Statements* describes the University's investment in depreciable and non-depreciable capital assets in more detail. The table above indicates capital projects still in progress at year end. The University saw a net decrease in



construction in progress of \$42.8 million, due to completion of Virginia Hall and Seacobeck renovation, bringing total construction in progress to \$1.2 million at fiscal year-end. The completed renovations were capitalized and are reflected in buildings. Underground utility work is reflected in infrastructure. The University also added \$1.5 million in instructional and research equipment and library books to capital assets in fiscal year 2022. The chart on the previous page shows capital assets net of depreciation by category. Capital assets are further described in Note 6.

Capital projects in progress carry commitments to construction contractors, architects, and engineers totaling \$9.6 million at June 30, 2022. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Additional information can be obtained in Note 13 of the *Notes to Financial Statements*.

Notes 8, 9 and 10 of the *Notes to Financial Statements* contain information about the long-term liabilities of the University. All debt of the University is directly related to the acquisition of capital assets.

Statement of Revenues, Expenses, and Changes in Net Position

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

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the University. Operating expenses are expenditures made to acquire or procure the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest operating expenses. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts included in non-operating revenues provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, will expect to show an operating loss.

COVID-19 continued to impact University students, faculty and staff and University operations. As previously discussed, the University continued efforts to mitigate the spread of COVID-19 by requiring masks, offering testing, and maintaining quarantine and isolation spaces, providing personal protective equipment, cleaning supplies and COVID-19 testing. The University was provided some relief through federal programs developed to assist colleges and universities during the pandemic.

Operating Revenue

The summary of revenue table displays operating, non-operating and other revenue changes from the prior year. The University's total operating revenue increased \$10.8 million, 19.7%, from the previous fiscal year. Auxiliary enterprises revenue increased \$13.3 million, 46.5%, due to residential students being in on campus housing for full semesters in fiscal year 2022. In previous years, auxiliary enterprises revenue was impacted by shortened on-campus semesters due to COVID-19. While auxiliary fees, room and board rates increased, enrollment decreased resulting in lower student tuition and fees revenue.

The \$1.0 million increase in other operating revenue reflects the reopening of museum operations and facility rentals. Grants and contracts revenue was negatively impacted by COVID-19 in the two previous fiscal years.

The \$0.7 million increase in fiscal year 2022 marks a slow return to pre-COVID revenue.

Summary of Revenue

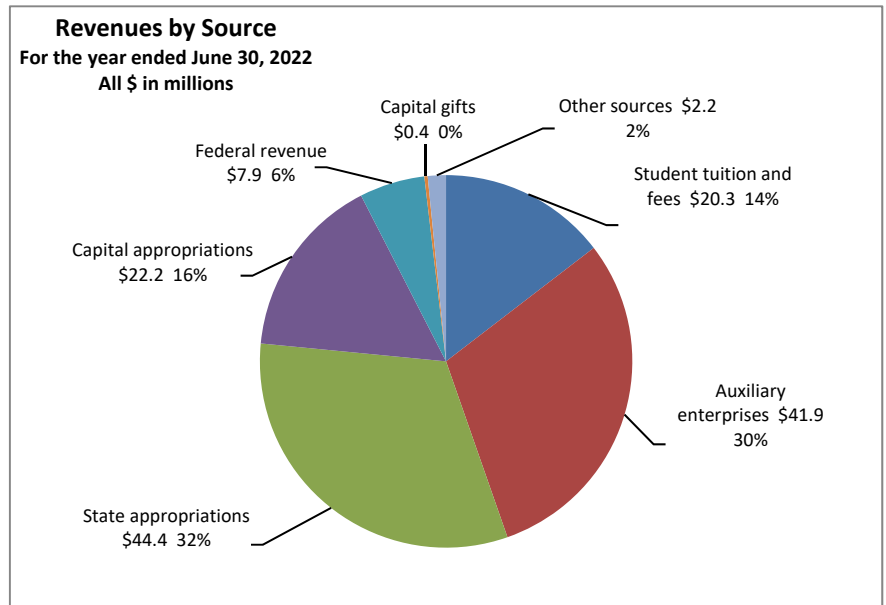
For the years ended June 30, 2022 and 2021
(All \$ in millions)

	2022	2021	Change Amount	Change Percent
Operating revenue				
Student tuition and fees, net	\$ 20.3	\$ 24.5	\$(4.2)	(17.1)%
Grants and contracts	2.2	1.5	0.7	46.7%
Auxiliary enterprises, net	41.9	28.6	13.3	46.5%
Other operating revenue	1.2	0.2	1.0	500.0%
Total operating revenue	65.6	54.8	10.8	19.7%
Non-operating revenue				
State appropriations	44.4	36.2	8.2	22.7%
Federal Pell grant revenue	3.6	3.9	(0.3)	(7.7)%
Other non-operating	3.1	9.5	(6.4)	(67.4)%
Total non-operating	51.1	49.6	1.5	3.0%
Other revenue				
Capital appropriations	22.2	16.1	6.1	37.9%
Capital gifts and	0.4	0.1	0.3	300.0%
Total other revenue	22.6	16.2	6.4	39.5%
Total revenue	\$139.3	\$120.6	\$18.7	15.5%

Non-Operating and Other Revenue

Non-operating revenue increased \$1.5 million, 3.0%, in fiscal year 2022. State appropriations increased \$8.2 million. The \$6.4 million decrease in other non-operating revenue reflects the decrease in Higher Education Emergency Relief Funds (HEERF) from the previous fiscal year. The University recorded \$2.2 million in HEERF money for student support and \$0.3 million for institutional support in fiscal year 2022.

Other revenue consists of capital appropriations and capital gifts and contributions. Capital appropriations increased \$6.1 million due to continued construction of Seacobeck and continued work to replace underground utilities. Capital gifts of \$0.4 million includes equipment donations from the foundation and donated library books.



Total Expenses

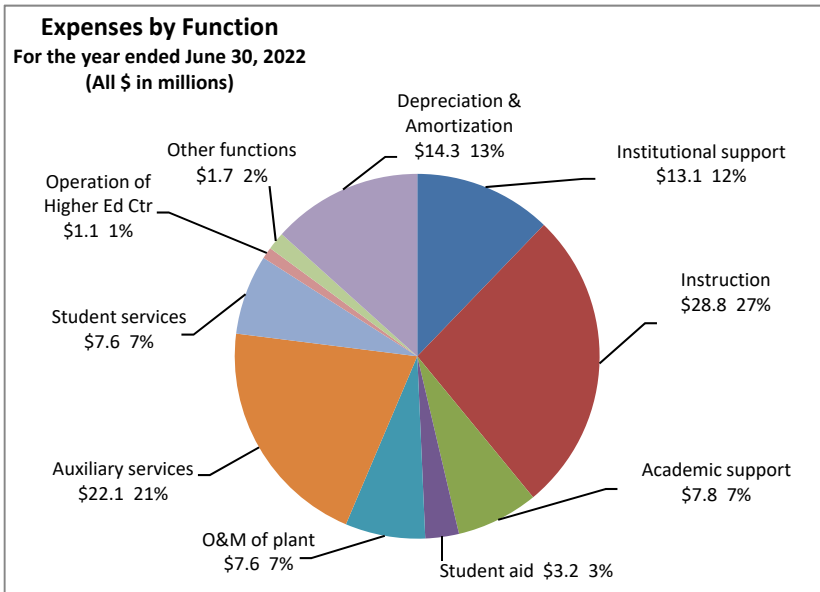
The expenses of the University can also be separated into operating and non-operating expenses. The operating expenses of the University can be divided either by natural classification or by function. Note 11 in the *Notes to Financial Statements* displays the correlation between the two different methods of classification. Functional classification is the method presented in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Overall, the operating expenses of the University increased \$7.2 million, 7.2%, in fiscal year 2022. The adjacent table provides a year to year comparison of operating expenses by function. Expenses in fiscal year 2021 were abnormally low due to the University's response to COVID-19, including fewer days on campus for residential students and furloughing employees. While cost saving measures were still in place in fiscal year 2022, the University returned to full semesters on campus, and the workforce was not furloughed.

Summary of Expenses by Function

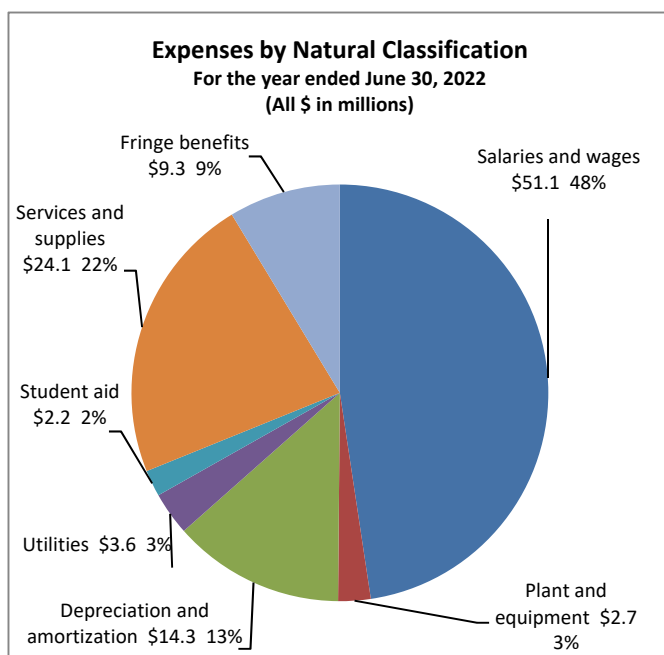
For the years ended June 30, 2022 and 2021
(All \$ in millions)

	2022	2021	Change Amount	Change Percent
Operating expenses				
Instruction	\$28.8	\$29.6	\$(0.8)	(2.7)%
Research	0.2	0.2	0.0	0.0%
Public service	0.5	0.4	0.1	25.0%
Academic support	7.8	7.6	0.2	2.6%
Student services	7.6	7.1	0.5	7.0%
Institutional support	13.1	13.1	0.0	0.0%
Operation & maintenance of plant	7.6	7.1	0.5	7.0%
Depreciation and amortization*	14.3	9.7	4.6	47.4%
Student aid	3.2	3.0	0.2	6.7%
Auxiliary services	22.1	20.3	1.8	8.9%
Operation of Higher Ed. Centers	1.1	1.2	(0.1)	(8.3)%
Museum & cultural services	0.7	0.5	0.2	40.0%
Historic attraction management	0.3	0.3	0.0	0.0%
Total operating expenses	\$107.3	\$ 100.1	\$7.2	7.2%
*GASB 87, Leases, required restatement				



When looking at the expenses of the University by function, the largest expenses are those of instruction and auxiliary services. These functions represent the core of any University – the education of students as well as their housing and dining. The largest increase in operating expenses was in auxiliary services, \$1.8 million or 8.9%. This reflects the return to full residential semesters and increased student activities. The \$4.6 million increase in depreciation and amortization is due to the annualized depreciation on assets acquired from the foundation at the end of the fiscal year 2021, along with the addition of amortization on intangible right-to-use leased assets related to GASB 87.

When looking at the expenses of the University by natural classification the largest expenses incurred are those for salaries and wages of employees. The \$4.8 million decrease in fringe benefits is directly related to the VRS and OPEB entries required by GASB 68 and 75 and the positive returns on investments during fiscal year 2022. Increases in services and supplies, plant and equipment and utilities reflect the return to campus and full residential semesters.



Summary of Expenses by Natural Classification

For the years ended June 30, 2022 and 2021
(All \$ in millions)

	2022	2021	Change Amount	Change Percent
Operating expenses				
Salaries and wages	\$ 51.1	\$ 49.0	\$2.1	4.3%
Fringe benefits	9.3	14.1	(4.8)	(34.0)%
Services and supplies	24.1	20.6	3.5	17.0%
Utilities	3.6	2.8	0.8	28.6%
Plant and equipment	2.7	1.4	1.3	92.9%
Student aid	2.2	2.5	(0.3)	(12.0)%
Depreciation and amortization *	14.3	9.7	4.6	47.4%
Total operating expenses	\$107.3	\$100.1	\$7.2	7.2%

*GASB 87, Leases, required restatement

Changes in Net Position

The increase in operating revenues minus the increase in operating expenses resulted in an operating loss \$3.6 million, smaller in fiscal year 2022 than in the previous fiscal year. The University recognized an operating loss for fiscal year 2022 of \$41.7 million. Non-operating revenue, in the form of state appropriations and capital appropriations, was used to cover the operating loss of the University. The University's fiscal year end 2022 net position of \$180.2 million is \$24.4 million higher than it was at the end of fiscal year 2021.

The table below summarizes fiscal year 2022 changes in net position.

Summary of Revenues, Expenses and Changes in Net Position				
For the years ended June 30, 2022 and 2021				
(All \$ in millions)				
	2022	2021 *	Change Amount	Change Percent
Operating revenues	\$ 65.6	\$ 54.8	\$ 10.8	19.7%
Operating expenses *	107.3	100.1	7.2	7.2%
Operating loss	(41.7)	(45.3)	3.6	7.9%
Non-operating revenues and expenses *	43.6	10.5	33.1	315.2%
Gain (loss) before other revenues, expenses, gains/losses	1.9	(34.8)	36.7	105.5%
Other revenues, expenses, gains or losses	22.5	16.2	6.3	38.9%
Increase in net position	24.4	(18.6)	43.0	231.2%
Net position – beginning of year	155.8	174.4	(18.6)	(10.7)%
Net position – end of year *	\$ 180.2	\$ 155.8	24.4	15.7%

*Adjusted for GASB 87, Leases. Further discussed in Note 2.

Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections. The first section, *Cash flows from operating activities*, deals with operating cash flows and shows net cash used by the operating activities of the University. The *Cash flows from noncapital financing activities* section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires that general appropriations from the Commonwealth be shown as cash flows from noncapital financing activities. Since state appropriations are used to cover the operating expenses of the University, net cash should always be used by operating activities and provided by noncapital financing activities. *Cash flows from capital financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as capital appropriations are included in cash flows from capital financing activities. *Cash flows from investing activities* reflects the cash flows generated from investments, including purchases, proceeds, and interest. The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

Overall, the University experienced a net increase in cash of \$9.1 million during fiscal year 2022 primarily due to debt savings related to the Commonwealth’s refinancing of debt in fiscal year 2021. Cash provided by noncapital financing activities, including state appropriations and federal funds, less net cash used by operating activities resulted in cash provided to the University of \$21.7 million. Net cash used in the financing of capital projects plus cash from investment activities, resulted in cash used by the University of \$12.6 million.

Statement of Cash Flows

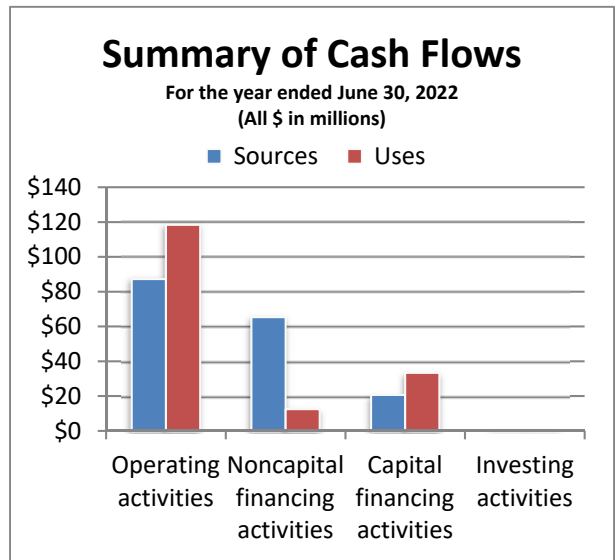
For the years ended June 30, 2022 and 2021

(All \$ in millions)

	2022	2021	Change Amount	Change Percent
Net cash used by operating activities	\$ (31.1)	\$ (36.4)	\$ 5.3	14.6%
Net cash provided by noncapital financing activities	52.8	46.7	6.1	13.1%
Net cash provided/(used) by capital financing activities	(12.7)	(25.9)	13.2	51.0%
Net cash provided by investing activities	0.1	0.1	0.0	0.0%
Net increase/(decrease) in cash	9.1	(15.5)	24.6	158.7%
Cash – beginning of year	29.5	45.0	(15.5)	(34.4)%
Cash – end of year	\$38.6	\$29.5	\$9.1	30.8%

Total cash and cash equivalent balances at fiscal year-end were \$38.6 million. The primary sources of operating cash for the University were from student tuition and fees, \$39.4 million, and auxiliary enterprises, \$42.6 million. The largest amounts of operating cash were spent on employee compensation and benefits, \$66.4 million, payments for services and supplies, \$24.1 million, and student scholarships, \$19.3 million.

Primary sources of cash from noncapital financing activities are state appropriations, \$44.4 million, and federal grant and loan programs, \$21.0 million. The primary use of noncapital financing cash is for federal loan programs. As discussed above, GASB requires that general appropriations be shown as cash from noncapital financing activities and used to cover operating activities.



Economic Outlook

The University's economic outlook continues to be impacted by the COVID-19 pandemic, particularly with regard to enrollment. UMW's fall headcount enrollment was about 4,500 for fall 2019 (pre-pandemic), but dropped to about 3,800 students for fall 2022. However, there are signs of a rebound as the freshman class increased from 650 students for fall 2021 to nearly 750 students for fall 2022. The University recently launched a new brand rollout that is expected to provide much needed assistance in student recruitment and help maintain the fall 2022 rebound in the freshman class. Even so, total enrollment is expected to continue to be below pre-pandemic levels as lower freshman classes over the prior three years continue to make their way through the enrollment pipeline toward graduation. Smaller total enrollment plus additional pressures to hold tuition flat will mean a reduction in tuition and fee revenues over the next few years.

State funding support from the Commonwealth of Virginia is expected to remain stable through FY2023-24 following a significant increase in general fund support passed in the 2022 Special Session of the General Assembly. New state support of approximately \$2.8 million in FY2022-23 will help address significant operating cost increases and assist the University in moderating student cost increases. Further, new state funding will offset costs supporting a 5% salary increase for faculty and staff in both years of the biennium, support additional services for students, faculty and staff with disabilities, and add much needed funding for need-based financial aid for Virginia students.

The University will also continue to benefit from participation in the refinancing of its 9(d) revenue bonds. This initiative by the Commonwealth resulted in significant savings in 2021-22 and will produce additional savings in FY2022-23 through the deferment of principal payments. The University is using these savings to build its repair and renewal reserves for its residence halls and other auxiliary facilities.

Looking ahead, UMW's primary concern is to remain financially viable while delivering on our unique liberal arts mission focused on high quality in-person undergraduate instruction in one of the fastest growing regions of the state. Accelerating demographic shifts in an incredibly competitive mid-Atlantic market, sustaining appropriate financial and academic support for students, and investments in our information technology infrastructure are among our greatest challenges.

STATEMENT OF NET POSITION

For the year ended June 30, 2022

	UMW	UMW Foundation
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents (Notes 3, 20)	\$32,459,721	\$7,589,492
Securities lending cash and cash equivalents (Note 3)	600,151	
Accounts receivable, net of allowance for doubtful accounts (Note 4)	1,199,399	1,144,818
Notes receivable, net of allowance for doubtful accounts (Note 4)	105,277	
Leases receivable, current (Note 4)	363,196	
Pledges receivable, current portion (Note 20)		334,020
Due from the Commonwealth	265	
Due from Foundation (Note 18)	1,648,845	
Due from University (Note 18)		168,996
Inventories	149,002	
Prepaid items	1,334,076	203,519
Total current assets	\$37,859,932	\$9,440,845
Noncurrent assets:		
Restricted cash and cash equivalents (Notes 3, 20)	6,068,963	543,427
Restricted investments (Note 20)		54,474,135
Other restricted assets (Note 15)	1,329,518	
Notes receivable net noncurrent (Note 4)	239,220	
Due from Commonwealth, restricted (Note 5)	6,891,170	
Due from Foundation, noncurrent (Notes 18, 20)	1,440,550	
Leases receivable, noncurrent (Notes 4)	520,348	
Pledges receivable, noncurrent (Note 20)		314,874
Other noncurrent assets		935,133
Non-depreciable capital assets (Notes 6, 20)	10,727,184	29,869,360
Capital assets, net of accumulated depreciation (Notes 6, 20)	434,529,002	13,057,644
Intangible right to use assets, net of accumulated amortization (Note 6)	7,437,203	
Total noncurrent assets	\$469,183,158	\$99,194,573
Total assets	\$507,043,090	\$108,635,418
Deferred outflows of resources:		
Deferred outflows of resources - debt	1,361,063	
Deferred outflows of resources - pensions (Note 14)	5,435,991	
Deferred outflows of resources - post-employment benefits (Note 15)	2,265,237	
Total deferred outflows of resources	\$9,062,291	
Total assets and deferred outflows	\$516,105,381	\$108,635,418

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

STATEMENT OF NET POSITION (CONTINUED)

For the year ended June 30, 2022

	UMW	UMW Foundation
Liabilities and deferred inflows of resources		
Current liabilities:		
Accounts payable (Note 7, 20)	13,054,470	259,416
Unearned revenue	3,692,303	81,310
Deposits payable	1,158,544	
Obligations under securities lending program	600,151	
Due to Commonwealth	265	
Due to Foundation (Note 18)	168,996	
Due to University (Note 18)		1,648,845
Long-term liabilities - compensated absences, current (Note 8)	1,332,494	
Long-term liabilities - debt, current (Notes 8, 9, 20)	2,683,194	9,260,985
Long-term liabilities - leases, current (Notes 10)	946,551	
Long-term liabilities - financed purchase, current (Notes 8, 9)	115,325	
Long-term other post - employment benefits, current (Notes 8, 15)	240,020	
Total current liabilities	\$23,992,313	\$11,250,556
Noncurrent liabilities:		
Long-term pension liabilities - noncurrent (Notes 8, 14)	18,946,831	
Long-term liabilities - compensated absences, noncurrent (Note 8)	219,703	
Long-term liabilities - debt, noncurrent (Notes 8, 9, 20)	248,972,964	28,327,582
Long-term liabilities - leases, noncurrent (Notes 10)	5,608,609	
Long-term liabilities - financed purchase, noncurrent (Notes 8, 9)	912,246	
Long-term other post - employment benefits – noncurrent (Notes 8, 15)	10,661,713	
Amounts due to University - noncurrent (Note 20)		1,440,550
Deposits payable - noncurrent		353,160
Federal Perkins loan program contributions refundable (Note 8)	392,299	
Total noncurrent liabilities	\$285,714,365	\$ 30,121,292
Total liabilities	\$309,706,678	\$ 41,371,848
Deferred Inflows of Resources:		
Deferred Inflows of Resources - debt	1,636,841	
Deferred Inflows of Resources - leases	883,544	
Deferred Inflows of Resources - other post-employment benefits (Note 15)	7,909,075	
Deferred Inflows of Resources - pensions (Note 14)	15,776,935	
Total deferred inflows of resources	\$26,206,395	
Total liabilities and deferred inflows	\$335,913,073	\$ 41,371,848
Net position		
Net investment in capital assets	195,057,257	4,474,394
Restricted for nonexpendable - permanently restricted		60,429,775
Restricted for expendable:		
Restricted for expendable - capital projects	6,216,292	
Restricted for expendable - OPEB	1,166,723	
Restricted for expendable - loans	427,584	
Restricted for expendable - sponsored programs	1,304,381	
Restricted for expendable - research	17,031	
Restricted for expendable - temporarily restricted		7,408,070
Unrestricted	(23,996,960)	(5,048,669)
Total net position	\$180,192,308	\$67,263,570

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2022

	UMW	UMW Foundation
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$18,580,331	20,301,429	
Federal grants and contracts	1,193,277	
State grants and contracts	166,329	
Nongovernmental grants and contracts	854,357	
Auxiliary enterprises, net of scholarship allowances of \$692,606	41,860,424	
Rental revenue		2,936,298
Gifts, grants and contributions		3,454,874
Other operating revenues	1,190,357	167,341
Total operating revenues	\$65,566,173	\$6,558,513
Operating expenses: (Note 11)		
Instruction	28,826,730	
Research	234,987	
Public service	498,282	
Academic support	7,758,341	
Student services	7,563,569	
Institutional support	13,129,027	
Operation and maintenance of plant	7,602,518	
Depreciation and amortization	14,339,169	960,220
Student aid	3,167,076	2,121,528
Auxiliary activities	22,137,031	
Operation of Higher Education Centers	1,136,759	
Museum and cultural services	673,086	
Historic attraction management	332,858	
University development and support		2,651,267
Foundation operations		1,375,478
Real estate operations		1,129,564
Fundraising		1,069,397
Total operating expenses	\$107,399,433	\$9,307,454
Operating gain/(loss)	(41,833,260)	(2,748,941)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	44,352,752	
Federal student financial aid - Pell grant revenue	3,614,255	
Higher Education Emergency Relief and Coronavirus Relief Funds	2,580,157	
Federal Build America Bond interest subsidy revenue	495,661	
Investment income/(loss)	69,544	(8,756,124)
Gain/(Loss) on disposal/impairment of capital assets	(428,032)	35,000
Gain/(Loss) discontinued operations (Note 20)		(550,087)
Interest on lease liabilities	(224,195)	
Interest on capital asset related debt	(6,845,508)	(762,387)
Net non-operating revenues/(expenses)	\$43,614,634	\$(10,033,598)
Income/(loss) before other revenues, expenses, gains, or losses	1,781,374	(12,782,539)
Capital appropriations (Note 5)	22,186,356	
Capital gifts	374,894	
Additions to term endowments		4,363,335
Additions to permanent endowments		1,438,800
Net other revenues, expenses, gains, or losses	\$22,561,250	\$5,802,135
Increase/(decrease) in net position	\$24,342,624	\$(6,980,404)
Net position – beginning of year (Note 2)	\$155,849,684	\$74,243,974
Net position – end of year	\$180,192,308	\$67,263,570

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

	UMW
Cash flows from operating activities:	
Student tuition and fees	39,369,441
Grants and contracts	3,061,339
Auxiliary enterprises	42,552,974
Other receipts	1,914,059
Payments to employees	(51,068,242)
Payments for fringe benefits	(15,307,975)
Payments for services and supplies	(24,138,531)
Payments for student aid	(2,228,067)
Payments for utilities	(3,617,608)
Payments for scholarships and fellowships	(19,272,937)
Payments for noncapitalized plant and equipment	(2,682,741)
Funds held for others - receipts	206,073
Funds held for others - disbursements	(46,917)
Collection of Perkins and other loans from students	109,428
Net cash used by operating activities	\$(31,149,704)
Cash flows from noncapital financing activities:	
State appropriations	44,352,752
Federal Pell grant revenue	3,614,255
Federal Support Higher Education Emergency Relief (HEERF)	4,887,412
Federal direct loan program receipts	12,519,543
Federal direct loan program payments	(12,519,543)
Net cash provided by noncapital financing activities	\$52,854,419
Cash flows from capital and related financing activities:	
Capital appropriations	20,726,673
Purchase of capital assets	(22,877,245)
Principal paid on capital assets bond and notes	(2,650,000)
Principal paid on leases	(1,034,845)
Interest paid on leases	(224,195)
Interest paid on capital debt	(6,633,361)
Net cash used by capital financing activities	\$(12,692,973)
Cash flows from investing activities:	
Interest income	69,544
Net cash provided by investing activities	\$69,544
Net increase in cash	\$9,081,286
Cash – beginning of the year	\$29,447,398
Cash – end of the year	\$38,528,684

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2022

	UMW
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$(41,833,260)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	14,339,169
Changes in assets, liabilities, deferred outflows, and deferred inflows:	
Accounts receivable (operating portion)	19,706
Inventories	12,256
Prepaid expenses	261,965
Due from Foundation	(141,805)
Deferred outflows of resources related to pensions and other post-employment benefits	3,183,749
Accounts payable	(36,571)
Unearned revenue	2,285,497
Accrued leave liability	(107,941)
Due to Foundation	(179,720)
Other post-employment benefits asset	(421,783)
Deposits payable, excluding custodial funds	20,599
Funds held for others	159,157
Perkins liability	(38,845)
VRS pension and other post-employment benefits liability	(23,600,805)
Deferred inflows of resources related to pensions and other post-employment benefits	14,928,928
Total adjustments	\$10,683,556
Net cash used by operating activities	\$(31,149,704)
Noncash investing, capital, and financing activities	
Bond premium, discount, gain, loss amortization	(886,204)
Capital assets retainage accrued	(1,198,606)
Accrued capitalized invoices	(5,545,485)
Loss on disposal of capital assets	(428,033)
Non-cash capital gifts	374,891

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

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1. REPORTING ENTITY

The University of Mary Washington is a comprehensive University that is part of the Commonwealth of Virginia’s statewide system of public higher education. The University’s Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. As such, the University is a component unit of the Commonwealth and is included in the Commonwealth’s Annual Comprehensive Financial Report.

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement 39, *Determining Whether Certain Organizations Are Component Units*, the University is presenting the financial position of the University of Mary Washington Foundation (UMW Foundation) as a discrete component unit. The UMW Foundation is a tax-exempt not-for-profit 501(c)(3) organization incorporated under the laws of the Commonwealth of Virginia. The UMW Foundation is a legally separate entity from the University that was formed to seek, receive, hold, invest, administer, and distribute funds and property of all kinds, exclusively in furtherance of the educational activities and objectives of the University. The UMW Foundation issues its own independently audited financial report, in addition to being included in the statements of the University. The financial reports of the UMW Foundation include the net position and results of operations of the UMW Foundation and its ten subsidiaries, each incorporated as a limited liability corporation within the Commonwealth of Virginia. The 33-member Board of Directors of the UMW Foundation is comprised of University alumni and friends of the University, including 6 ex-officio Directors. While the University benefits from activities of the UMW Foundation, the University does not control the budget or operations of the UMW Foundation. Its financial information is presented discretely, in a separate column, in the University’s financial statements.

The UMW Foundation is a private non-profit organization that does not report under the guidelines of the GASB, instead following the guidance of the Financial Accounting Standards Board (FASB), including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Reclassifications have been made to convert the Foundation’s financial information to GASB presentation format.

The University also benefits from the University of Mary Washington Alumni Association (UMW Alumni Association). The UMW Alumni Association is a nonprofit organization incorporated in the Commonwealth of Virginia to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. The Alumni Association issues its own independently reviewed financial report. The Board of Directors is comprised of at least 12 members but not more than 35 members. Directors are elected by the general membership of the Association while a student and faculty member serve as ex-officio and non-voting members of the Board. The faculty member is appointed by the President of the UMW Alumni Association. In accordance with GASB Statements 39 and 61 addressed above, the financial position and results of its operations are not discretely presented in conjunction with the University’s financial statements, as it is not considered fiscally significant for component unit disclosure. Summary information related to the UMW Alumni Association is presented in Note 19 of this report.

Complete financial statements for the UMW Foundation and the UMW Alumni Association can be obtained from the respective entity, 1125 Jefferson Davis Hwy; Suite 200; Fredericksburg, Virginia 22401.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial guidelines of GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and

creditors. The University is required under the guidance to include Management’s Discussion and Analysis, and basic financial statements, including notes, in its financial statement presentation.

GASB 87, *Leases* was implemented in fiscal year 2022. The objective of this statement is to improve the consistency of accounting and reporting leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 requires a restatement of beginning balances for all periods presented (retroactive application). There is no longer a distinction between operating and capital leases. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB 87 requires that leases that transfer ownership of the underlying asset to the lessee be accounted for as financed purchases. The restatements are in the table below.

In addition, Depreciable Capital Assets, net was adjusted to account for errors related to the fiscal year 2021 asset transfer from the Foundation. The restatement is shown below.

Ending net position June 30, 2021	\$ 154,898,270
Intangible right to use asset, net	6,125,668
Financed purchase assets	1,133,843
Long term lease payable	(5,868,270)
Long term financed purchase payable	(1,133,843)
Depreciable capital assets, net	<u>694,016</u>
Adjusted ending net position and July 1, 2021 beginning net position	<u>\$ 155,849,684</u>

GASB 89, *Accounting for Interest Cost Before the End of a Construction Period*. This statement requires that the interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of capital asset reported in a business-type activity or enterprise fund.

Basis of Accounting

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

Cash Equivalents

For purposes of the statements of net position and cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

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

GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. GASB Statement 72 also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

Accounts Receivable

Accounts receivable consist of charges for tuition and fees and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable is reported net of allowance for doubtful accounts.

Lease Receivable

Lease receivables are amounts owed to the University from lessees for the present service capacity of University assets. Lease receivables are recognized when the net present value of future minimum lease payments is \$50,000 or greater and the lease term, including renewal options, is more than 12 months. The University uses an estimated incremental borrowing rate to discount the lease payments. Under some lease agreements, the University may receive variable payments based on future performance by the lessee. These variable payments are not included in the measurement of the lease receivable and are recognized as inflows of resources in the period to which those payments relate.

A deferred inflow of resources is recorded at the commencement of a lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Prepaid Expenses

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

Inventories

Inventories are stated at the lower of cost (generally determined on the first in first out method) or market. Inventories consist primarily of merchandise for resale in the James Monroe Law Office Museum and Memorial Library, and the Gari Melchers Memorial, as well as expendable supplies held for consumption in the University's central storeroom.

Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted for the Federal Department of Education Perkins Loan program and for the construction of capital or other non-current assets.

Capital Assets

Capital assets include land, buildings and other improvements, infrastructure, intangible assets and equipment and are stated at appraised historical cost or actual cost where determinable. Intangible assets include computer software and intangible right-to-use leased assets. Construction in progress is capitalized at actual cost as expenses are incurred. Library materials are valued using average prices for library acquisitions. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Intangible right-to-use leased assets represent the right to use an underlying asset for a lease term, and are initially measured as the sum of the following:

- Amount of the initial measurement of the related lease liability
- Lease payments made prior to the commencement of the lease term, less any lease incentives
- Initial direct costs that are ancillary charges necessary to place the lease asset into service

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Computer software developed or obtained for internal use is capitalized when the unit acquisition cost is \$5,000 or more and the

estimated useful life is two years or more. Building renovation costs and infrastructure costs are capitalized when expenses total more than \$5,000, the asset value significantly increases, or the useful life is significantly extended. Useful life of assets related to leases is the shorter of the lease term or the useful life of the underlying asset. Donated assets with an acquisition value at the date of the donation of \$5,000 or more are capitalized. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities. Depreciation is computed using the straight-line method over the useful life of the asset. The useful life for buildings is 15-50 years. For improvements other than buildings useful life is 5-30 years, for infrastructure 5-50 years, for equipment 2-25 years, for intangible assets – computer software 3-5 years, and for library materials 10 years. Right-to-use leased assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Collections

The Gari Melchers Memorial maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. This collection was appraised in 1989 for approximately \$3,550,000. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. This collection was appraised in 2009 for approximately \$3,100,000.

In addition, the University gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the University, but have not been appraised and total market value of the entire collection is unknown.

The items held in all three collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available, in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30. This amount includes amounts received for tuition and fees and certain auxiliary activities (resident housing deposits) related to the period after June 30.

Lease Liabilities

Lease liabilities are the University's obligation to pay owners for the right to use the present service capacity of their assets. A lease liability is recorded if the present value of future minimum lease payments is \$50,000 or more, and the lease term, including renewal options, is more than 12 months. The lease term includes renewal options that are reasonably certain of being exercised. Short-term leases with an initial term of 12 months or less, including all renewal options, are not recorded on the Statement of Net Position and are recognized as outflows of resources in the period to which the payments relate. Lease liabilities are measured at the present value of payments expected to be made during the lease term. Measurement of the lease liability includes the following, if required by a lease:

- Fixed payments
- Variable payments that are fixed in substance
- Amounts that are reasonably certain of being required to be paid under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain that the University will exercise that option
- Payments for penalties for terminating the lease
- Any lease incentives
- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

Variable payments are not included in the measurement of the lease liability and are recognized as outflows of resources in the period to which those payments relate. Any component of the variable payments that is fixed in substance is included in the measurement of the lease liability.

For real estate leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the University will obtain the lessor's internal borrowing rate and if unavailable, then the University will use the incremental borrowing default rate in the Commonwealth's Lease Accounting System at the beginning of the lease term. For equipment leases, the present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the University will use the incremental borrowing default rate in the Commonwealth's Lease Accounting System at the beginning of the lease term.

Noncurrent Liabilities

Noncurrent liabilities include the principal amounts of bonds payable, notes payable, financed purchases, and lease liabilities with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Debt payable is reported net of related discounts and premiums, which are expensed over the life of the debt. Debt issuance costs are recognized as an expense in the period incurred.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for granting a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The University's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2022, is recorded in the *Statement of Net Position*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Pensions

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

Other Post-employment Benefits

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been

determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future reporting period and increase net position similar to assets. Three items meet this criterion: pension and OPEB deferrals and refundings of debt. Deferred inflows of resources represent an acquisition of net position applicable to a future reporting period and decrease net position similar to liabilities. Four items meet this criterion: pension and OPEB deferrals, leases, and refundings of debt.

Net Position

The University's net position is made up of the following:

- **Net investment in capital assets** – Net investment in capital assets represents the University's total investment in capital assets, net less outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- **Restricted expendable net position** – Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Restricted nonexpendable net position** – Restricted nonexpendable net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to the principal.
- **Unrestricted net position** – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational departments and the general operations of the University, and may be used at the discretion of the University's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to evaluate these expenditures and apply resources on a case by case basis.

Income Taxes

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

Classifications of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations.
- **Non-operating revenues** – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* are included in this category.
- **Operating expenses** – Operating expenses include those expenses necessary for the operation of the University including those for wages and fringes, services and supplies, and operation of plant including utilities as well as any expense not classified as non-operating.
- **Non-operating expenses** – Non-operating expenses are those expenses incurred for interest on debt related to the purchase of capital assets, losses on the disposal of capital assets and intra-entity transfers.

Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary revenues are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship 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.

Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenue in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees or certain auxiliary charges, the University has recorded a scholarship discount and allowance.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certain risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures* which is an amendment of GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. With respect to deposit risks, there are custodial credit risk and foreign currency risk. With respect to investments, there are credit risks (both custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. These risks are defined as:

- **Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a policy limiting the ratings type of investment choices. The University's State Non-Arbitrage Program (SNAP) investments are subject to credit risk.
- **Custodial credit risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the institution. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University does not have any funds subject to custodial credit risk.
- **Concentration of credit risk** – The risk of loss attributed to the magnitude of an investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from disclosure. The University does not have a policy limiting the amount that can be invested in any one issuer. The University does not have any funds subject to concentration credit risk.
- **Interest rate risk** – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for investments subject to interest rate risk. The University does not have a policy limiting investment maturities as a means of managing interest rate risk. The University does not have any funds subject to interest rate risk.
- **Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any funds subject to foreign currency risk.

Cash and Cash Equivalents

Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Cash and cash equivalents represent cash with the treasurer of the Commonwealth, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement 79. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value.

Pursuant to Section 2.2-1800 et seq. Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Local cash deposits held by the University are maintained in accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et. seq. Code of Virginia.

Investments

Authorized investments are set forth in the *Investment of Public Funds Act*, Sections 2.2-4500 through 2.2-4519 et seq., Code of Virginia. GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. None of the University's fiscal year 2022 investments are subject to fair value measurement.

Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year. Collateral held for securities lending is held by the Treasurer of Virginia and represents the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the general fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. A categorization of the University's cash, cash equivalents, and investments are presented in the following table.

Cash and Cash Equivalents	Value	
	As of June 30, 2022	Credit Rating
Cash with the Treasurer	\$10,474,701	
Collateral held for securities lending	600,151	
Deposits with financial institutions	3,411,628	
Money market deposits with financial institutions	20,950,575	
State Non-Arbitrage Program (SNAP)	3,691,780	S&P AAAm
Total cash and cash equivalents	\$39,128,835	

4. RECEIVABLES

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

Accounts and leases receivable	
Student tuition and fees	\$1,745,219
Auxiliary enterprises	707,885
VCBA Series 2010A/B Interest Subsidy	430,967
Leases receivables	883,544
Other activities	43,941
Total accounts and leases receivable before allowance for doubtful accounts	3,811,556
Less allowance for doubtful accounts	(1,728,613)
Total accounts and leases receivable after allowance for doubtful accounts	\$2,082,943
Notes receivable	
Perkins loans	\$399,381
Less allowance for doubtful accounts	(54,884)
Total notes receivable after allowance for doubtful accounts	\$344,497
Total receivables after allowance for doubtful accounts	\$2,427,440

Lease receivables represents the University’s contractual receipts for the right to use the service capacity of its assets. Lease receivables were calculated using a rate of 3.25%. The University’s contract with Barnes and Noble College (BNC) contains an embedded lease where BNC makes fixed payments to the University for space to operate in Lee Hall. The current contract term ends July 2024, but the contract contains 5 one-year renewal options. In addition to other commitments of support, the University receives a \$100,000 cost recovery each year and variable commissions based on sales. The variable amount received in fiscal year 2022 was \$56,709. Due to the embedded lease and in accordance with GASB 87, the University recorded a lease receivable and corresponding deferred inflow of resources of \$617,200.

Similarly, the University’s Sodexo contract has an embedded lease where Sodexo guarantees the University commission payments of \$275,000 per year. The contract currently expires June 30, 2023, and the University has issued a request for proposal for dining contract vendors. The University recorded a lease receivable of \$266,344 related to the Sodexo contract and a corresponding deferred inflow of resources. The contract also contains a variable commission payment where in the event 15% of commissionable sales is greater than \$275,000, Sodexo will pay the University the actual earned commission. In fiscal year 2022, the actual earned commission was \$334,254, resulting in a variable payment amount of \$59,254.

The University’s laundry services contract also contains an embedded lease with variable payments based on number of residential students and usage. The laundry services contract is a long term variable contract, and the GASB doesn’t require recording of a receivable. The University received \$13,712 from laundry services commissions in fiscal year 2022.

Future lease payments receivable			
Fiscal Year	Principal	Interest	Total
2023	\$363,196	\$28,715	\$391,911
2024	93,804	16,911	110,715
2025	90,851	13,863	104,714
2026	87,991	10,910	98,901
2027	85,222	8,050	93,272
2028 – 2032	162,480	5,281	167,761
Total	\$883,544	\$83,730	\$967,274

5. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

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

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2022, in “Capital appropriations” line item for equipment and facilities obtained with funding under these three programs.

Capital appropriations	
VCBA 21 st Century program	\$14,616,359
VCBA Equipment Trust Fund program	398,477
General fund capital appropriations	7,171,520
Total capital appropriations	\$22,186,356

The line item, “Due from Commonwealth, restricted,” on the Statement of Net Position for the year ended June 30, 2022, represents pending reimbursements and unspent general fund capital appropriations:

Due from the Commonwealth, restricted

VCBA 21 st Century program	\$674,878
General Fund Capital Appropriations	\$6,216,292
Total Due from Commonwealth, Restricted	\$6,891,170

6. CAPITAL ASSETS

A summary of capital asset activity by category for the year ended June 30, 2022 is below. Beginning balances have been restated due to the implementation of GASB 87 and to reflect corrections to the fiscal year 2021 asset transfer from the Foundation.

A summary of changes in capital asset categories for the year ended June 30, 2022, is presented as follows:	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	\$9,518,124			\$9,518,124
Construction in progress	43,967,089	16,639,967	(59,397,996)	1,209,060
Total non-depreciable capital assets	\$53,485,213	\$16,639,967	\$(59,397,996)	\$10,727,184
Depreciable and amortizable capital assets:				
Buildings	488,386,618	52,653,423	(1,024,999)	540,015,042
Equipment	24,488,794	1,433,804	(161,347)	25,761,251
Equipment – financed purchase	1,133,843			1,133,843
Intangible assets	3,986,808	596,013		4,582,821
Infrastructure	40,873,548	5,100,191		45,973,739
Improvements other than buildings	12,790,474	947,420		13,737,894
Library books	11,676,226	70,710	(48,153)	11,698,783
Intangible right to use leased assets				
Land	303,534			303,534
Buildings	5,167,469			5,167,469
Equipment	2,012,730			2,012,730
Total depreciable and amortizable capital assets	\$590,820,044	\$60,801,561	\$(1,234,499)	\$650,387,106
Less accumulated depreciation and amortization:				
Buildings	122,025,782	10,078,173	(587,810)	131,516,145
Equipment	19,269,357	1,610,963	(161,347)	20,718,973
Equipment – financed purchase		141,730		141,730
Intangible assets	3,980,958	39,651		4,020,609
Infrastructure	32,644,613	739,643		33,384,256
Improvements other than buildings	5,889,482	557,738		6,447,220
Library books	11,068,850	132,628	(48,153)	11,153,325
Intangible right to use leased assets				
Land		53,565		53,565
Buildings		779,932		779,932
Equipment		205,146		205,146
Total accumulated depreciation and amortization	\$194,879,042	\$14,339,169	\$(797,310)	\$208,420,901
Depreciable and amortizable capital assets, net	\$395,941,002	\$46,462,392	\$(437,189)	\$441,966,205
Total capital assets, net of depreciation and amortization	\$449,426,215	\$63,102,359	\$(59,835,185)	\$452,693,389

The building deletions amount reflects the demolition of Alvey Hall in December 2021.

Equipment – Financed purchase reflects the Apogee Telecom, Inc. contract whereby the University owns the network equipment at the end of the contract. Right to use leases represent office and storage space leases, equipment leases, and the parking lot lease.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payable and accrued expenses

Accounts payable	2,992,825
Accrued salaries and wages payable	6,864,208
Accrued interest on capital debt	2,684,581
Retainage payable	512,856
Total accounts payable and accrued expenses	\$13,054,470

8. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt and financed purchases (further described in Note 9), accrued compensated absences, VRS pension liability (further described in Note 14), other post-employment benefits liability (further described in Note 15) and the federal Perkins Loan program contribution refundable. A summary of changes in the long-term liabilities for the year ending June 30, 2022 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt:					
Bonds payable	\$ 1,390,566		\$ (336,547)	\$ 1,054,019	\$ 344,734
Notes payable	253,805,311		(3,203,172)	250,602,139	2,338,460
Total long-term debt	255,195,877		(3,539,719)	251,656,158	2,683,194
Other non-current:					
Financed purchase **	1,133,843		(106,272)	1,027,571	115,325
VRS Pensions Liability *	39,462,569		(20,515,738)	18,946,831	
Other Post-Employment Benefit Liability *	13,986,800		(3,085,067)	10,901,733	240,020
Federal loan program contributions	431,144		(38,845)	392,299	
Accrued compensated absences	1,660,143	1,249,262	(1,357,208)	1,552,197	1,332,494
Total other non-current liabilities	56,674,499	1,249,262	(25,103,130)	32,820,631	1,687,839
Total non-current liabilities **	\$311,870,376	\$1,249,262	\$(28,642,849)	\$284,476,789	\$4,371,033

* Reflects the net change

**GASB 87 requires a restatement of beginning balances

9. LONG-TERM INDEBTEDNESS

Bonds Payable

The University has issued bonds pursuant to section 9(c) of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. A summary of all bonds payable as of June 30, 2022 is presented in the table on the following page.

	Historical Range	Fiscal Year Maturity	Outstanding Balance
Dining Halls			
Series 2012A, issued \$654,765 - partial refunding series 2005A	5.00%	2024	\$ 654,765
Series 2013B, issued \$565,091 – partial refunding series 2005A	4.00%	2025	344,328
Unamortized premium/(discount)			54,926
Total bonds payable			\$1,054,019

Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University. The notes are secured by the pledged general revenues of the University. A summary of all notes payable as of June 30, 2022 is presented below:

	Historical Range	Fiscal Year Maturity	Outstanding Balance
Indoor Tennis Facility			
Series 2021A, issued \$315,000 – refunding series 2010B/2002A	5.00%	2025	315,000
Parking Deck			
Series 2021B, issued \$1,990,000 – refunding series 2012A/2004A	0.48% - 0.94%	2027	1,990,000
Athletic Field Replacement (Goolrick)			
Series 2014B, issued \$435,000 – partial refunding series 2007	4.00 - 5.00%	2026	180,000
Series 2016A, issued \$840,000 – partial refunding series 2007	3.00 - 5.00%	2038	840,000
Series 2021B, issued \$115,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	115,000
Residence Halls			
Series 2010A/B, issued \$36,765,000	4.55 - 5.60%	2041	26,950,000
Series 2014B, issued \$1,100,000 – partial refunding series 2007	4.00 - 5.00%	2026	460,000
Series 2016A, issued \$2,210,000 – partial refunding series 2007	3.00 - 5.00%	2038	2,210,000
Series 2017A, issued \$23,795,000	2.13 - 5.00%	2038	20,250,000
Series 2018A, issued \$9,405,000	4.00 - 5.00%	2039	8,440,000
Series 2019A, issued \$13,870,000	2.25 - 5.00%	2040	12,900,000
Series 2021A, issued \$2,205,000 – partial refunding series 2010A	2.00%	2043	2,205,000
Series 2021B, issued \$295,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	295,000
Series 2021B, issued \$2,010,000 – partial refunding series 2017A	2.40 - 2.50%	2040	2,010,000
Series 2021B, issued \$715,000 – partial refunding series 2018A	2.50 – 5.00%	2041	715,000
Series 2021B, issued \$1,050,000 – partial refunding series 2019A	2.60 - 2.65%	2042	1,050,000
Convocation Center (Anderson)			
Series 2016A, issued \$13,215,000 – partial refunding series 2009	3.00 - 5.00%	2040	11,685,000
Series 2021B, issued \$1,130,000 – partial refunding series 2016A/2009B	2.60 - 2.65%	2042	1,130,000
Athletic Complex Renovations (Battleground)			
Series 2010A/B, issued \$2,530,000	4.55 - 5.60%	2041	1,820,000
Series 2015A, issued \$2,370,000	3.00 - 5.00%	2036	1,765,000
Series 2021A, issued \$150,000 – partial refunding series 2010A/B	2.00%	2043	150,000
Series 2021B, issued \$215,000 – partial refunding series 2015A	2.21 - 2.30%	2038	215,000
University Center			
Series 2013A, issued \$18,835,000	3.00 - 5.00%	2024	490,000
Series 2014A, issued \$ 8,870,000	5.00%	2024	410,000
Series 2015A, issued \$ 1,125,000	3.00 - 5.00%	2036	840,000
Series 2021B, issued \$25,360,000 – refunding series 2012B	0.48 - 2.65%	2045	25,360,000

Series 2021B, issued \$17,920,000 – partial refunding series 2013A	0.48 - 2.65%	2046	17,920,000
Series 2021B, issued \$9,155,000 – partial refunding series 2014A	0.48 - 2.65%	2047	9,155,000
Series 2021B, issued \$100,000 – partial refunding series 2015A	2.21 – 2.30%	2038	100,000
Eagle Landing Housing, Bridge and Garage			
Series 2021C, issued \$77,445,000	3.00 - 5.00%	2052	75,325,000
William Street Apartments			
Series 2021C, issued \$5,295,000	3.00 - 5.00%	2040	5,050,000
Unamortized premium/(discount)			18,262,139
Total notes payable			\$ 250,602,139

Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds of the refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased. The trust's assets and the liabilities associated with these defeased bonds are not included in the University's financial statements. At June 30, 2022, \$51,415,000 is considered to be defeased and outstanding.

Annual Debt Service Requirements

A summary of the University's future principal commitments and future interest commitments is presented below:

	Section 9(c) Bonds	Notes Payable	Total Long- Term Debt
Future principal commitments:			
2023	319,978	1,485,000	1,804,978
2024	334,787	8,095,000	8,429,787
2025	344,328	8,385,000	8,729,328
2026		8,510,000	8,510,000
2027		8,835,000	8,835,000
2028 - 2032		46,960,000	46,960,000
2033 - 2037		54,500,000	54,500,000
2038 - 2042		51,060,000	51,060,000
2043 - 2047		26,315,000	26,315,000
2048 - 2052		18,195,000	18,195,000
Unamortized premium/(discount)	54,926	18,262,139	18,317,065
Total future principal requirements	\$ 1,054,019	\$ 250,602,139	\$ 251,656,158
Future Interest commitments:			
2023	45,311	7,938,819	7,984,130
2024	29,312	7,740,651	7,769,963
2025	13,773	7,427,788	7,441,561
2026		7,124,220	7,124,220
2027		6,810,016	6,810,016
2028 - 2032		28,776,050	28,776,050
2033 - 2037		19,302,181	19,302,181
2038 - 2042		10,151,493	10,151,493
2043 - 2047		4,363,614	4,363,614
2048 - 2052		1,397,173	1,397,173
Total future interest requirements	\$88,396	\$101,032,005	\$101,120,401

Financed Purchase

The University has a contract with Apogee Telecom, Inc., to provide cable television and residential network services in the University's dorms. The current contract term expires June 30, 2024, and the contract contains five one-year optional renewals. At the end of the contract term and any elected renewal options, the fully amortized distribution switches, wireless access points and controllers, and video distribution equipment transfers to the University. A summary as of June 30, 2022 is presented below:

	Rate	Contract Term End Date, including renewal options	Outstanding Balance
Apogee Telecom Inc.	3.25%	2029	\$1,027,571
Total financed purchase payable			\$1,027,571

Future minimum financed purchase

Fiscal Year	Principal	Interest	Total
2023	\$115,325	\$31,711	\$147,036
2024	124,896	27,822	152,718
2025	134,972	23,614	158,586
2026	145,611	19,071	164,682
2027	156,851	14,173	171,024
2028 – 2032	349,916	12,135	362,051
Total	\$1,027,571	\$128,526	\$1,156,097

10. LONG-TERM LEASES PAYABLE

Long-term leases represent the University's obligation to pay owners for the right to use the present service capacity of their assets. These obligations are for leases of office space, storage space, a parking lot, fitness equipment, copiers and post office equipment. Lease agreements for office and storage space range from 2 to 17 years, including renewal options the University is likely to exercise. The effective borrowing rate ranges from 1.50% to 5.50%.

The land lease for the parking lot has a 7 year term and an effective borrowing rate of 3.99%. Leases for equipment range from 2 to 11 years, with renewal options. The effective borrowing rate is 3.25%.

In addition to flat rate costs for equipment, the Swiss Post Services agreement for copiers and postal equipment contains a variable payment component based on usage. Variable payments totaling \$16,650 were made in fiscal year 2022.

The University's leases do not contain provisions for residual value guarantees and had no impairment losses on its lease portfolio in fiscal year 2022. The University did not commit to any new leases during the fiscal year. As stated in Note 2 GASB 87, *Leases*, required restatement of beginning balances.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases payable					
Land	\$303,534		\$(49,555)	\$253,979	50,522
Buildings	5,167,469		(685,807)	4,481,662	715,186
Equipment	2,012,730		(193,211)	1,819,519	180,843
Total long term leases payable	\$7,483,733		\$(928,573)	\$6,555,160	\$946,551

Future principal commitments				
Fiscal Year	Land	Building	Equipment	Total
2023	\$50,522	\$715,186	\$180,843	\$946,551
2024	52,575	750,710	186,782	990,067
2025	54,711	742,570	192,916	990,197
2026	56,935	640,924	199,251	897,110
2027	39,236	306,013	205,794	551,043
2028 – 2032		525,607	853,933	1,379,540
2033 – 2037		650,469		650,469
2038 – 2042		150,183		150,183
Total	\$253,979	\$4,481,662	\$1,819,519	\$6,555,160

Future interest commitments				
Fiscal Year	Land	Building	Equipment	Total
2023	\$9,216	\$123,319	\$57,274	\$189,809
2024	7,163	107,116	51,335	165,614
2025	5,027	90,329	45,202	140,558
2026	2,804	74,630	38,866	116,300
2027	589	62,732	32,323	95,644
2028 – 2032		240,906	69,025	309,931
2033 – 2037		109,600		109,600
2038 – 2042		3,379		3,379
Total	\$24,799	\$812,011	\$294,025	\$1,130,835

11. EXPENSES BY NATURAL CLASSIFICATION

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

	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Plant and Equipment	Depreciation and Amortization	Student Aid	Total
Instruction	\$22,916,004	\$4,372,931	\$1,115,664	\$1,284	\$420,847			\$28,826,730
Research	152,680	12,334	62,269		7,704			234,987
Public service	330,455	57,615	110,212					498,282
Academic support	4,323,672	716,668	1,586,394		1,131,607			7,758,341
Student services	4,609,366	759,825	1,774,121	3,432	416,825			7,563,569
Institutional support	7,433,354	1,281,068	4,010,622	(20,897)	424,880			13,129,027
Plant – operation & maintenance	2,488,596	653,314	2,615,195	1,821,799	23,614			7,602,518
Depreciation & amortization						14,339,169		14,339,169
Student aid	454,159	20,369	434,221	398	29,862		2,228,067	3,167,076
Operation of higher ed centers	335,644	52,845	666,556	71,284	10,430			1,136,759
Museum & cultural services	469,387	62,299	91,241	48,075	2,084			673,086
Historic attraction management	265,218	27,614	21,696	6,529	11,801			332,858
Auxiliary activities	7,350,705	1,244,095	11,653,441	1,685,704	203,086			22,137,031
Total expenses	\$51,129,240	\$9,260,977	\$24,141,632	\$3,617,608	\$2,682,740	\$14,339,169	\$2,228,067	\$107,399,433

12. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations 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 re-appropriations 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.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

State appropriations	
Original legislative appropriation per Chapter 1289	
Educational and general programs	\$30,357,352
Student financial assistance	4,151,562
Museum and cultural services	481,124
Historic attraction management	273,956
Operation of Higher Education Centers	1,250,000
Supplemental adjustments:	
Maintain affordable access	4,039,200
Student financial assistance	461,364
Compensation and benefits adjustment	1,614,083
Operation of Higher Education Centers	126,730
Tech talent investment program	654,911
Interest and credit card rebate	66,218
Virtual Library of Virginia (VIVA) allocation	20,230
Virginia military survivors and dependent program	79,730
Two-year college transfer grant	16,400
Special education	14,950
Cardinal human capital management	254,828
General liability insurance	30,317
Adjustments for statewide systems	(25,302)
Equipment Trust Fund debt transfer	(97,063)
Out-of-state students	(234,834)
Reappropriation and reversions, net	816,996
State appropriation revenue, adjusted	\$44,352,752

13. CAPITAL IMPROVEMENT COMMITMENTS

At June 30, 2022, outstanding commitments for capital outlay projects total approximately \$9,564,179 million.

14. PENSION PLANS

Virginia Retirement System

All full-time, salaried permanent employees of state agencies are automatically covered by the Virginia Retirement System (VRS) State Employee Retirement Plan or the Virginia Law Officers' System (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 shown in the following table.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Full-time permanent, salaried state employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid</p>

<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers’ Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (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.</p>
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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.</p>
<p>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.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each 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</p>

		<p>retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

		Distributions not required, except as governed by law.
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>VaLORS: The retirement multiplier for VaLORS employees is 2.00%.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p>	<p>Earliest Unreduced Retirement Eligibility</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i></p>

<p>VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p><i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

<ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2022 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined 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 \$2,934,915 and \$3,061,922 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the University to the VaLORS Retirement Plan were \$207,883 and \$191,234 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the University reported a liability of \$17,576,104 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$1,370,727 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the University's proportion of the VRS State Employee Retirement Plan was 0.48456% as compared to 0.51615% at June 30, 2020. At June 30, 2021, the University's proportion of the VaLORS Retirement Plan was 0.26275% as compared to 0.26452% at June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of \$(776,765) for the VRS State Employee Retirement Plan and \$162,267 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2020 and June 30, 2021, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

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

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,323	\$ 1,009,214	\$ 14,253	\$ 37,729
Changes in assumptions	2,020,567	0	98,338	0
Net difference between projected and actual earnings on pension plan investments	0	12,100,016	0	525,841
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	2,097,110	1,712	7,025
Employer contributions subsequent to the measurement date	2,934,915	0	207,883	0
Total	\$5,113,805	\$15,206,340	\$322,186	\$570,595

\$3,142,798 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023. Other

amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

For the year ending	VRS Amount	VaLORS Amount
June 30, 2023	\$ (2,963,882)	\$ (65,434)
June 30, 2024	(3,328,019)	(107,736)
June 30, 2025	(3,041,031)	(122,751)
June 30, 2026	(3,694,518)	(160,371)
June 30, 2027	0	0
Total	\$ (13,027,450)	\$ (456,292)

Actuarial Assumptions

Total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-retirement:	
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.	
Post-retirement:	
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.	
Post- disablement:	
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.	
Beneficiaries and Survivors:	
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.	
Mortality Improvement:	
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	

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

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.50%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-retirement:	
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.	
Post-retirement:	
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.	
Post-disablement:	
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.	
Beneficiaries and Survivors:	
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.	
Mortality Improvement:	
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.	

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$26,739,647	\$2,390,609
Plan Fiduciary Net Position	23,112,417	1,868,924
Employers' Net Pension Liability	\$ 3,627,230	\$ 521,685
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.44%	78.18%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.00%	1.70%
Fixed Income	15.0%	0.57%	0.09%
Credit Strategies	14.0%	4.49%	0.63%
Real Assets	14.0%	4.76%	0.67%
Private Equity	14.0%	9.94%	1.39%
MAPS-Multi-Asset Public Strategies	6.0%	3.29%	0.20%
PIP-Private Investment Partnership	3.0%	6.84%	0.21%
Total	100.0%		4.89%
Inflation			2.50%
Expected arithmetic nominal return*			7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$32,922,308	\$17,576,104	\$4,716,761
University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	2,207,058	1,370,727	685,520

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Report. A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to VRS and VaLORS. As of June 30, 2022, the University's VRS and VaLORS payables were \$131,722 and \$11,746 respectively. These amounts are included in Accounts Payable on the Statement of Net Position.

Optional Retirement Plans

Full-time faculty and certain administrative staff can participate in optional retirement plans. These optional retirement plans are defined contribution plans offered through TIAA and DCP. Effective January 2020, Fidelity Investments is no longer a provider option. For employees hired prior to July 1, 2010, retirement benefits received are based upon the employer's 10.4% contribution, plus net investment gains. For employees hired on or after July 1, 2010, retirement benefits received are based upon the employer's contribution 8.5%, plus the employee's contribution 5%, plus net investment gains. Vesting is full and immediate for both employer and employee contributions. Total employer pension costs under this plan were \$1,952,677 for fiscal year 2022. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$20,436,956 for the fiscal year.

Deferred Compensation Plan

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's deferred compensation plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The deferred compensation plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University expense for contributions under the deferred compensation plan, which is an amount assessed by the Commonwealth, was \$258,862 for fiscal year 2022.

15. POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB)

The University participates in post-employment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Retiree Health Insurance Credit Program (HIC), Group Life Insurance Program (GLI), Virginia Sickness and Disability Program (VSDP), and Line of Duty Act Program (LODA). The University also

participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management.

Health Insurance Credit Program

Plan Description

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, State Police Officer Retirement System (SPORS), VaLORS and Judicial Retirement System (JRS) who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For state employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement – For state employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>For state police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For state police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2022 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 VRS

State Employee Health Insurance Credit Program were \$482,486 and \$471,680 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$38.7 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included Chapter 522 of the 2021 Appropriation Act.

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

At June 30, 2022, the University reported a liability of \$4,918,098 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2021 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2021, the University's proportion of the VRS State Employee Health Insurance Credit Program was 0.56963% as compared to 0.61497% at June 30, 2020. At June 30, 2021, the University's proportion of the VRS State Employee Health Insurance Credit Program for VALORS employees was 0.01271% as compared to 0.01358% at June 30, 2020.

For the year ended June 30, 2022, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$287,451. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	HIC Deferred Outflows of Resources	HIC Deferred Inflows of Resources
Differences between expected and actual experience	\$1,521	160,148
Changes in assumptions	127,371	13,875
Net difference between projected and actual earnings on HIC plan investments	0	93,345
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,869	568,906
Employer contributions subsequent to the measurement date	482,486	0
Total	\$627,247	\$836,274

\$482,486 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

	For the year ending	Amount
June 30, 2023		\$ (169,303)
June 30, 2024		(147,196)
June 30, 2025		(147,776)
June 30, 2026		(147,089)
June 30, 2027		(77,814)
Thereafter		(2,335)

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
Investment rate of return	6.75%, net of plan investment expense, including inflation

Mortality rates General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2020 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

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

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

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

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

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

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability

determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

	State Employee OPEB HIC
Total OPEB HIC Liability	\$1,052,400
Plan Fiduciary Net Position	207,860
State Employee Net HIC OPEB Liability	844,540
Plan Fiduciary Net Position as a Percentage of the Total OPEB HIC Liability	19.75%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.00%	1.70%
Fixed income	15.0%	0.57%	0.09%
Credit Strategies	14.0%	4.49%	0.63%
Real Assets	14.0%	4.76%	0.67%
Private Equity	14.0%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.0%	3.29%	0.20%
PIP – Private Investment Partnership	3.0%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.39%</u>

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total state employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the state employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total state employee HIC OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University’s proportionate share of the Health Insurance Credit Program Net OPEB Liability	\$5,517,135	\$4,918,098	\$4,404,900

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program’s Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the State Employee Health Insurance Credit Program OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the HIC Program OPEB Plan. As of June 30, 2022, the University’s HIC Program payables were \$15,111. These amounts are included in Accounts Payable on the Statement of Net Position.

Group Life Insurance Program

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>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.</p>

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

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

Reduction in benefit Amounts

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

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

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 effective June 30, 2022.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were \$230,899 and \$225,645 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the University reported a liability of \$2,369,758 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the University’s proportion for general state employees was 0.19910% as compared to 0.21626% at June 30, 2020. At June 30, 2021, the University’s proportion for VALORS employees was 0.00444% as compared to 0.00477% at June 30, 2020.

For the year ended June 30, 2022, the University recognized GLI OPEB expense of \$18,180. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	GLI Deferred Outflows of	GLI Deferred Inflows of Resources
Differences between expected and actual experience	\$270,279	\$ 18,056
Changes in assumptions	130,644	324,234
Net difference between projected and actual earnings on GLI OPEB plan investments	0	565,610
Changes in proportion and differences between Employer contributions and proportionate share of contributions	23,470	354,194
Employer contributions subsequent to the measurement date	230,899	0
Total	\$655,292	\$1,262,094

\$230,899 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2023	\$(195,649)
June 30, 2024	(163,290)
June 30, 2025	(162,585)
June 30, 2026	(237,388)
June 30, 2027	(78,789)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
-Teachers	3.5% - 5.95%
-Locality – General employees	3.5% – 5.35%
-Locality – Hazardous Duty employees	3.5% - 4.75%
Investment rate of return	6.75%, net of investment expense, including inflation

Mortality rates General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Mortality rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.
Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.
Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The actuarial assumptions used for hazardous duty employees of the non-largest ten locality employers in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of Measurement Date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$3,577,346
Plan Fiduciary Net Position	2,413,074
GLI Net OPEB Liability	\$1,164,272
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.00%	1.70%
Fixed Income	15.0%	0.57%	0.09%
Credit Strategies	14.0%	4.49%	0.63%
Real Assets	14.0%	4.76%	0.67%
Private Equity	14.0%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.0%	3.29%	0.20%
PIP – Private Investment Partnership	3.0%	6.84%	0.21%
Total	100.0%		4.89%
Inflation			2.50%
*Expected arithmetic nominal return			7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

Sensitivity of the University’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$3,462,303	\$2,369,758	\$1,487,479

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the GLI Program OPEB Plan. As of June 30, 2022, the University’s GLI Program payables were \$18,080. These amounts are included in Accounts Payable on the Statement of Net Position.

Virginia Sickness and Disability Program

Plan Description

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

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is shown below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p>

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

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

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

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

Cost-of-Living Adjustment (COLA)

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

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2022 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were \$160,503 and \$107,110 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the University reported a liability (asset) of \$(1,329,518) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2021, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The University's proportion of the Net VSDP OPEB Liability (Asset) was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the University's proportion for general state employees was 0.36449% as compared to 0.38873% at June 30, 2020. At June 30, 2021, the University's proportion for VALORS employees was 0.02119% as compared to 0.02259% at June 30, 2020.

For the year ended June 30, 2022, the University recognized VSDP OPEB expense of \$6,869. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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

	VSDP Deferred Outflows of Resources	VSDP Deferred Inflows of Resources
Differences between expected and actual experience	\$63,184	\$215,576
Changes in assumptions	8,957	31,330
Net difference between projected and actual earnings on VSDP OPEB plan investments	0	248,927
Changes in proportion and differences between Employer contributions and proportionate share of contributions	101,822	1,428
Employer contributions subsequent to the measurement date	160,503	0
Total	\$334,466	\$497,261

\$160,503 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2023	\$(72,337)
June 30, 2024	(71,171)
June 30, 2025	(70,904)
June 30, 2026	(85,692)

June 30, 2027
Thereafter

(20,169)
(3,025)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation

Mortality rates General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

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

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

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

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2021, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	VSDP OPEB Plan
Total VSDP OPEB Liability	\$ 267,198
Plan Fiduciary Net Position	611,919
VSDP Net OPEB Liability (Asset)	\$ (344,721)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	229.01%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	5.00%	1.70%
Fixed Income	15.0%	0.57%	0.09%
Credit Strategies	14.0%	4.49%	0.63%
Real Assets	14.0%	4.76%	0.67%
Private Equity	14.0%	9.94%	1.39%
MAPS – Multi-Asset Public Strategies	6.0%	3.29%	0.20%
PIP – Private Investment Partnership	3.0%	6.84%	0.21%
Total	100.00%		4.89%
Inflation			2.50%
*Expected arithmetic nominal return			7.39%

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2021, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the Virginia Sickness and Disability Program Net OPEB Liability (Asset)	\$ (1,256,094)	\$ (1,329,518)	\$ (1,394,086)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Disability Insurance Program (VSDP) OPEB Plan

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the VSDP Program OPEB Plan. As of June 30, 2022, the University’s VSDP Program payables were \$5,211. These amounts are included in Accounts Payable on the Statement of Net Position.

Line of Duty Act Program

Plan Description

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

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

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

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) 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 Line of Duty Act Program (LODA) for the year ended June 30, 2022, was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 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 Line of Duty Act Program (LODA) from the University were \$11,561 and \$12,912 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the University reported a liability of \$413,562 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30,

2021. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the University's proportion was 0.09378% as compared to 0.08829% at June 30, 2020.

For the year ended June 30, 2022, the University recognized LODA OPEB expense of \$44,300. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	LODA Deferred Outflows of Resources	LODA Deferred Inflows of Resources
Differences between expected and actual experience	\$34,480	\$62,617
Changes in assumptions	114,446	19,783
Net difference between projected and actual earnings on LODA OPEB plan investments	0	2,395
Changes in proportionate share	50,713	18,477
Employer contributions subsequent to the measurement date	11,561	0
Total	\$ 211,200	\$ 103,272

\$11,561 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2023	\$15,718
June 30, 2024	15,828
June 30, 2025	15,860
June 30, 2026	15,895
June 30, 2027	12,853
Thereafter	20,213

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	N/A
-SPORS employees	N/A
-VALORS employees	N/A
-Locality employees	N/A
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2029
Age 65 and older	Fiscal year ended 2024
Investment rate of return	2.16%, including inflation*
Medical Cost Trend Rate Assumptions	
Under age 65	7.00% – 4.75%
Age 65 and older	5.375% – 4.75%

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

Mortality rates General state employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates VALORS employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

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

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

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

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

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

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

The actuarial assumptions used for public safety employees in the largest ten locality employers in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

The actuarial assumptions used for public safety employees in the non-largest ten locality employers in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2021, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	LODA OPEB Program
Total LODA OPEB Liability	\$ 448,542
Plan Fiduciary Net Position	7,553
LODA Net OPEB Liability (Asset)	\$ 440,989
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.68%

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

Long-Term Expected Rate of Return

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

Discount Rate

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

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
University’s proportionate share of the Line of Duty Act Program Net OPEB Liability	\$475,748	\$413,562	\$364,150

Sensitivity of the Covered Employer’s Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

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

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
University’s proportionate share of the Line of Duty Act Program Net OPEB Liability	\$339,338	\$413,562	\$508,732

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare Plan

Plan Description

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

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,100 retirees and 88,000 active employees in the program as of June 30, 2021. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2021. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

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

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

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

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

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

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

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

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the employer reported a liability of \$3,200,315 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$448.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30,

2021 and was determined by an actuarial valuation as of June 30, 2021. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions, to include the December premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2021, the University's proportion was 0.71294% as compared to 0.73103% at June 30, 2020. For the year ended June 30, 2022, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of \$1,271,042.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	1,627,164
Changes in assumptions	0	3,078,027
Changes in proportion and differences between Employer contributions and proportionate share of contributions	203,046	504,983
Amounts associated with transactions subsequent to the measurement date	233,986	0
Total	\$437,032	\$5,210,174

\$233,986 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

For the year ending	Amount
June 30, 2023	\$ (1,679,415)
June 30, 2024	(1,466,745)
June 30, 2025	(975,498)
June 30, 2026	(541,447)
June 30, 2027	(272,061)
Thereafter	(71,962)

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 2.16 %, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$3,364,480	\$3,200,315	\$3,034,137

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1.00% Decrease (5.75% decreasing to 3.50%)	Trend Rate (6.75% decreasing to 4.50%)	1.00% Increase (7.75% decreasing to 5.50%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$2,886,963	\$3,200,315	\$3,564,138

16. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

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

17. CONTINGENCIES

Grants and Contracts

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

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

Pending Litigation

The University was not named as a defendant in any cases as of June 30, 2022.

18. RELATED PARTY TRANSACTIONS

The UMW Foundation provides financial support to the University. The UMW Foundation is a separate entity, whose financial position is presented along with the University as required by GASB Statement 39 *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Omnibus*.

Pursuant to the Series 2007 bonds of the Foundation, the University entered into a long-term lease agreement with the Foundation. Under the terms of this agreement, the University operates and manages the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices and is responsible for all aspects of the operation of the 2007 Project. The University makes payments to the Foundation twice each year in the amounts necessary to satisfy the Foundation's

obligations under the 2007 Project loan agreement and the Deed of Trust. Per the GASB 87, *Leases*, standard this agreement constitutes a lease. While accrued amounts due to the Foundation under this agreement are included in “Due to Foundation” on the University’s *Statement of Net Position* future payments are also included in Note 10. The accrued amount Due to Foundation at June 30, 2022 was \$168,996.

Pursuant to the 2008 and 2009 bonds of the Foundation and Eagle Housing, LLC, the University entered into a lease agreement with the Foundation and Eagle Housing, LLC, a wholly-owned subsidiary of the Foundation. In addition to other terms, the agreement required a Project Revenue Fund to be established at the University to collect revenues and pay expenses of operating, maintaining, and insuring the facility. The net results of the Project Revenue Fund were transferred to the Foundation at its request. The agreement was terminated in June 2021 with the intra-entity transfer of assets from the Foundation to the University. However, amounts due from the Foundation related to this agreement totaled \$1,637,538 at the end of fiscal year 2022. This is included in “Due from Foundation” on the University’s *Statement of Net Position*.

In December 2009, the Foundation obtained a non-interest bearing, promissory note from the University in the amount of \$1,600,000 for the purpose of purchasing properties for the ultimate ownership and use by the University. Per the agreement, the University commits to purchase the properties from the Foundation and the Foundation commits to sell the properties to the University by the maturity date. In fiscal year 2015, the loan agreement was amended, extending the maturity date to January 2027. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. As of June 30, 2022, \$1,440,550 has been advanced per the agreement and is included in “Due from Foundation, noncurrent” on the University’s *Statement of Net Position*.

The University currently has leases with the Foundation and its related entities for parking, storage, and office space. These leases are included in Note 10, Long-Term Leases Payable.

19. AFFILIATED FOUNDATION

In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Omnibus*, the financial statements do not include the assets, liabilities, and net assets of the University of Mary Washington Alumni Association. The purpose of this organization is to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. This organization is a separately incorporated entity and the related financial statements are reviewed by other auditors.

The following condensed summary is based solely upon the report of another auditor at and for the year ended June 30, 2022.

University of Mary Washington Alumni Association	
Assets:	
Cash and investments	\$ 274,496
Other assets	9,549
Total assets	<u>\$284,045</u>
Liabilities and net assets:	
Due to Foundation	<u>\$269,976</u>
Net assets	14,069
Total liabilities and net assets	<u>\$284,045</u>

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University, were \$625,807 and \$892,963 respectively, for the year ended June 30, 2022.

20. UMW FOUNDATION FOOTNOTE DISCLOSURES

Full and complete footnotes related to the UMW Foundation can be obtained from the Foundation’s audited financial statements. Information as to the UMW Foundation’s significant accounting policies, net assets restricted by donors, endowment funds, fair

value measurements, and liquidity are not presented below and can only be obtained from the Foundation's audited financial statements.

Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its temporary cash investments with high credit quality financial institutions. The Foundation had cash and cash equivalents, including restricted deposits and funded reserves in a financial institution, in excess of the amount insured by agencies of the federal government. Investments are diversified and managed by several different managers. The Foundation monitors its investments and receivables to minimize credit risk.

The Foundation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value on the *Statement of Net Position* with the changes in the fair value included in the *Statement of Revenues, Expenses, and Changes in Net Position*. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

The market value of investments held by various funds at June 30, 2022, is summarized below:

UMW Foundation Investments	Market Value As of June 30, 2022
Cash and money market funds	\$578,578
U.S. Treasury securities	13,194,702
Corporate and government bonds	6,220,258
Equities	5,173,565
Mutual funds	21,611,486
Investments measured at net asset value per share	7,695,546
Total Investments	\$ 54,474,135

The Foundation receives contributions through its gift annuity program whereby in exchange for gifts of cash or securities, the Foundation promises to pay a fixed annual amount for life to the annuitant. The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue. Upon the death of the annuitant, any balance of the amount in the split-interest account, reverts to the Foundation.

Total payments for year ended June 30, 2022 were \$65,723.

Liabilities under the split-interest agreements are recorded as gift annuities payable. Adjustments to reflect changes in actuarial assumptions are recognized as other revenue. Gift annuities payable range from 2.80% over 3.4 to 18.8 years.

Contributions and Loans Receivable

In order to simplify its accounting process for pledges receivable, the Foundation has elected to record all contributions receivable at a discounted rate of 5%. The fair value adjustment for 2022 was \$21,958. No changes in the fair value measurement were attributable to instrument specific credit risk.

UMW Foundation had unconditional contributions receivable consisting of the following at June 30, 2022:

Pledges Receivable	
Pledges due within one year	\$334,020
Pledges due in two to five years	340,616
Total receivables before discount	674,636

Less: discounts to net present value (using a discount rate of 5%)	(25,742)
Pledges receivable – net	\$648,894

The Foundation has a loan receivable of \$75,000 due from a former key employee of the University. No payments were received in 2022. The stated interest rate of 5% per annum has been forgiven by the Foundation.

Capital Assets

A summary of capital asset categories of the UMW Foundation for the year ended June 30, 2022, is presented as follows:

Property and Equipment	
Land	\$15,061,685
Land improvements	88,925
Art and Historical Treasures	14,000
Buildings	2,327,286
Buildings improvements	585,355
Assets held for sale	25,894,408
Tenant improvements	3,208,828
Furniture, fixtures, vehicles, and equipment	49,935
Less Accumulated Depreciation	(4,303,418)
Total property and equipment	\$42,927,004

The Foundation owns two parcels of real estate that were donated with restricted deeds. While both deeds restrict the use of the parcels of land by requiring them to be used by an accredited institution of higher learning, one of the deeds also prohibits the land from being used for dormitories or other residential purposes. During fiscal year 2022, the donor released the restriction perpetual in nature for donated land totaling \$4,500,000. The remaining donated value of the parcels is \$4,100,000 at June 30, 2022 is shown as net assets with donor restrictions.

Accounts Payable and Accrued Expenses

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

Accounts Payable	
Accounts payable and accrued expenses	\$ 137,137
Accrued interest	122,279
Total accounts payable	\$259,416

Long-Term Indebtedness

Bonds Payable

Series 2007 Bonds – 1201 William Street

In February 2007, the Foundation purchased a building adjacent to the University campus to be operated and managed by the University as part of its faculty offices. The acquisition was financed with tax-exempt financing through a bond pool issuance with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (Series 2007 Bonds). Interest on the bonds is payable at 4.00% - 4.75% over a 30-year period. The bonds are collateralized by a deed of trust and a lease agreement with the University. The bonds mature August 1, 2037. The outstanding balance at June 30, 2022 was \$1,645,548.

Loans Payable

Loan from University

The loan payable to the University of Mary Washington for the purchase of real estate was established in December 2009 when the Foundation purchased certain property for ultimate ownership and use by the University. Under the agreement, the University committed to loan the Foundation up to \$1,600,000 to purchase multiple specified properties. The University committed to purchase the property from the Foundation, and Foundation committed to sell the properties to the University by the maturity date. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. The balance outstanding at June 30, 2022 is \$1,440,550.

Loans payable are further described below. Loans payable associated with assets held for sale are reported in Long term liabilities. All balances are as of June 30, 2022 and maturity dates are calendar year:

Loans Payable	Interest Rates	Maturity	Outstanding Balance
Loan payable Eagle Housing, LLC, Eagle Village I, LLC, Eagle Village-Roger Dodger, LLC and Snowden Street, LLC co-borrowers, collateralized by a deed of trust, assignments of rents and leases, guarantee by the Foundation, and a lease agreement between the Foundation and University	BSBY Daily Floating Rate plus 200 basis points	2024	33,897,778
Loan payable, Eagle Pizza, LLC and Transitional Properties, LLC co-borrowers, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2027	1,100,858
Loan payable to University of Mary Washington, for the purchase of real estate	0.00%	2025	1,440,550
Mortgage payable, Transitional Properties, LLC borrower, collateralized by deed of trust	5.50%	2028	216,450
Promissory note payable, Transitional Properties, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2026	151,426
Total Loans Payable			\$36,807,062

Annual debt service requirements

	Bonds Payable	Loans Payable	Total Long-Term Debt
Future principal commitments:			
Fiscal Year 2023	\$ 75,000	\$ 9,119,385	\$9,194,385
Fiscal Year 2024	80,000	25,917,162	25,997,162
Fiscal Year 2025	80,000	20,377	100,377
Fiscal Year 2026	85,000	1,461,923	1,546,923
Fiscal year 2027	90,000	120,910	210,910
Thereafter	1,235,548	167,305	1,402,853
Total future principal requirements	\$1,645,548	\$36,807,062	\$38,452,610

Other long term liabilities, current and noncurrent, include the loans and bonds above along with gift annuities payable of \$576,507.

Deferred Financing Costs

Financing costs of \$135,559 are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at June 30, 2022 was \$61,107.

Debt Related Derivative Instruments

In conjunction with the issuance of the Series 2008 and Series 2009 variable rate bonds and subsequent refinancing, the Foundation had interest rate swap agreements with the Bank of America, N.A. The swap agreements hedged the Foundation's floating rate exposure on outstanding debt through the exchange of floating rates for fixed rates.

The swap contracts were eliminated in June 2021 as part of the sale of student housing assets to the University. The net realized and unrealized gain on the interest rate swap agreements of \$8,121,233 for the year ended June 30, 2021, is included in discontinued operations activity.

Restricted Deposits and Funded Reserves

In accordance with the loan agreements, the Foundation has the \$93,427 in an interest reserve fund account held by the Bank of America.

Related Party Transactions

The Foundation has an agreement to give the University of Mary Washington Alumni Association (UMW AA) annually 20% of unrestricted alumni gifts, with a minimum of \$50,000 each year. For 2022, the Foundation gave the Alumni Association \$109,781. The Alumni Association directs all royalty revenue to the Foundation for scholarships. Under these arrangements, the Foundation had a net receivable from the UMW AA of \$99,090 at June 30, 2022. As of June 30, 2022, \$175,156 of the Association's cash is held by the Foundation and invested on the Association's behalf to maximize returns.

Commitments

Operating Lease Commitments

The Foundation leases office and retail space over multiple properties to either the University or other privately owned tenants. These leases are classified as operating leases; have an initial term of one year or more; and have consistent payments over the terms of the leases. None of the leases involve intangible assets, natural resources, inventory, or assets under construction.

The following is a schedule by years of future minimum rental revenue under the leases at June 30, 2022:

Future Minimum Rental Leases Revenue	
2023	\$ 1,729,003
2024	1,237,096
2025	1,037,048
2026	894,894
2027	381,761
Thereafter	148,444
Total	\$5,428,246

The University has multiple lease agreements with the Foundation, accounting for approximately 42% of the Foundation's future minimum rental amounts. Eagle Hospitality, LLC had an agreement with a hotel management company for the operation of the hotel. The management fee is 3.0% of total revenues or \$65,000 per year, whichever is greater. Management fees paid were \$46,645 as of June 30, 2022. The management agreement was terminated in fiscal year 2022 as a result of the sale of the hotel.

Assets held for sale

The Foundation, in fiscal year 2022, made the decision to sell several groups of assets both with and without discontinuing the operations they support. As such, in accordance with Accounting Standards Codification (“ASC”) 360, the assets and related liabilities were recorded as assets held for sale and liabilities associated with assets held for sale on the Foundation’s statements. These amounts are included in capital assets, \$25,894,408, and long term liabilities current and non-current, \$34,998,636, on the University’s Statement of Net Position.

Discontinued operations

Upon request of the University, the Foundation (through Eagle Housing, LLC) sold all student housing assets to the University. The decision to no longer own student housing assets represented a strategic shift of both the Foundation and the University. The sale to the University was completed in June 2021. A gain on the sale of student housing of \$32,801,968 was included in discontinued operations at June 30, 2021. Residual expenses in fiscal year 2022 are reported as discontinued operations.

In addition, the Foundation (through Eagle Hospitality, LLC) made the strategic shift decision to leave the hospitality market and on June 3, 2021, signed an agreement to list the hotel for sale. The sale was completed in fiscal year 2022. The assets and liabilities of Eagle Hospitality were classified as assets held for sale in fiscal year 2021. The revenues and expenses related to hospitality are reported as discontinued operations. As a result of reclassifying the hotel to assets held for sale, an impairment loss of \$3,362,931 was recorded and was included in discontinued operations for the year ended June 30, 2021.

21. SUBSEQUENT EVENTS

In August 2022, the University ended a lease with the Foundation, due to sale of the property, and entered into a new lease with the new owner. The initial lease term is five years with three additional two-year term options. Rent for the initial five-year term is \$411,988.94 payable in monthly installments.

On July 25, 2022, the Foundation closed on the sale of the Pizza Hut and related parking lots at a purchase price of \$2,500,000. The corresponding loan with Atlantic Union Bank of \$1,100,858 was paid upon closing. The University entered into a new lease with the new owner.

On December 1, 2022, the Foundation closed on the sale of the Eagle Village retail shopping center, comprising the assets of Eagle Village I, LLC; Eagle Village – Roger Dodger, LLC; and Snowden Street, LLC, at a gross sales price of \$13,900,000. Concurrent with the sale, the Foundation paid Bank of America net sales proceeds of \$13,041,500, which satisfies both the Year 1 principal payment requirement of \$8,000,000 and the year 2 principal payment requirement of \$4,000,000 prior to their respective due dates of June 10, 2023 and March 10, 2024, under the Loan Extension and Modification Agreement dated June 10, 2022. The assets and related liabilities are shown as held for sale as of June 30, 2022.

As a condition to releasing its lien on the properties, Bank of America required the Foundation to pledge cash collateral in the amount of \$1,582,000. At the time of the sale settlement, the Foundation deposited the cash collateral in a use-restricted escrow account with the Bank of America.

REQUIRED SUPPLEMENTARY INFORMATION

The following table reflects the University's share of net pension liability for the years ended June 30, 2022, and the seven previous fiscal years for the VRS State Employee Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.48456%	0.51615%	0.53424%	0.54999%	0.57000%	0.59080%	0.61197%	0.62172%
Employer's proportionate Share of the Net Pension Liability	\$17,576,104	\$37,394,333	\$33,762,539	\$29,775,000	\$33,217,000	\$38,938,000	\$37,469,000	\$34,806,000
Employer's Covered Payroll	\$21,175,118	\$22,739,164	\$22,304,690	\$22,705,458	\$22,744,510	\$23,305,516	\$23,541,763	\$23,883,968
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.00%	164.45%	151.37%	131.14%	146.04%	167.08%	159.16%	145.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

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

The following table reflects the University's share of net pension liability for the years ended June 30, 2022 and seven fiscal years for the VaLORS Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer's Share of Net Pension Liability
VaLORS Retirement Plan**

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.26275%	0.26452%	0.26345%	0.27035%	0.23283%	0.19959%	0.18472%	0.18754%
Employer's proportionate Share of the Net Pension Liability	\$1,370,727	\$2,068,236	\$1,828,433	\$1,684,000	\$1,528,000	\$1,545,000	\$1,312,000	\$1,264,000
Employer's Covered Payroll	\$873,215	\$934,544	\$917,146	\$934,147	\$802,036	\$741,257	\$633,293	\$664,331
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	156.97%	221.31%	199.36%	180.27%	190.52%	208.43%	207.17%	190.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

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

The following is a schedule of employer contributions for the fiscal years ended June 30, 2015 through June 30, 2022.

**Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the years ended June 30, 2015 through 2022**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	\$2,934,915	\$2,934,915	\$0	\$20,296,784	14.46%
2021	3,061,922	3,061,922	0	21,175,118	14.46%
2020	3,074,335	3,074,335	0	22,739,164	13.52%
2019	3,014,433	3,014,433	0	22,304,690	13.51%
2018	3,067,022	3,067,022	0	22,705,458	13.51%
2017	3,076,612	3,076,612	0	22,744,510	13.53%
2016	3,243,242	3,243,242	0	23,305,516	13.92%
2015	2,878,880	2,878,880	0	23,541,763	12.23%

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

**Schedule of Employer Contributions
VaLORS Retirement Plan
For the years ended June 30, 2015 through 2022**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2022	\$207,883	\$207,883	\$0	\$949,237	21.90%
2021	191,234	191,234	0	873,215	21.90%
2020	201,955	201,955	0	934,544	21.61%
2019	198,192	198,192	0	917,146	21.61%
2018	196,660	196,660	0	934,147	21.05%
2017	165,363	165,363	0	802,036	20.62%
2016	130,260	130,260	0	741,257	17.57%
2015	110,915	110,915	0	633,293	17.51%

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

The following tables reflect the University's share of other post-employment benefit liability for the fiscal year ended June 30, 2022 and the previous four years for the VRS & DHRM post-employment benefit plans other than pensions. The amounts presented have a measurement date of the previous fiscal year.

Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC)	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)					
- General State Employee	0.56963%	0.61497%	0.63775%	0.64873%	0.64607%
- VALORS Employee	0.01271%	0.01358%	0.01353%	0.01387%	0.01241%
Employer's proportionate Share of the Net OPEB Liability (Asset)					
- General State Employee	\$4,810,757	\$5,645,462	\$5,886,887	\$5,918,000	\$5,882,000
- VALORS Employee	107,341	124,665	124,891	127,000	113,000
Employer's Covered Payroll	\$42,114,286	\$45,293,419	\$44,225,088	\$44,622,908	\$42,578,821
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	11.68%	12.74%	13.59%	13.55%	14.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	19.75%	12.02%	10.56%	9.51%	8.03%
<i>Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.</i>					

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan (GLI)	2022	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)					
- General State Employee	0.19910%	0.21626%	0.22213%	0.22916%	0.22641%
- VALORS Employee	0.00444%	0.00477%	0.00470%	0.00491%	0.00435%
Employer's proportionate Share of the Net OPEB Liability (Asset)					
- General State Employee	\$2,318,064	\$3,609,025	\$3,614,647	\$3,480,000	\$3,407,000
- VALORS Employee	51,694	79,604	76,481	75,000	65,000
Employer's Covered Payroll	\$41,786,111	\$45,750,962	\$44,225,088	\$44,650,602	\$42,596,928
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.67%	8.06%	8.35%	7.96%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	67.45%	52.64%	52.00%	51.22%	48.86%
<i>Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.</i>					

Schedule of Employer's Share of Net OPEB Liability (Asset)	2022	2021	2020	2019	2018
Virginia Sickness and Disability Plan (VSDP)					
Employer's Proportion of the Net OPEB Liability (Asset)					
- General State Employee	(0.36449)%	(0.38873)%	(0.41226)%	(0.42735)%	(0.43139)%
- VALORS Employee	(0.02119)%	(0.02259)%	(0.02278)%	(0.02369)%	(0.02126)%
Employer's proportionate Share of the Net OPEB Liability (Asset)					
- General State Employee	\$(1,256,471)	\$(857,881)	\$(808,834)	\$(962,000)	\$(886,000)
- VALORS Employee	(73,047)	(49,854)	(44,693)	(54,000)	(44,000)
Employer's Covered Payroll	\$17,559,016	\$17,802,581	\$16,823,009	\$17,797,941	\$17,030,848
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(7.57)%	(5.10)%	(5.07)%	(5.71)%	(5.46)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	229.01%	181.88%	167.18%	194.74%	186.63%
<i>Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.</i>					

Schedule of Employer's Share of Net OPEB Liability	2022	2021	2020	2019	2018
Line of Duty Act Program (LODA)					
Employer's Proportion of the Net OPEB Liability (Asset)	0.09378%	0.08829%	0.09465%	0.09588%	0.07365%
Employer's proportionate Share of the Net OPEB Liability (Asset)					
	\$413,562	\$369,772	\$339,591	\$300,000	\$193,000
Employer's Covered-Employee Payroll*	\$960,138	\$1,019,594	\$954,653	\$992,283	\$855,069
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	43.07%	36.27%	35.57%	30.23%	22.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.68%	1.02%	0.79%	0.60%	1.30%
<i>Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.</i>					
<i>*The contribution 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.</i>					

Schedule of Employer's Share of Total OPEB Liability Pre-Medicare Retiree Health Plan	2022	2021	2020	2019	2018
Employer's Proportion of the Collective Total OPEB Liability (Asset)	0.71294%	0.73103%	0.75430%	0.76207%	0.74096%
Employer's proportionate Share of the Collective Total OPEB Liability (Asset)	\$3,200,315	\$4,158,272	\$5,120,781	\$7,663,672	\$9,624,340
Employer's Covered-Employee Payroll	\$39,570,171	\$40,922,827	\$40,446,912	\$40,847,091	\$39,502,328
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	8.09%	10.16%	12.66%	18.76%	24.36%

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

The following is a schedule of employer contributions to other post-employment benefit plans for the fiscal year ended June 30, 2022 and the four previous fiscal years.

Plan	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll * or Covered-Employee Payroll	Contributions as a % of Covered Payroll or Covered-Employee Payroll
HIC	2022	\$482,486	\$482,486	\$ 0	\$43,079,107	1.12%
	2021	471,680	471,680	0	42,114,286	1.12%
	2020	529,933	529,933	0	45,293,419	1.17%
	2019	519,814	519,814	0	44,225,088	1.18%
	2018	526,550	526,550	0	44,622,908	1.18%
GLI	2022	230,899	230,899	0	41,903,889	0.54%
	2021	225,645	225,645	0	41,786,111	0.54%
	2020	237,905	237,905	0	45,750,962	0.52%
	2019	229,970	229,970	0	44,225,088	0.52%
	2018	232,183	232,183	0	44,650,602	0.52%
VSDP	2022	160,503	160,503	0	26,311,967	0.61%
	2021	107,110	107,110	0	17,559,016	0.61%
	2020	110,376	110,376	0	17,802,581	0.62%
	2019	109,068	109,068	0	16,823,009	0.65%
	2018	117,466	117,466	0	17,797,941	0.66%
LODA	2022	11,561	11,561	0	862,761	1.34%
	2021	12,912	12,912	0	960,138	1.34%
	2020	11,998	11,998	0	1,019,594	1.18%
	2019	12,704	12,704	0	954,653	1.02%
	2018	10,213	10,213	0	999,283	1.02%

Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data is available. However, additional years will be included as they become available.

*Covered Payroll is reported for the HIC, GLI, and VSDP plans. 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

General State Employees

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

VaLORS Employees

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

Teachers (GLI)

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

SPORS Employees (GLI, HIC, LODA, VSDP)

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

JRS Employees (GLI, HIC)

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

Largest Ten Locality Employers - General Employees (GLI)

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest Ten Locality Employers –Hazardous Duty Employees (GLI, LODA)

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

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

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

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT PRE-MEDICARE RETIREE HEALTHCARE PLAN

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

Changes of benefit terms

There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions

The following assumptions were updated since the June 30, 2020 valuation based on recent experience.

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

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

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

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



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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February 27, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
University of Mary Washington

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

Opinions

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

In our opinion, based on our audit and the report of another auditor, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit of the University, which are discussed in Notes 1 and 20. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based solely on the report of the other auditor.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 2, 6, and 10 of the accompanying financial statements, the University of Mary Washington implemented Governmental Accounting Standards Board (GASB) Statement No. 87 Leases, related to accounting and financial reporting for lease liabilities and intangible right-to-use lease assets. Our opinion is not modified with respect to this matter.

Correction of 2021 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 2 through 11; the Schedule of Employer's Share of Net Pension Liability and the

Schedule of Employer Contributions on pages 86 through 88; the Schedule of Employer's Share of Net OPEB Liability (Asset) and the Schedule of Employer Contributions for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 89 through 91; the Schedule of Employer's Share of Total OPEB Liability on page 91; the Notes to Required Supplementary Information for VRS and VaLORS Pension Plans and Other Post-employment Benefit Plans on pages 92 through 95. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE/clj

UNIVERSITY OFFICIALS

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Julie R. Smith
Associate Vice President for Finance