FINANCIAL STATEMENTS

FOR THE YEAR ENDED

June 30, 2015

VIRGINIA COMMONWEALTH UNIVERSITY

Make it real.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(unaudited)

Virginia Commonwealth University's Management Discussion and Analysis (MD&A) provides a discussion and overview of the financial performance during the fiscal year ended June 30, 2015, with comparative information presented for the fiscal year ended June 30, 2014. While maintaining its financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research and public service.

This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of management.

Understanding the Financial Statements

The MD&A focuses on VCU and is intended to foster a greater understanding of VCU's financial activities. Since this presentation includes summarized formats it should be read in conjunction with the financial statements which have the following four components:

Statement of Net Position presents a snapshot of VCU's assets and liabilities under the accrual basis of accounting at the end of each fiscal year presented. The Statement of Net Position helps the reader understand the type and amounts of assets available to support operations, how much VCU owes to vendors and bond holders and net position delineated based upon their availability for future expenditures.

Statement of Revenues, Expenses and Changes in Net Position presents VCU's revenues and expenses categorized between operating, non-operating and other related activities. The Statement of Revenues, Expenses and Changes in Net Position reports VCU's operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about VCU's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, assists in determining whether VCU has the ability to generate future net cash flows to meet its obligations as they come due and in determining the need for external financing.

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

The MD&A provides objective analysis of VCU's financial activities based on currently known facts, decisions and conditions. The MD&A discusses the current year results in comparison to the prior year. To see discussions relating to the prior year, refer to last year's annual financial report on VCU's website.

Statement of Net Position

The term "Net Position" refers to the difference between total assets and deferred outflows to total liabilities and deferred inflows, as an indicator of VCU's financial condition. Changes in net position that occur over time indicate improvement or deterioration in VCU's financial condition.

Assets and liabilities are generally measured using current values with capital assets as the one notable exception because they are stated at historical cost less an allowance for depreciation.

CONDENSED STATEMENT OF NET POSITION

as of June 30,	2015	2014	$ Change	% Change
Current and other assets	$753,885,024	$726,488,609	$27,396,415	4%
Deferred outflows	49,291,271	19,689,345	29,601,926	150%
Capital assets – net	1,029,604,288	982,219,535	47,384,753	5%
Total assets and deferred outflows	1,832,780,583	1,728,397,489	104,383,094	6%
Current liabilities	192,823,547	178,382,013	14,441,534	8%
Noncurrent liabilities	820,119,081	538,614,411	281,504,670	52%
Deferred Inflows	56,990,721	4,940,118	52,050,603	1054%
Total liabilities and deferred inflows	1,069,933,349	721,936,542	347,996,807	48%
Net Position:				
Net investment in capital assets	635,409,590	607,952,480	27,457,110	5%
Restricted	91,850,981	96,180,447	(4,329,466)	(5%)
Unrestricted	35,586,663	302,328,020	(266,741,357)	(88%)
Total net position	$762,847,234	$1,006,460,947	($243,613,713)	(24%)

- Current and other assets increases are due to increases in investments.
- Deferred outflows increases include interest rate swap agreements, loss on debt refunding's, changes in proportion and differences between employer contributions and proportionate share of contributions related to pension obligations and pension contributions made to the plan after the 6/30/14 measurement date.
- Current liabilities increased due to vendor payables on major construction projects and prepaid operating costs for the operations in Qatar.
- Noncurrent liabilities change is due to the reporting of pension obligations as required by GASB 68, *Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27*
- Deferred inflows increased due to a gain on a debt refunding and the net difference between projected and actual investments earnings on pension plan investments.

Total Net Position

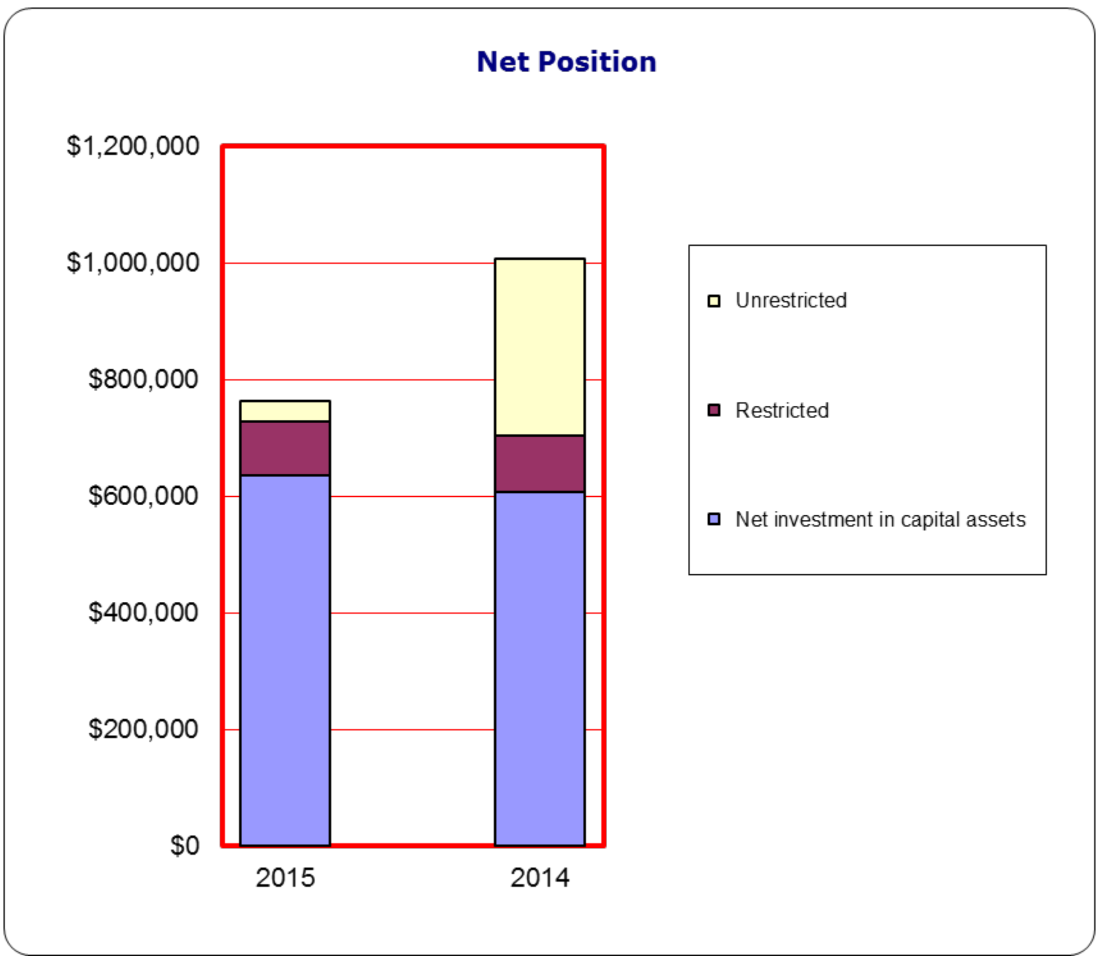
Net position is divided into three major categories:

Net investments in capital assets provide the University's equity in property, plant and equipment owned by the University.

Restricted net position is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted assets is only available for investment purposes. Expendable restricted assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

Unrestricted net position is available resources to the University for any lawful purpose.

The following graph and table illustrates the changes in the make-up of net position between 2015 and 2014:



TOTAL NET POSITION as of June 30,	2015	2014	$ Change	% Change
Net investment in capital assets	$ 635,409,590	$ 607,952,480	$ 27,457,110	5%
Restricted	91,850,981	96,180,447	(4,329,466)	-5%
Unrestricted	35,586,663	302,328,020	(266,741,357)	-88%
Total Net Position	$ 762,847,234	$ 1,006,460,947	$ (243,613,713)	-24%

- Net invested in capital assets increased due to land and equipment purchases, as well as new construction projects.
- Restricted net position decreased due to decreases in the value of endowments and investments.
- Unrestricted net position increased due to auxiliary operations, local capital, renovation funds and a reduction in pension obligations.

Statement of Revenues, Expenses and Changes in Net Position

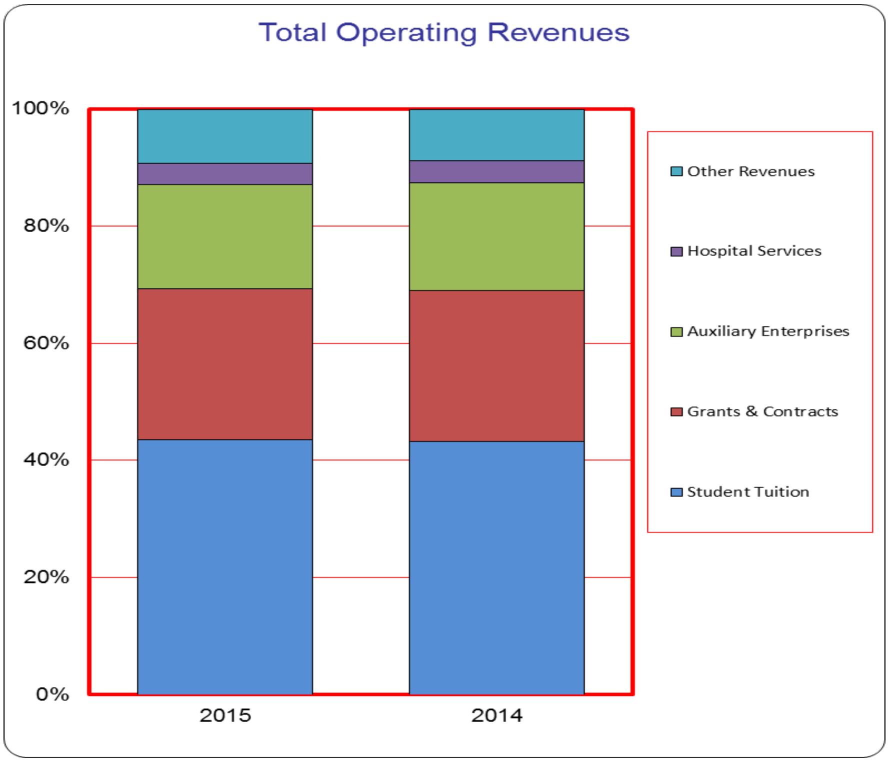
Due to the classification of certain revenues as non-operating revenue, VCU shows a loss from operations. State appropriations, while budgeted for operations, are considered non-operating revenues according to Governmental Accounting Standards Board (GASB) 35 standards and are reflected accordingly in the non-operating section of the Statement of Revenues, Expenses and Changes in Net Position, even though these funds are used solely for operating purposes.

The following is a summarized schedule of the revenues and expenses for the University:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended June 30,	2015	2014	$ Change	% Change
Operating revenue	$ 717,352,350	$ 668,936,893	$ 48,415,457	7%
Operating expense	958,336,971	934,269,516	24,067,455	3%
Operating loss	(240,984,621)	(265,332,623)	24,348,002	(9%)
Non-operating revenues, net of expenses	268,020,965	288,511,695	(20,490,730)	(7%)
Other Revenues	40,154,943	36,953,419	3,201,524	9%
Increase in net position	67,191,287	60,132,491	7,058,796	12%
Net position - beginning of year	695,655,947	946,328,456	(250,672,509)	(26%)
Cumulative effect of accounting changes	-	(310,805,000)	310,805,000	(100%)
Net position - end of year	$ 762,847,234	$ 695,655,947	$ 67,191,287	10%

Revenues

Operating revenues increased $48.4 million, or 7%, in 2015 compared to the prior year.



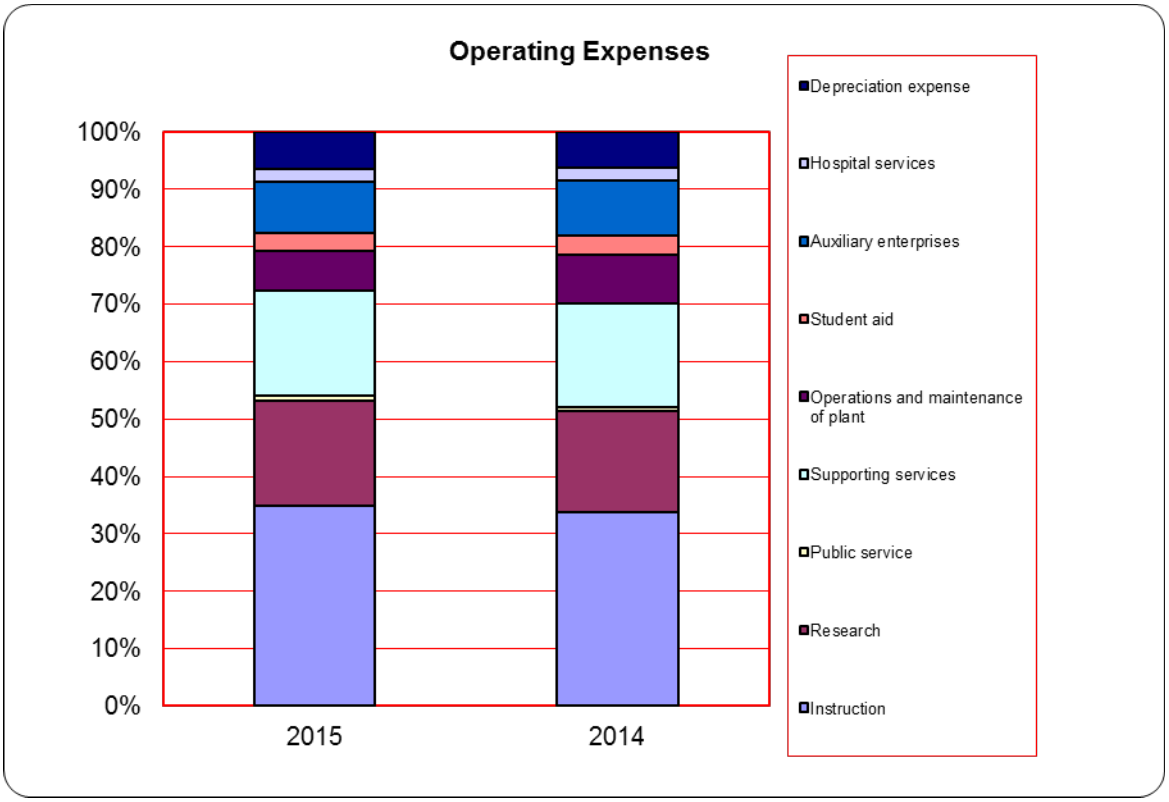
TOTAL OPERATING REVENUES

For the Year Ended June 30,	2015	2014	$ Change	% Change
Student Tuition	$ 312,809,796	$ 289,330,651	$ 23,479,145	8%
Grants & contracts	184,493,396	172,064,750	12,428,646	7%
Auxiliary enterprises	128,117,651	123,454,651	4,663,000	4%
Hospital services	25,477,514	25,307,640	169,874	1%
Other revenues	66,453,993	58,779,201	7,674,792	13%
Total Operating Revenues	$ 717,352,350	$ 668,936,893	$ 48,415,457	7%

- Operating revenues grew due to increases in tuition and fees, grants and contracts, demand for auxiliary services and other revenues. The increase in other revenues is largely made up of increased sales and services of educational departments on the Qatar campus.

Expenses

Operating expenses increased $24 million, or 3%, over 2014 to $958.3 million. The following chart summarizes operating expenses by functional classification:



OPERATING EXPENSES BY FUNCTION

For the Year Ended June 30,	2015	2014	$ Change	% Change
Instruction	$ 334,137,776	$ 315,804,249	$ 18,333,527	6%
Research	174,404,481	164,344,662	10,059,819	6%
Public service	9,406,629	6,746,887	2,659,742	39%
Supporting services	174,388,862	168,431,569	5,957,293	4%
Operations and maintenance of plant	67,860,490	78,093,843	(10,233,353)	-13%
Student aid	29,762,299	31,891,138	(2,128,839)	-7%
Auxiliary enterprises	85,342,919	88,834,229	(3,491,310)	-4%
Hospital services	21,792,401	21,340,298	452,103	2%
Depreciation expense	61,176,426	58,782,641	2,393,785	4%
Other expense	64,688	-	64,688	100%
Total operating expenses	$ 958,336,971	$ 934,269,516	$ 24,067,455	3%

- Instruction expense increased due to additional faculty members.
- Research expense increased due to additional spending on federal grants.
- Operations and maintenance of plant expenses were higher in fiscal year 2014 due to purchases of equipment and restoration due to Sanger from flood damage that did not recur in fiscal year 2015.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2015, VCU had $1.732 billion in capital assets, less accumulated depreciation of $702 million, for net capital assets of $1.030 billion. VCU is committed to a comprehensive program of capital initiatives in support of the University's strategic plan.

CAPITAL ASSETS, NET

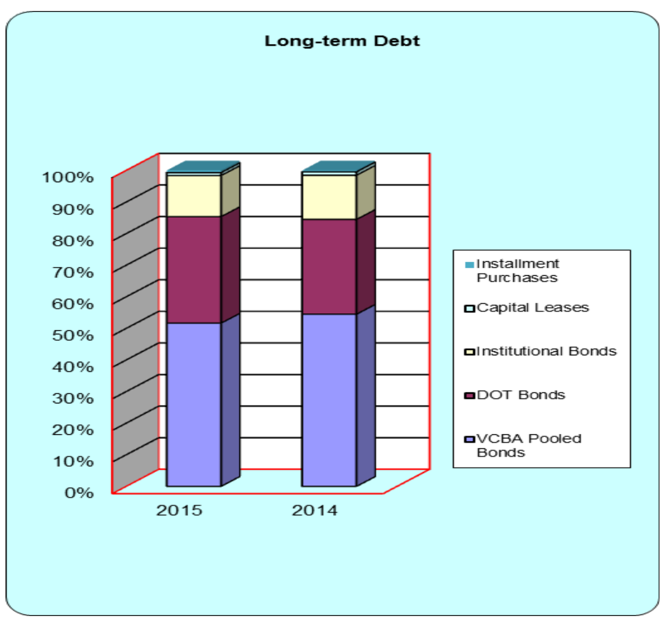
as of June 30,	2015	2014	$ Change	% Change
Land	$53,354,890	$50,125,959	$3,228,931	6%
Land Improvements and infrastructure	1,663,960	2,314,748	(650,788)	(28%)
Buildings	788,692,906	808,646,862	(19,953,956)	(2%)
Equipment	71,302,804	74,313,743	(3,010,939)	(4%)
Intangible (computer software)	548,500	1,023,930	(475,430)	(46%)
Library books	20,314,548	19,650,933	663,615	3%
Construction in progress	93,726,680	26,143,360	67,583,320	259%
Total	$1,029,604,288	$982,219,535	$47,384,753	5%

- Land value increased due to the purchase of land on W. Grace St. and W. Cary St.
- Construction in progress increased due to construction and renovation projects including: a basketball practice facility, institute for contemporary arts, student housing, information commons, building renovations and a data center upgrade.

Debt

At June 30, 2015, the University had $513 million in long-term debt outstanding.

New General Revenue Pledge Bonds totaling $27,000,000 were issued in June 2015. These bonds were issued to fund the capital construction of a basketball practice facility and restoration of Sanger Hall and a parking deck on the MCV campus.



Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the University's ability to generate net cash flows and meet its obligations as they come due and its need for external financing.

The statement is divided into four sections:

1. Cash used by operating activities shows operating cash flows of the University.
2. Cash provided by noncapital financing activities reflects cash received and disbursed for purposes other than operating, investing and capital financing. GASB requires general appropriations from the Commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities.
3. Cash used by capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Plant fund and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments, are included in cash flows from capital financing activities.
4. Cash used by investing activities reflects cash generated from investments which included purchases, proceeds and interest.

The following is a summary Statement of Cash Flows for the University for the years ended June 30, 2015 and 2014. For more detailed information, see the accompanying Statement of Cash Flows.

University	2015	2014	$ Change	% Change
Cash provided (used) by:				
Operating activities	$ (173,232,835)	$ (189,304,927)	$ 16,072,092	(8%)
Noncapital financing activities	280,202,434	278,488,055	1,714,379	1%
Capital and related financing activities	(84,998,135)	(54,745,259)	(30,252,876)	55%
Investing activities	(27,374,938)	(9,911,993)	(17,462,945)	176%
Net increase (decrease) in cash	(5,403,474)	24,525,876	(29,929,350)	(122%)
Cash, beginning of year	102,092,380	77,566,504	24,525,876	32%
Cash, end of year	$ 96,688,906	$ 102,092,380	$ (5,403,474)	(5%)

- The change in operating activities is due mainly to increased tuition and fees.
- The change in capital and related financing activities is due to purchases of capital assets and principal paid on capital related debt.
- The change in investing activities is due to a $729.7 million decrease in proceeds from sales and a $708.6 million increase in purchases of investments, offset by a $3.4 million increase in investment income.

Economic Outlook

The following are known facts and circumstances that will affect future financial results:

- State General Fund appropriations are projected to be $202.9M.
- Tuition and fee revenues are projected to increase by $22.4M in fiscal year 2016 based on the Board of Visitors approved increase in tuition and mandatory fee rates.
- The General Assembly granted a salary increase of 2% for all eligible full-time Teaching and Research and Administrative and Professional Faculty, and Classified Staff effective August 10, 2015. In addition, Classified Staff with at least 5 years of service up to 30 years received a $65/year compression increase.

FINANCIAL STATEMENTS

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2015

	University	VCU Health System Authority	MCV Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ 61,574,848	$ 272,755,443	$ -
Short-term investments (Note 2)	109,504,097	83,771,409	-
Accounts receivable:			
Student and other, Net of allowance of $6,091,355	12,451,842	-	-
Sponsors	25,049,744	-	-
Patient, Net of allowance of $268,859,894	-	222,919,523	-
Third-party and non-patient	-	149,664,790	-
Contributions and gifts, Net of allowance of $1,077,867 (Note 24)	-	-	7,947,000
Due from component units	5,195,232	-	196,000
Due from VCBA	11,265,101	-	-
Student loans receivable, current portion	3,636,014	-	14,000
Current portion of assets whose use is limited (Note 2)	-	5,900,000	-
Other assets	6,140,165	33,130,068	2,000
Total current assets	234,817,043	768,141,233	8,159,000
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	35,114,058	-	18,756,000
Endowment investments (Note 2)	41,457,428	-	181,456,000
Other investments (Note 2)	293,678,255	88,707,145	268,879,000
Contributions and gifts, Net of allowance of $1,225,984 (Note 24)	-	-	9,851,000
Student loans receivable, Net of allowance of $2,005,304	20,345,229	-	23,000
Due from component units	128,473,011	-	-
Assets whose use is limited, less current portion (Note 2)	-	1,264,357,729	-
Other long-term assets (Note 3)	-	25,900,424	1,294,000
Nondepreciable capital assets (Note 4)	147,081,570	208,243,191	464,000
Depreciable capital assets (Note 4)	882,522,718	436,533,571	1,194,000
Total noncurrrent assets	1,548,672,269	2,023,742,060	481,917,000
Total assets	1,783,489,312	2,791,883,293	490,076,000
Deferred outflows	49,291,271	46,421,055	-
Total assets and deferred outflows	1,832,780,583	2,838,304,348	490,076,000
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	94,150,792	278,202,310	592,000
Unearned revenue (Note 7)	35,999,006	-	-
Due to component units	139,302	-	-
Long-term liabilities - current portion (Note 8)	53,934,447	44,416,810	635,000
Line of credit (Note 12)	8,600,000	-	-
Total current liabilities	192,823,547	322,619,120	1,227,000
Noncurrent liabilities:			
Funds held for others (Note 5)	29,726,714	-	-
Due to component units	-	-	-
Other	9,248,184	55,542,536	3,416,000
Long-term liabilities (Note 8)	496,042,183	568,372,501	7,340,000
Pension obligations (Note 10)	285,102,000	59,873,666	-
Total noncurrent liabilities	820,119,081	683,788,703	10,756,000
Total liabilities	1,012,942,628	1,006,407,823	11,983,000
Deferred inflows	56,990,721	14,207,000	-
Total liabilities and deferred inflows	1,069,933,349	1,020,614,823	11,983,000
NET POSITION			
Net investment in capital assets	635,409,590	317,688,801	1,658,000
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	4,194,420	-	-
Departmental uses	46,318,065	19,985,065	184,755,000
Expendable:			
Scholarships and fellowships	7,444,936	-	-
Research	12,060,111	-	-
Departmental uses	16,631,256	5,507,313	236,073,000
Loans	5,202,193	-	-
Unrestricted	35,586,663	1,474,508,346	55,607,000
Total net position	$ 762,847,234	$ 1,817,689,525	$ 478,093,000

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2015

	VCU Foundation	VCU Real Estate Foundation	VCU School of Business Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ 2,881,591	$ 9,039,309	$ 5,450,605
Short-term investments (Note 2)	-	-	-
Accounts receivable:			
Student and other, Net of allowance of $6,091,355	-	-	-
Sponsors	-	81,059	-
Patient, Net of allowance of $268,859,894	-	-	-
Third-party and non-patient			
Contributions and gifts, Net of allowance of $1,077,867 (Note 24)	8,773,260	119,317	243,302
Due from component units	404,151	-	4,813
Due from VCBA	-	-	-
Student loans receivable, current portion	-	-	-
Current portion of assets whose use is limited (Note 2)	-	-	-
Other assets	9,722	68,440	118,271
Total current assets	12,068,724	9,308,125	5,816,991
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	29,222,905	-	3,598,267
Endowment investments (Note 2)	24,639,803	-	9,845,776
Other investments (Note 2)	48,648,834	-	29,241,256
Contributions and gifts, Net of allowance of $1,225,984 (Note 24)	9,669,625	-	199,583
Student loans receivable, Net of allowance of $2,005,304	-	-	-
Due from component units	-	7,280,438	-
Assets whose use is limited, less current portion (Note 2)	-	-	-
Other long-term assets (Note 3)	-	324,287	162,973
Nondepreciable capital assets (Note 4)	-	14,384,904	3,503,036
Depreciable capital assets (Note 4)	-	51,073,080	30,204,427
Total noncurrrent assets	112,181,167	73,062,709	76,755,318
Total assets	124,249,891	82,370,834	82,572,309
Deferred outflows	-	-	-
Total assets and deferred outflows	124,249,891	82,370,834	82,572,309
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	12,159	479,915	303,870
Unearned revenue (Note 7)	-	5,273,198	73,732
Due to component units	753,794	1,365,775	1,562,059
Long-term liabilities - current portion (Note 8)	-	264,639	-
Line of credit (Note 12)	-	7,209,973	-
Total current liabilities	765,953	14,593,500	1,939,661
Noncurrent liabilities:			
Funds held for others (Note 5)	769,803	-	-
Due to component units	35,984,542	33,847,185	45,487,125
Other	385,039	1,920,934	-
Long-term liabilities (Note 8)	-	3,119,660	-
Pension obligations (Note 10)	-	-	-
Total noncurrent liabilities	37,139,384	38,887,779	45,487,125
Total liabilities	37,905,337	53,481,279	47,426,786
Deferred inflows			
Total liabilities and deferred inflows	37,905,337	53,481,279	47,426,786
NET POSITION			
Net investment in capital assets	-	30,668,402	10,390,436
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	-
Departmental uses	25,608,238	-	10,097,465
Expendable:			
Scholarships and fellowships	-	-	-
Research	-	-	-
Departmental uses	57,885,385	-	13,060,271
Loans	-	-	-
Unrestricted	2,850,931	(1,778,847)	1,597,351
Total net position	$ 86,344,554	$ 28,889,555	$ 35,145,523

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2015

	VCU School of Engineering Foundation	Eliminations	Total
Current assets:			
Cash and cash equivalents (Note 2)	$ 1,226,443	$ -	$ 352,928,239
Short-term investments (Note 2)	-	-	193,275,506
Accounts receivable:			
Student and other, Net of allowance of $6,091,355	-	-	12,451,842
Sponsors	-	-	25,130,803
Patient, Net of allowance of $268,859,894	-	-	222,919,523
Third-party and non-patient	-	-	149,664,790
Contributions and gifts, Net of allowance of $1,077,867 (Note 24)	248,505	-	17,331,384
Due from component units	9,840	(5,810,036)	-
Due from VCBA	-	-	11,265,101
Student loans receivable, current portion	-	-	3,650,014
Current portion of assets whose use is limited (Note 2)	-	-	5,900,000
Other assets	830	(1,519,607)	37,949,889
Total current assets	1,485,618	(7,329,643)	1,032,467,091
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	307,435	-	86,998,665
Endowment investments (Note 2)	12,398,533	-	269,797,540
Other investments (Note 2)	66,539,938	-	795,694,428
Contributions and gifts, Net of allowance of $1,225,984 (Note 24)	714,907	-	20,435,115
Student loans receivable, Net of allowance of $2,005,304	-	-	20,368,229
Due from component units	-	(135,753,449)	-
Assets whose use is limited, less current portion (Note 2)	-	-	1,264,357,729
Other long-term assets (Note 3)	1,638,423	-	29,320,107
Nondepreciable capital assets (Note 4)	5,912,659	-	379,589,360
Depreciable capital assets (Note 4)	43,584,318	(20,849,800)	1,424,262,314
Total noncurrrent assets	131,096,213	(156,603,249)	4,290,823,487
Total assets	132,581,831	(163,932,892)	5,323,290,578
Deferred outflows	-	-	95,712,326
Total assets and deferred outflows	132,581,831	(163,932,892)	5,419,002,904
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	195,361	-	373,936,407
Unearned revenue (Note 7)	-	(4,806,460)	36,539,476
Due to component units	3,418,789	(7,239,719)	-
Long-term liabilities - current portion (Note 8)	-	(1,160,031)	98,090,865
Line of credit (Note 12)	2,711,530	-	18,521,503
Total current liabilities	6,325,680	(13,206,210)	527,088,251
Noncurrent liabilities:			
Funds held for others (Note 5)	-	-	30,496,517
Due to component units	77,574,732	(192,893,584)	-
Other	-	-	70,512,693
Long-term liabilities (Note 8)	-	(11,281,144)	1,063,593,200
Pension obligations (Note 10)	-	-	344,975,666
Total noncurrent liabilities	77,574,732	(204,174,728)	1,509,578,076
Total liabilities	83,900,412	(217,380,938)	2,036,666,327
Deferred inflows	-	-	71,197,721
Total liabilities and deferred inflows	83,900,412	(217,380,938)	2,107,864,048
NET POSITION			
Net investment in capital assets	2,608,805	(6,083,942)	992,340,092
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	4,194,420
Departmental uses	12,587,548	-	299,351,381
Expendable:			
Scholarships and fellowships	-	-	7,444,936
Research	-	-	12,060,111
Departmental uses	4,839,109	-	333,996,334
Loans	-	-	5,202,193
Unrestricted	28,645,957	59,531,988	1,656,549,389
Total net position	$ 48,681,419	$ 53,448,046	$ 3,311,138,856

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of June 30, 2015

	University	VCU Health System Authority	MCV Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $78,609,087	$ 312,809,796	$ -	$ -
Federal grants and contracts	157,324,526	-	-
State grants and contracts	6,872,715	-	-
Local grants and contracts	235,824	-	-
Nongovernmental grants and contracts	20,060,331	-	-
Sales and services of educational departments	54,621,138	-	-
Auxiliary enterprises:			
Sales and services	83,181,922	-	-
Student fees, Net of scholarship allowances of $4,278,325	44,935,729	-	-
Hospital services	25,477,514	2,665,102,391	-
Other revenues	11,832,855	-	2,484,000
Total operating revenues	717,352,350	2,665,102,391	2,484,000
Operating expenses:			
Instruction	334,137,776	-	-
Research	174,404,481	-	-
Public service	9,406,629	-	-
Supporting services:			
Academic support	85,077,134	-	27,265,000
Student services	15,812,123	-	-
Institutional support	73,499,605	-	2,327,000
Operations and maintenance of plant	67,860,490	-	-
Student aid	29,762,299	-	2,373,000
Auxiliary enterprises	85,342,919	-	-
Hospital services	21,792,401	2,387,899,858	-
Depreciation expense	61,176,426	74,623,210	51,000
Other expenses	64,688	-	315,000
Total operating expenses	958,336,971	2,462,523,068	32,331,000
Operating gain/(loss)	(240,984,621)	202,579,323	(29,847,000)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	203,698,844	-	-
Gifts	45,709,554	5,137,149	17,148,000
Investment income, Net of investment expense of $10,752,698	8,118,453	30,609,339	16,149,000
Interest on capital asset-related debt	(18,062,836)	(22,116,441)	-
Pell revenue	28,816,334	-	-
Other	(259,384)	(3,095,155)	-
Net nonoperating revenues	268,020,965	10,534,892	33,297,000
Income before other revenues and expenses	27,036,344	213,114,215	3,450,000
Other Revenues			
Additions to permanent endowments	1,547,342	-	6,710,000
Capital appropriations	27,170,822	-	-
Capital gifts and grants	11,436,779	-	-
Increase in beneficial interest in trusts	-	(817,491)	-
Other	-	(7,300,424)	915,000
Increase (decrease) in net position	67,191,287	204,996,300	11,075,000
Net position - Beginning of year, as restated (Note 1, Y)	695,655,947	1,612,693,225	467,018,000
Net position - End of year	$ 762,847,234	$ 1,817,689,525	$ 478,093,000

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of June 30, 2015

	VCU Foundation	VCU Real Estate Foundation	VCU School of Business Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $78,609,087	$ -	$ -	$ -
Federal grants and contracts	-	-	-
State grants and contracts	-	81,059	-
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	-	-	-
Sales and services of educational departments	-	-	-
Auxiliary enterprises:			
Sales and services	-	-	-
Student fees, Net of scholarship allowances of $4,278,325	-	-	-
Hospital services	-	-	-
Other revenues	726,003	7,514,178	3,209,122
Total operating revenues	726,003	7,595,237	3,209,122
Operating expenses:			
Instruction	-	-	565,308
Research	-	-	-
Public service	-	-	-
Supporting services:			
Academic support	-	-	-
Student services	-	-	-
Institutional support	-	-	-
Operations and maintenance of plant	-	2,094,168	-
Student aid	-	-	-
Auxiliary enterprises	-	-	-
Hospital services	-	-	-
Depreciation expense	-	2,093,527	1,351,646
Other expenses	18,189,785	49,867	3,232,453
Total operating expenses	18,189,785	4,237,562	5,149,407
Operating gain/(loss)	(17,463,782)	3,357,675	(1,940,285)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	-	-	-
Gifts	12,890,246	-	1,070,539
Investment income, Net of investment expense of $10,752,698	549,888	116,772	1,020,768
Interest on capital asset-related debt	-	(1,386,052)	(971,303)
Pell revenue	-	-	-
Other	(654,697)	-	900,077
Net nonoperating revenues	12,785,437	(1,269,280)	2,020,081
Income before other revenues and expenses	(4,678,345)	2,088,395	79,796
Other Revenues			
Additions to permanent endowments	2,273,294	-	193,366
Capital appropriations	-	-	-
Capital gifts and grants	-	617,626	-
Increase in beneficial interest in trusts	(25,602)	-	-
Other	-	-	-
Increase (decrease) in net position	(2,430,653)	2,706,021	273,162
Net position - Beginning of year, as restated (Note 1, Y)	88,775,207	26,183,534	34,872,361
Net position - End of year	$ 86,344,554	$ 28,889,555	$ 35,145,523

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of June 30, 2015

	VCU School of Engineering Foundation	Eliminations	Total
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $78,609,087	$ -	$ (1,079,128)	$ 311,730,668
Federal grants and contracts	-	-	157,324,526
State grants and contracts	-	-	6,953,774
Local grants and contracts	-	-	235,824
Nongovernmental grants and contracts	-	(221,911)	19,838,420
Sales and services of educational departments	-	(1,250,679)	53,370,459
Auxiliary enterprises:			
Sales and services	-	(1,673,403)	81,508,519
Student fees, Net of scholarship allowances of $4,278,325	-	-	44,935,729
Hospital services	-	(25,068,667)	2,665,511,238
Other revenues	3,495,651	(11,776,343)	17,485,466
Total operating revenues	3,495,651	(41,070,131)	3,358,894,623
Operating expenses:			
Instruction	-	(133,653)	334,569,431
Research	-	(1,927,784)	172,476,697
Public service	-	(28,314)	9,378,315
Supporting services:			
Academic support	-	(24,881,106)	87,461,028
Student services	-	(17,765)	15,794,358
Institutional support	-	77,401	75,904,006
Operations and maintenance of plant	-	(2,841,555)	67,113,103
Student aid	-	-	32,135,299
Auxiliary enterprises	-	77,520	85,420,439
Hospital services	-	(32,866,060)	2,376,826,199
Depreciation expense	2,387,123	(1,412,772)	140,270,160
Other expenses	3,169,232	(22,333,168)	2,687,857
Total operating expenses	5,556,355	(86,287,256)	3,400,036,892
Operating gain/(loss)	(2,060,704)	45,217,125	(41,142,269)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	-	-	203,698,844
Gifts	780,609	(40,770,700)	41,965,397
Investment income, Net of investment expense of $10,752,698	2,042,208	(247)	58,606,181
Interest on capital asset-related debt	(1,806,967)	2,909,433	(41,434,166)
Pell revenue	-	-	28,816,334
Other	-	-	(3,109,159)
Net nonoperating revenues	1,015,850	(37,861,514)	288,543,431
Income before other revenues and expenses	(1,044,854)	7,355,611	247,401,162
Other Revenues			
Additions to permanent endowments	253,724	-	10,977,726
Capital appropriations	-	-	27,170,822
Capital gifts and grants	-	(11,436,779)	617,626
Increase in beneficial interest in trusts	-	-	(843,093)
Other	-	-	(6,385,424)
Increase (decrease) in net position	(791,130)	(4,081,168)	278,938,819
Net position - Beginning of year, as restated (Note 1, Y)	49,472,549	57,529,214	3,032,200,037
Net position - End of year	$ 48,681,419	$ 53,448,046	$ 3,311,138,856

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	University
Cash flows from operating activities:	
Tuition and fees	$ 312,557,119
Grants and contracts	182,390,018
Auxiliary enterprise charges	127,890,376
Sales and services of education departments	54,621,138
Hospital services charges	25,658,922
Payments to suppliers	(285,193,675)
Payments to employees	(608,081,763)
Loans issued to students	(2,110,091)
Collection of loans to students	4,276,908
Other receipts (payments)	14,758,213
Net cash used by operating activities	(173,232,835)
Cash flows from noncapital financing activities:	
State appropriations	203,500,844
Direct lending receipts	213,560,908
Direct lending disbursements	(213,560,908)
Agency receipts	43,758,550
Agency disbursements	(44,300,666)
Insurance recoveries	1,390,222
Pell revenue	28,816,334
Gifts	47,037,150
Net cash provided by noncapital financing activities	280,202,434
Cash flows from capital and related financing activities:	
Proceeds from issuance of note payable	67,766,922
Bond proceeds disbursed to VCUREF	(8,117,941)
Capital gifts	11,436,779
State appropriations for capital assets	24,468,933
Purchase of capital assets	(99,675,876)
Principal paid on capital-related debt	(62,569,314)
Interest paid on capital-related debt	(18,307,638)
Net cash used by capital financing activities	(84,998,135)
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	830,009,262
Investment income	14,119,386
Purchases of investments	(871,503,586)
Net cash used by investing activities	(27,374,938)
Net decrease in cash	(5,403,474)
Cash and cash equivalents - Beginning of year	102,092,380
Cash and cash equivalents - End of year	$ 96,688,906

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating gain/(loss)	$ (240,984,621)
Adjustments to reconcile net gain/(loss) to net cash used by Operating activities:	
Depreciation expense	61,176,426
Provision for uncollectible accounts	(163,802)
Changes in assets and liabilities:	
Receivables	(1,146,755)
Other assets	1,766,897
Accounts payable and other liabilities	5,734,143
Deferred revenue	3,465,323
Compensated absences and deferred compensation	317,173
Deposits	605,781
Other liabilities	21,699,600
Pension Obligations	(25,703,000)
Net cash used by operating activities	$ (173,232,835)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Assets acquired through assumption of a liability	$ 1,800,092
Assets acquired through a gift	$ 11,436,779
Change in fair value of investments	$ 708,460
Change in fair value of SWAP	$ 62,590
Loss on disposal of capital assets	$ 2,008,570
Amortization of bond premium and discount	$ 2,793,459

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Virginia Commonwealth University (VCU) is supported by the Commonwealth of Virginia to serve the Richmond area, the state and the nation through teaching, research, service and patient care.

Virginia Commonwealth University is a public research university located in Richmond, the state capital of Virginia. VCU was founded in 1838 as the medical department of Hampden-Sydney College, becoming the Medical College of Virginia in 1854. In 1968, the General Assembly merged MCV with the Richmond Professional Institute, founded in 1917, to create Virginia Commonwealth University.

Today, more than 31,000 students pursue 226 degree and certificate programs through VCU's 13 schools and one college. The VCU Health System supports the University's health care education, research and patient care mission. VCU is designated as a research university with very high research activity by the Carnegie Foundation.

A broad array of university-approved centers and institutes of excellence, involving faculty from multiple disciplines in public policy, biotechnology and health care discoveries, supports the University's research mission. Twenty-two graduate and first-professional programs are ranked by U.S. News & World Report as among the best in the country.

The University's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements.

The VCU Health System Authority's accounting policies conform to generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements.

The accounting policies of the Medical College of Virginia Foundation, Virginia Commonwealth University Foundation, Virginia Commonwealth University Real Estate Foundation, Virginia Commonwealth University School of Business Foundation and Virginia Commonwealth University School of Engineering Foundation conform with the generally accepted accounting principles as prescribed by FASB, which are comparable to the GASB accounting principles except for certain disclosures.

The accompanying financial statements are prepared in accordance with generally accepted accounting principles as prescribed by GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and GASB Statement 35 *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities.* Because the University is a component unit of the Commonwealth of Virginia, it is included in the Comprehensive Annual Financial Report of the Commonwealth.

A. Reporting Entity

The accompanying financial statements include the accounts of all organizational units of Virginia Commonwealth University and the Virginia Commonwealth University Intellectual Property Foundation, a component unit which is blended (consolidated) with University operations. These statements are presented as stand-alone statements of the University.

In accordance with GASB Statement 39, Determining Whether Certain Organizations Are Component Units and GASB Statement 61, The Financial Reporting Entity Omnibus, amendments to GASB Statement 14, the financial statements include the Medical College of Virginia Foundation, Virginia Commonwealth University Foundation, Virginia Commonwealth University Real Estate Foundation, Virginia Commonwealth University School of Engineering Foundation and Virginia Commonwealth University School of Business Foundation which are presented discretely in the accompanying financial statements. Statement 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units. Generally, it requires that an organization that raises and holds economic resources for the direct benefit of the University be reported as a component unit. As a result, where in the past the University presented summary financial information of certain of its foundations in the notes to the financial statements, the University is required under Statement 39 to include selected foundations in the body of its financial statements.

Virginia Commonwealth University Health System Authority (the Authority) is a public corporate body and political subdivision of the Commonwealth of Virginia created and established by an Act of the General Assembly of the Commonwealth of Virginia during 1996. The Authority is a tax-exempt, not-for-profit organization under the provisions of Internal Revenue Code Section 115. Effective July 1, 2000, in conjunction with legislation enacted by the Commonwealth of Virginia and concurrent with certain changes to MCV Associated Physicians' (MCVAP) board structure, MCVAP began operating as a component unit of the Authority.

The Authority's principal activity is the operation of the Medical College of Virginia Hospitals (MCVH), Virginia Premier Health Plan (VA Premier), University Health Services, Inc. and subsidiaries (UHS), Children's Hospital (Children's), Community Memorial Hospital (CMH) and MCVAP. MCVH, a division of the Authority, is an approximately 800-bed teaching hospital, which provides inpatient and outpatient services primarily to patients in the Commonwealth of Virginia. MCVAP, formed in 1991 as a non-stock, not-for-profit charitable educational organization with the Authority as sole corporate member, functions as the group practice plan for those physicians and health care professionals who have faculty appointments in the VCU School of Medicine (SOM). MCVH is the primary enterprise while VA Premier, UHS, Children's, CMH and MCVAP are component units of the Authority.

CMH, a component unit of the Authority, is a not for profit healthcare facility providing inpatient, outpatient, emergency care and long-term care of residents of Southside Virginia. Community Memorial Foundation (CMF Foundation) was established to solicit, administer and distribute funds to support the charitable purpose of CMH.

UHS, a component unit of the Authority, is a not-for-profit, non-stock, tax-exempt corporation, which was incorporated on January 26, 1995 to support the educational, scientific, and charitable purpose and activities of the University and, in particular, the activities of the SOM and MCVH. These activities include, but are not limited to, activities undertaken pursuant to Section 23-50.16B of the Code of Virginia. UHS is a component unit of the Authority due to the significance of the operational and financial relationship between the two entities.

VA Premier is a Medicaid health maintenance organization (HMO) whose primary purpose is to provide quality health care within a managed care framework.

Effective June 30, 2010, the Authority became the sole corporate member of Children's Hospital (Children's). As sole corporate member, the Authority holds certain reserve and related powers with respect to the governance, operations and corporate existence of Children's. Children's was created in 1920 and is a Virginia not-for-profit corporation. The 47-bed hospital provides pediatric specialty care to both inpatients and outpatients. The merger qualified and was accounted for under the pooling-of-interests accounting method.

The Medical College of Virginia Foundation (MCV Foundation) is a not-for-profit corporation organized to aid, strengthen and extend the work, services and objectives of the MCV Campus of the University. This mission is achieved by receiving contributions, investing and managing funds, disbursing current funds and a portion of the total return on endowment, and providing information about the activities of the MCV Campus and the MCV Foundation. The MCV Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Foundation (VCU Foundation) is a Virginia corporation, which functions as a nonprofit charitable foundation solely to assist, support, and foster VCU in all proper ways that may from time to time be approved by the trustees of the VCU Foundation with the guidance of VCU. The VCU Foundation manages and distributes current and endowment gifts for all schools, departments and programs throughout VCU with major emphasis on programs for the Monroe Park Campus. The VCU Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Real Estate Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to assist and support VCU. The Virginia Commonwealth University Real Estate Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University Real Estate Foundation's subsidiary, the Art Station, LLC ("Art Station"), was established on April 30, 2013, for the purpose of incurring rehabilitation expenditures eligible for historic tax credits. Additional subsidiaries include 535 West Broad Street LLC, 800 West Broad Street LLC and Venture Development LLC.

The Virginia Commonwealth University Real Estate Foundation's controlled affiliate, Monroe Park Campus Corporation, is a Virginia non-stock corporation, which functions as a nonprofit organization solely to support the Virginia Commonwealth University Real Estate Foundation. The Monroe Park Campus Corporation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). This entity has been dissolved as of June 30, 2015. Its activities through that date are included in these consolidated financial statements.

The Virginia Commonwealth University School of Engineering Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to provide financial and other support to the School of Engineering for the benefit of VCU. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The Virginia Commonwealth University School of Business Foundation is a Virginia corporation, which functions as a nonprofit charitable foundation solely to provide financial and other support to the School of Business for the benefit of VCU. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3).

The University also benefits from a number of organizations that exist mainly to support the various purposes and activities of the University and Authority. The assets of these affiliated organizations, which are separately incorporated and managed by their own Boards, are not included in these statements. The affiliated organizations are listed below and are described in Note 11:

- Virginia Biotechnology Research Park Partnership Authority
- Virginia Commonwealth University Alumni Association
- Medical College of Virginia Alumni Association of VCU
- MCV/VCU Dental Faculty Practice Association

Complete financial statements for the foundations can be obtained by writing the VCU Controller's Office, P.O. Box 843035, Richmond, VA 23284-3035.

B. <u>Basis of Accounting</u>

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis including depreciation expense relating to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has incurred. All significant intra-agency transactions have been eliminated.

Revenues, as reflected on the Statement of Revenues, Expenses and Changes in Net Position include all exchange and non-exchange transactions earned and in which all eligibility requirements have been satisfied, if measurable and probable for collections. Unearned revenue represents revenue collected but not earned as of June 30, 2015. This is primarily composed of revenue for grants and contracts and tuitions and fees. Revenues for the summer term are prorated on the basis of student class days occurring before and after June 30.

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

C. Allowance for Uncollectible Receivables

The allowance for uncollectible receivables is based on management's evaluation of the collectability of individual receivables. Receivables are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance.

D. Pledges Receivable

Unconditional gifts are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional gifts expected to be collected within one year are recorded at their net realizable value. Unconditional gifts expected to be collected in future years are recorded at the net present value of the estimated future cash flows.

Donations or contributions of land, buildings, equipment and gifts-in-kind except contributed services are recorded at fair market value when received or pledged, if earlier.

E. Investments

Investments in open-end mutual funds, debt securities and equity securities that have readily determinable fair values are carried at fair value. The fair values of marketable equity securities, bonds and other investments are based on quoted market prices. Investments held in the liquidity fund (securities with a maturity of less than one year) of the University are reported as current assets with the remaining investments reported as noncurrent assets.

F. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market.

G. Investment Income

Investment income, including net realized and unrealized gains or losses on investment transactions and investment expense, is recorded as non-operating revenue.

It is the practice of the VCU Foundation, MCV Foundation, Virginia Commonwealth University School of Engineering Foundation and Virginia Commonwealth School of Business Foundation to annually distribute a set percentage of each endowment corpus to be utilized for the purpose of the fund as stipulated by the donor and/or established by the Foundation. Any excess net investment income over the distribution percentage is added to the individual endowment fund corpus.

H. Accrued Compensated Absences

University full-time classified, part-time classified and faculty employed on or after January 1, 1999, who are also active members of the Virginia Retirement System (VRS) are covered under the "Virginia Sickness and Disability Program" (VSDP). The plan provides for sick leave, family and personal leave, short-term disability benefits and long-term disability benefits. Full-time classified, part-time classified and faculty employed prior to January 1, 1999, who are active members of VRS, participate in VSDP under one of two options or remain under the traditional sick leave program in which classified employees and twelve month faculty earn 5 hours of leave each pay period regardless of the length of state service, and nine month faculty accrue 48 hours per semester. One VSDP option permitted eligible employees to convert accumulated sick leave balances to short-term disability credits. The other allowed for the conversion of sick leave balances to VRS service credit. The University was not required to currently fund the cost of conversion to VRS service credit. Enrollment in the VSDP is irrevocable, and no additional enrollments are planned. Under VSDP, unused VSDP sick leave and family and personal leave balances do not carry forward from one year to the next, and employees are not paid for unused balances upon termination. The converted short-term disability credits of classified employees are payable upon termination in accordance with the Commonwealth of Virginia's sick leave payout policy discussed below. Faculty who converted sick leave balances to short-term disability credits are not compensated for these balances at termination.

Full-time and part-time twelve-month faculty and classified employees earn annual leave based upon the number of years of continuous state service. Faculty and classified employees carry forward annual leave balances from one year to the next based on the years of service. Upon termination, the payout of unused annual leave balances is subject to the maximum payout policy for each category of employee.

Employees who are not subject to the overtime provisions of the Fair Labor Standards Act may be eligible to earn compensatory leave. Leave is earned on an hour-for-hour basis for having worked additional hours in a workweek, holidays or scheduled days off. Compensatory leave may be used for paid time off and is payable upon termination. Accrued compensatory leave lapses within 12 months from the date it is earned and once lapsed, may not be used or paid upon termination.

The University records a liability for all unused annual, non-VSDP sick and compensatory leave and unused short-term disability credits, as well as related fringe benefits. Compensatory leave balances are paid in full upon termination. Annual leave balances are paid in full up to a maximum number of hours, depending upon length of service. Non-VSDP sick leave and short-term disability credits are payable upon employment termination and are limited to 25 percent of the value accumulated or $5,000, whichever is less, under the Commonwealth of Virginia's sick leave pay-out policy for employees with 5 or more years of service.

The Authority records a liability for all paid time off and related FICA taxes expected to be paid.

I. Capital Assets

Capital assets are stated at cost or, if donated, at fair market value on the date of acquisition; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Equipment costing $5,000 or more with a useful life of 2 or more years is capitalized. Infrastructure assets are included in the financial statements and are depreciated. The University and the Authority record depreciation on property, plant and equipment; including capital leases and excluding land and construction in progress, computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is 10 to 40 years for buildings and fixtures and 5 to 20 years for equipment. The estimated useful life of library books is 5 years. The general range of estimated useful lives is 10 to 25 years for land improvements and infrastructure. Expenditures for construction in progress are capitalized as incurred and reflected in net investment in plant. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Capital assets at the time of disposal revert to the Commonwealth of Virginia for disposition.

The VCU School of Engineering Foundation, VCU School of Business Foundation and the VCU Foundation record the acquisition of real estate at cost, or if donated, at fair market value at the time of donation; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Depreciation is provided for properties that are actively rented, using the straight-line method, at rates adequate to amortize the cost of the property over its estimated useful life. The estimated lives of these properties are between 10 and 40 years.

The VCU Real Estate Foundation records the acquisition of equipment at cost, or if donated, at fair market value at the time of donation; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Depreciation is computed using the straight-line method over the estimated lives of the equipment. The estimated useful lives for equipment are between 5 and 20 years.

The MCV Foundation records property and equipment at cost for purchased items and at fair value for donated items; however, transfers between related reporting entities are recorded at the carrying value at time of transfer. Acquisitions of fixed assets with a cost less than $5,000 are expensed as acquired. Depreciation is computed on a straight-line basis over the estimated useful life of the asset. The estimated useful lives range between 3 and 39 years.

J. Hospital Services

In addition to the services provided by the Authority to patients, the University provides facilities, graduate medical education, clinical support and administrative support to hospitals. The revenues and expenditures necessary to provide the services are classified as hospital services.

K. Uncompensated Care

The Authority provides care to patients who meet certain criteria under its indigent care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of charges determined to qualify as uncompensated care from the patients, they are not reported as revenue. The costs of providing these services are included in the Authority's operating expenses. Medicaid reimburses the Authority for a substantial portion of its costs of providing services to indigent patients. The estimated costs for the services provided for this care, net of reimbursement from the Commonwealth of Virginia, is approximately $11,135,000 in 2015.

L. Net Patient Service Revenue

Net patient service revenue is reported in hospital services at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Settlements due to third parties include amounts that are currently under appeal with various federal and state agencies. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. The effect of these settlement adjustments was to increase net patient service revenue by approximately

$49,742,000 in 2015. Settlements due to and from third-party payors include amounts that are currently under appeal with various federal and state agencies.

A summary of the payment arrangements with major third-party payers follows:

- Anthem – Inpatient acute care services rendered to Anthem subscribers are paid at rates per discharge or discounted rates. Outpatient services rendered to Anthem subscribers are reimbursed at discounted rates or applicable fee schedule. The rates can be subject to retroactive adjustment based on quality standards or calculations above a predetermined charge increase percentage.

- Medicare – Inpatient acute care services and defined capital costs rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates may vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and education related to Medicare beneficiaries are paid based on prospectively determined rates and a discounted cost reimbursement methodology. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

- Medicaid – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a per diem rate and APDRG (rates per discharge) on an interim basis but eventually settle to a percentage of cost. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates and a cost reimbursement methodology. In addition to inpatient and outpatient services provided to Medicaid program beneficiaries, Medicaid reimburses the Authority its costs related to services provided to indigent patients and its education mission up to an amount which results in total Medicaid and indigent reimbursement to the Authority of approximately $426,703,000 in 2015. The Authority's Medicaid cost reports have been audited by the Medicaid program representative through June 30, 2012.

M. Premiums Earned

VA Premier has contracts with the Virginia Department of Medical Assistance Services (DMAS) wherein VA Premier provides health care services to the Low Income Families with Children (LIFC), the Family Access to Medical Insurance Security (FAMIS) and Aged, Blind and Disabled (ABD) residents of Virginia on a prepaid basis through a health maintenance organization (HMO). VA Premier recognizes premiums received from DMAS for members in the period to which health care coverage relates.

N. Uncollectible Accounts

A provision for uncollectible accounts is recorded during the period in which collection is considered doubtful.

O. Estimated Medical Claims Payable

Estimated medical claims payable is comprised of billed and unbilled medical obligations for VA Premier Members that are unpaid at year-end. The estimate of costs incurred for unbilled services is based upon historical experience and actuarial calculations. Although considerable variability is inherent in such estimates, management believes that adequate provision has been made.

P. Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

- Net investment in capital assets represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component.
- Nonexpendable restricted consists of gifts that have been received for endowment purposes, the corpus of which cannot be expended.
- Expendable restricted represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted through external constraints imposed by grantors, contributors or creditors through bond covenants.
- Unrestricted is the net amount of assets, deferred outflows of resources, related liabilities and deferred inflows of resources that do not have external restrictions on the use of the funds.

Unexpended appropriations for capital projects are included in expendable restricted net position as they are not available for general operating purposes.

When an expense is incurred when both restricted and unrestricted resources are available that are properly chargeable to the restricted resources, the University's policy is to apply the expense towards restricted resources before unrestricted resources.

The Authority's investment balances include resources restricted for debt service under a bond indenture agreement, resources restricted under a malpractice trust agreement, resources restricted by insurance regulations of the Commonwealth of Virginia resources restricted under the workers' compensation program, and unrestricted resources appropriated or designated by the Board of Directors for capital acquisition and for the future funding of MCVAP malpractice insurance.

The Authority's restricted net position consists principally of beneficial interests in perpetual trust funds established by split interest agreements. Split interest agreements are trust agreements established by donors under which the Authority receives benefits that are shared with other beneficiaries. The trust agreements established by donors provide for a third party to hold the trust assets. These trusts do not permit donors to revoke their charitable contributions. Trust assets of $17,466,799, which are restricted by donors for the Authority in perpetuity, are reported at fair value, which approximates the present value of the future cash receipts from the trust assets.

Children's recognizes its beneficial interest in assets held by Children's Hospital Foundation by recording an equity interest equal to its share of net assets of the Children's Hospital Foundation. Equity interest of $3,687,908 for June 30, 2015, is included in assets whose use is limited.

Q. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total University basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

R. Revenue and Expense Classifications

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

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

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

S. Noncurrent Cash and Investments

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

T. Cash and Cash Equivalents

Cash represents cash with the Treasurer of Virginia, on deposit, in receivable and undeposited receipts. This classification includes all highly liquid investments with an original maturity of 90 days or less.

U. Discounts, Premiums and Bond Issuance Costs

Notes and bonds payable on the Statement of Net Position are reported net of related discounts and premiums which are amortized over the life of the note or bond. Bond issue costs are expensed as incurred.

V. Deferred Outflows and Deferred Inflows

The University classifies gains on retirement of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the debt. An increase in the fair value of hedging derivatives is classified as deferred inflows of resources while a decrease is deferred outflows of resources. Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

The composition of deferred outflows and inflows of resources at June 30, 2015 is summarized as follows:

	Pension Related	Gain / Loss on Debt Refunding	Interest Rate Swap Agreements	Total
At June 30, 2015				
Deferred outflows of resources	$ 28,654,400	$ 20,636,871	$ -	$ 49,291,271
Deferred inflows of resources	$ 50,354,000	$ 1,808,870	$ 4,827,851	$ 56,990,721

The composition of deferred outflows and inflows of resources at June 30, 2015 for the Authority is summarized as follows:

	Pension Related	Gain / Loss on Debt Refunding	Interest Rate Swap Agreements	Total
At June 30, 2015				
Deferred outflows of resources	$ 4,145,864	$ 36,904,433	$ 5,370,758	$ 46,421,055
Deferred inflows of resources	$ 14,207,000	$ -	$ -	$ 14,207,000

W. Pensions

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 held by VRS are reported at fair value.

X. Recently Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change.

Y. Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.

Net position – beginning of year, has been restated as follows for the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date:

University

Net Position as previously reported at June 30, 2014	$	1,006,460,947
Net Pension Liability - June 30, 2013 measurement date	$	(328,562,000)
Less: fiscal year 2014 contributions	$	17,757,000
Total Net Position Restatement	$	(310,805,000)
Net Position - beginning of year, as restated	$	695,655,947

Authority

Net Pension Liability - June 30, 2014 measurement date	$	(68,184,000)
Less: contributions made after measurement date	$	3,226,000
Total Net Position Restatement	$	(64,958,000)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The University's deposits and investments may be subject to the following risks:

- Custodial Credit Risk – This is the risk that in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had no exposure to custodial risk as of June 30, 2015.
- Interest Rate Risk – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. The University holds investments where fair value may be adversely affected by changes in interest rates. The University invests in accordance with its Investment Policy, which establishes appropriate levels of interest rate exposure for each fixed-income fund through the use of a duration methodology. The Investment Policy regulates maximum duration of non-endowed funds for both individual securities and each separate fund, as outlined in the chart below.

	Individual Security	Fund
Primary Liquidity Pool	< 13 months	< 6 months
Short Duration Fund	< 5 years	< 120% of Merrill Lynch 1-3 year Gov't/Corp./ Index
Core Bond Fund	< 20 years	< 120% of Barclay's Capital Aggregate Index
TIPS Fund	< 20 years	< 120% of Barclay's TIPS Index
Emerging Market Debt Fund	< 20 years	< 120% of JPMorgan EMBI Global Diversified Index

- Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University holds investments which carry varying levels or credit risk. The University invests in accordance with its Investment Policy, which establishes appropriate levels of credit risk though the use of minimum credit rating restrictions for individual securities in each fixed income fund. The Authority's investment portfolio is monitored and evaluated on a quarterly basis by the Authority's investment advisor and Finance Committee of the Board of Directors to ensure credit risk is kept at an appropriate level.
- Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issuer of fixed income securities. As of June 30, 2015, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. Government and mutual fund or pool investments) representing 5 percent or more of its total investments.
- Foreign Currency Risk – The risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University may, at times, be exposed to limited amounts of currency risk through its investments in emerging market debt. Local denominated currency investments may total no more than one fourth of the University's Emerging Market Debt Fund and are limited to investment grade sovereign debt in highly liquid currencies.

Cash and Cash Equivalents

All cash of the University, except as described below, is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by federal depository insurance. At June 30, 2015 the carrying value of deposits totaled $64,700,286 and the account balances reported by the depositories or custodial financial institutions totaled $71,572,961. $250,000 is covered by federal depository insurance, $63,561,677 is collateralized in accordance with the Virginia Security for Public Deposits Act, $3,125,437 is held by investment managers and $4,635,847 is held in Qatar.

Investments

Professional investment managers manage the University's investments. The University's investments are governed by an Investment Policy, adopted by its Board of Visitors. The primary investment objective is to provide a framework for prudent investment management, while allowing for sufficient flexibility to capture investment opportunities as they may incur. The investment policy is established by the Board of Visitors and is monitored by its Finance, Budget and Investment Committee. Investment managers may invest in the following types of investments: direct obligations of the United States, obligations unconditionally guaranteed by the United States, including collateralized mortgage obligations, obligations of any agency or instrumentality of the United States, repurchase agreements, banker's acceptances, commercial paper issued by domestic corporations, money market funds, corporate notes of domestic corporations, fully hedged debt obligations of sovereign governments and companies, obligations of the Commonwealth of Virginia, asset backed securities with AAA ratings, negotiable certificates of deposit and negotiable bank notes of domestic banks, equities, hedge funds, alternative investments and private equities.

The Authority's investments are governed by an Investment Policy Statement, adopted by its Board of Directors. In accordance with this policy, MCVH's investment portfolio assets are allocated among the following asset classes: global equity, absolute strategies, fixed income, real estate, real assets, private equity and cash.

For management purposes, endowment funds and funds internally designated to function as an endowment, except the Glasgow Trust, are held in the investment pools of the VCU Foundation, VCU School of Business Foundation, VCU School of Engineering Foundation and the MCV Foundation. These funds remain the property of the University. The investment pools consist of cash equivalents, bonds, preferred and common stocks, fixed asset instruments, hedge funds and real estate. The University's equity in the investment pools is based on units or shares in the investment pools. The University's share of the investments is shown as a Due from Component Unit on the Statement of Net Position.

The University received $31.230 million from the Margaret Branch Glasgow Trust on January 4, 2012, and $4.057 million from the Arthur Glasgow Trust on February 6, 2012. Additional contributions of $1.339 million and $8.036 million were received during fiscal years 2015 and 2013, respectively. This endowment is managed by JP Morgan. Net appreciation of the Margaret Glasgow Trust is recorded in the restricted-expendable net position to reflect the fact that the net appreciation must be spent in accordance with the stipulations set forth in the underlying endowment agreement. The Arthur Glasgow Trust placed no restrictions on spending so the net appreciation is recorded as unrestricted net position. At June 30, 2015, net appreciation for the Glasgow Trust of $215,716 was earned for the fiscal year.

The Glasgow Trust is governed by a separate Investment Policy, adopted by the VCU Board of Visitors. The long-term objective of the spending policy is to maintain the purchasing power of the Glasgow Endowed Fund with the goal of providing a predictable and sustainable level of income to support current operations. The rule should reflect best industry practices among endowment institutions. Under this policy, spending for a given year equals the sum of (i) 70% of spending in the previous year, adjusted for inflation as measured by the Higher Education Price Index (HEPI) for the 12 months prior to the start of the fiscal year, and (ii) 30 % of the trailing three-year average market value of the endowment investment pool multiplied by the long-term spending rate (currently 4.5%). Spending on gifts received in the previous fiscal year will receive a pro-rated amount based on the number of whole months each gift was included in the fund.

If the Glasgow Endowment falls underwater, the payout and distribution would be in compliance with Virginia's Uniform Prudent Management of Institutional Funds Act (§ 55-268.11 et seq., "UPMIFA").

As of June 30, 2015, the University held the following investments:

			Investment Maturities (In Years)			
	Credit Rating	Fair Value	<1	1 to 5	6 to 10	>10
U.S. Treasury and Agency Securities	AAA	$ 20,598,518	$ 6,753,538	$ 8,359,655	$ -	$ 5,485,325
Corporate Notes						
	AAA	200,872	200,872	-	-	-
	AA1	-	-	-	-	-
	AA2	-	-	-	-	-
	AA3	149,850	-	149,850	-	-
	A1	3,838,930	200,836	3,638,094	-	-
	A2	1,433,515	-	1,433,515	-	-
	A3	1,775,584	-	1,775,584	-	-
	BAA1	1,718,929	200,442	1,518,487	-	-
Corporate Bonds						
	AAA	620,143	-	620,143	-	-
	AA1	1,687,984	1,029,835	658,149	-	-
	AA2	5,536,113	1,418,897	4,117,216	-	-
	AA3	3,788,868	-	3,788,868	-	-
	A1	7,564,329	200,166	7,364,163	-	-
	A2	4,401,759	790,695	3,611,064	-	-
	A3	7,318,577	3,167,338	4,151,239	-	-
	BAA1	1,144,761	100,001	1,044,760	-	-
Asset Backed Securities						
	AAA	36,403,102	1,322,531	29,931,339	99,760	5,049,472
Agency Unsecured Bonds and Notes						
	AAA	9,749,161	5,199,996	4,549,165	-	-
Agency Mortgage Backed Securities						
	AAA	1,215,751	-	289,625	926,126	-
Mutual and Money Market Funds					-	-
	AAA	31,838,504	5,272,713	-	26,565,791	-
	A1	38,006,447	-	-	38,006,447	-
	BB+	25,704,085	-	-	25,704,085	-
	B	29,831,517	-	-	29,831,517	-
Other Assets:						
Alternative Assets (Hedge Funds)	N/A	108,568,159	-	-	-	-
Equity	N/A	63,893,169	-	-	-	-
Fixed Income	N/A	37,651,153	-	-	-	-
Total		**$ 444,639,780**	**$ 25,857,860**	**$ 77,000,916**	**$ 121,133,726**	**$ 10,534,797**

N/A-Investment maturity not applicable to type of investments noted. Underlying securities are rated by Moodys, S&P or both agencies.

As of June 30, 2015, the Authority held the following investments:

		Investments Maturities (In Years)			
Investment Type:	Fair Value	<1	1-5	6-10	>10
U.S. Treasury and Agency Securities	$ 53,600,551	$ 6,874,930	$ 21,080,383	$ 4,105,803	$ 21,539,435
Cash and cash equivalents	58,383,623	58,383,623	N/A	N/A	N/A
Corporate notes	70,752,169	17,523,046	48,639,192	2,925,641	1,664,290
Corporate bonds	58,762,714	16,232,024	27,686,103	3,833,975	11,010,612
Asset backed securities	42,933,699	217,965	39,207,878	1,997,992	1,509,864
Agency backed mortgages	41,837,483	8,643,532	13,424,461	2,644,946	17,124,544
Beneficial interest in perpetual trust	17,466,799	N/A	N/A	N/A	N/A
Equity interest in Foundation	3,687,908	N/A	N/A	N/A	N/A
Mutual funds	70,320,183	N/A	N/A	N/A	N/A
Index funds	24,062,471	N/A	N/A	N/A	N/A
Marketable equity securities	144,073,699	N/A	N/A	N/A	N/A
Real estate	11,307,532	N/A	N/A	N/A	N/A
Commercial paper	66,183,773	64,737,108	1,446,665	-	-
Investment companies	779,363,679	N/A	N/A	N/A	N/A
Total	$ 1,442,736,283	$ 172,612,228	$ 151,484,682	$ 15,508,357	$ 52,848,745

N/A-Investment maturity not applicable to type of investments noted.

At June 30, 2015 the credit quality ratings for the Authority's primary enterprise (MCVH) fixed income investments were 39.1% AAA, 21.0% AA, 23.8% A, 16.2% below A and 0% not rated. The component units of the Authority's fixed income investments were 59.3% AAA, 33.4% AA, 2.9% A, 4.3% below A and 0.1% not rated.

Certain line items or amounts related to the Authority are included in the Statement of Net Position that is not included in the above chart.

As of June 30, 2015, the foundations held the following investments:

Investment Type:	VCU Foundation	VCU School of Business Foundation	VCU School of Engineering Foundation	Medical College of Virginia Foundation
US Treasury and Agency Securities	$ -	$ -	$ -	$ 65,509,000
Common & Preferred Stocks	37,246,428	20,000,989	-	67,037,000
Corporate Bonds	13,306,582	7,467,131	-	14,772,000
Asset Backed Securities	-	-	-	1,319,000
Alternative Investments	-	-	-	-
International Fund	-	-	-	62,606,000
Relative Value	-	1,891,973	-	-
Hedge Funds	19,267,024	-	78,899,634	181,362,000
Opportunistic/Macro	-	1,609,109	-	-
Long/Short Equities	-	3,314,262	-	-
Event Driven/Merger	-	1,667,140	-	-
Distressed Credit	-	920,955	-	-
Buyout	-	-	38,837	-
Emerging Markets	-	-	-	23,145,000
Private Equity	-	-	-	19,426,000
Real Estate Funds	2,488,229	1,514,706	-	11,722,000
Diversified Strategies	-	700,767	-	-
Life Income Investment	980,374	-	-	3,437,000
Buyout Fund	-	-	-	-
Total	$ 73,288,637	$ 39,087,032	$ 78,938,471	$ 450,335,000

3. JOINT VENTURES AND EQUITY INVESTMENTS

Investment in 7th and Marshall Corporation

Included in other long-term assets on the accompanying Statement of Net Position is a capital contribution to 7th and Marshall Corporation of $500,000. UHS and The Doorways (formerly known as Hospital Hospitality House, Inc.) are the sole members of the 7th and Marshall Corporation, a not-for-profit corporation formed to support the charitable, educational and scientific activities of UHS and The Doorways. The 50% investment in 7th and Marshall Corporation is accounted for under the equity method of accounting. The investment is carried at $265,606.

Investment in Spotsylvania Radiation Therapy Center, LLC

Included in other long-term assets on the accompanying Statement of Net Position is a capital contribution to Spotsylvania Radiation Therapy Center, LLC in the amount of $4,113,316. VCUHS and Spotsylvania Medical Center, Inc. formed this joint venture for the purpose of developing, owning and managing a radiation therapy center to provide access to high quality radiation therapy services to patients in the Spotsylvania region. The investment is carried at $3,133,365.

Investment in South Hill Radiation Oncology Center, LLC

Included in other long-term assets on the accompanying Statement of Net Position is a capital contribution to South Hill Radiation Oncology Center, LLC in the amount of $2,655,450. VCUHS and Community Memorial Health Center, Inc. formed this joint venture for the purpose of developing, owning and managing a radiation therapy center to provide access to high quality radiation therapy services to cancer patients in the South Hill community. The investment is carried at $3,522,657.

4. CAPITAL ASSET

Capital asset activity for the year ended June 30, 2015 was as follows:

University:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 50,125,959	$ 3,228,931	$ -	$ 53,354,890
Construction in Progress	26,143,360	82,374,433	14,791,113	93,726,680
Total nondepreciable capital assets	76,269,319	85,603,364	14,791,113	147,081,570
Depreciable capital assets:				
Land Improvements and infrastructure	19,508,711	-	-	19,508,711
Buildings	1,180,124,479	15,706,929	305,603	1,195,525,805
Equipment	194,810,221	15,184,526	13,677,769	196,316,978
Intangible Assets	8,550,753	15,700	193,650	8,372,803
Library Books	156,015,578	8,850,344	17,929	164,847,993
Total depreciable capital assets	1,559,009,742	39,757,499	14,194,951	1,584,572,290
Less accumulated depreciation for:				
Land Improvements and infrastructure	17,193,963	650,788	-	17,844,751
Buildings	371,477,617	35,581,061	225,779	406,832,899
Equipment	120,496,478	16,271,965	11,754,269	125,014,174
Intangible Assets	7,526,823	485,883	188,403	7,824,303
Library Books	136,364,645	8,186,729	17,929	144,533,445
Total accumulated depreciation	653,059,526	61,176,426	12,186,380	702,049,572
Total depreciable capital assets, net	905,950,216	(21,418,927)	2,008,571	882,522,718
Total capital assets - net	$ 982,219,535	$ 64,184,437	$ 16,799,684	$ 1,029,604,288

Interest capitalized as part of construction in progress was $1,548,090

Authority:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 11,889,030	$ 270,645	$ -	$ 12,159,675
Construction in Progress	119,217,098	152,110,096	75,243,678	196,083,516
Total nondepreciable capital assets	131,106,128	152,380,741	75,243,678	208,243,191
Depreciable capital assets:				
Buildings	646,812,587	19,158,174	32,405	665,938,356
Equipment	356,102,893	41,550,802	5,388,616	392,265,079
Intangible Assets	92,082,355	15,645,073	304,485	107,422,943
Total depreciable capital assets	1,094,997,835	76,354,049	5,725,506	1,165,626,378
Less accumulated depreciation	659,783,889	74,716,993	5,408,075	729,092,807
Total depreciable capital assets, net	435,213,946	1,637,056	317,431	436,533,571
Total capital assets - net	$ 566,320,074	$ 154,017,797	$ 75,561,109	$ 644,776,762

MCV Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 217,000	$ 147,000	$ -	$ 364,000
Construction in Progress	-	100,000	-	100,000
Total nondepreciable capital assets	217,000	247,000	-	464,000
Depreciable capital assets:				
Property and Equipment	2,063,000	28,000	1,000	$ 2,090,000
Less accumulated depreciation	846,000	51,000	1,000	896,000
Total depreciable capital assets, net	1,217,000	(23,000)	-	1,194,000
Total capital assets - net	$ 1,434,000	$ 224,000	$ -	$ 1,658,000
VCU Real Estate Foundation:				
Nondepreciable capital assets:				
Land	$ 8,709,641	$ -	$ -	$ 8,709,641
Construction in Progress	12,692,413	10,834,727	17,851,877	5,675,263
Total nondepreciable capital assets	21,402,054	10,834,727	17,851,877	14,384,904
Depreciable capital assets:				
Buildings	46,720,624	17,251,453	-	63,972,077
Equipment	1,112,164	553,867	-	1,666,031
Total depreciable capital assets	47,832,788	17,805,320	-	65,638,108
Less accumulated depreciation	12,497,940	2,067,088	-	14,565,028
Total depreciable capital assets, net	35,334,848	15,738,232	-	51,073,080
Total before eliminations	56,736,902	26,572,959	17,851,877	65,457,984
Less included on University	9,075,839		551,520	8,524,319
Total capital assets - net	$ 47,661,063	$ 26,572,959	$ 17,300,357	$ 56,933,665
VCU School of Business Foundation:				
Total nondepreciable capital assets	$ 3,503,036	$ -	$ -	$ 3,503,036
Total depreciable capital assets, net	31,544,364	(1,339,937)	-	$ 30,204,427
Total capital assets - net	$ 35,047,400	$ (1,339,937)	$ -	$ 33,707,463
VCU School of Engineering Foundation:				
Total nondepreciable capital assets	$ 5,912,659	$ -	$ -	$ 5,912,659
Total depreciable capital assets, net	45,883,436	(2,299,118)	-	43,584,318
Total before eliminations	51,796,095	(2,299,118)	-	49,496,977
Less included on University	13,186,733		861,252	12,325,481
Total capital assets - net	$ 38,609,362	$ (2,299,118)	$ (861,252)	$ 37,171,496

GASB 42, *Accounting and Reporting for the Impairment of Capital Assets and for Insurance Recoveries,* effective for periods beginning after December 15, 2004, requires disclosure of insurance recoveries for circumstances other than impairment of capital assets. Fiscal year 2015 insurance recoveries of $260,222 are reported as other non-operating income.

GASB 51, *Accounting and Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. These include but are not limited to easements, water rights, timber rights, patents, trademarks and computer software. Intangible assets for the University and the Authority were previously included in the values for equipment.

5. FUNDS HELD FOR OTHERS

At June 30, 2015, the University held deposits for others, which are composed of the following:

	Funds held for others
Federal loan programs	$ 26,281,430
Student organizations and others	3,445,284
Total	$ 29,726,714

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2015:

	University	Authority	MCV Foundation	VCU Foundation	VCU Real Estate Foundation	VCU School of Business	VCU School of Engineering
Vendor payable	42,067,300	69,672,986	450,454	12,159	199,678	224,245	35,986
Retainage payable	390,091	4,401,072	-	-	43,000	-	-
Accrued wages	47,428,852	76,919,130	-	-	-	-	-
Interest payable	4,264,549	8,207,336	141,546	-	237,237	79,625	159,375
Estimated medical claims payable	-	94,963,621	-	-	-	-	-
Settlements due to third parties	-	24,038,165	-	-	-	-	-
	$94,150,792	$278,202,310	$ 592,000	$ 12,159	$ 479,915	$ 303,870	$ 195,361
						Total	$ 373,936,407

7. UNEARNED REVENUE

Unearned revenue consisted of the following as of June 30, 2015:

Prepaid tuition and fees	$ 12,137,916
Grants and contracts	17,832,890
Other cash advances	6,028,200
	$ 35,999,006

8. LONG TERM LIABILITIES

Long term liabilities consist of bonds, notes payable, capital leases, installment purchases, delayed compensation, compensated absences and estimated losses on malpractice claims.

Bonds Payable

The Commonwealth of Virginia issues bonds for agencies and institutions of the Commonwealth. The University has received a portion of the proceeds to fund capital construction. The University recognizes a liability associated with its share of the bonds and remits principal and interest payments related to this liability to the Treasurer of Virginia. The General Revenue Pledge Bonds (Section 9d Bonds) issued either by the Commonwealth or the University carry interest rates of 1.5% to 5% and are due through 2043. Included in the total General Revenue Pledge Bonds are outstanding bonds payable in the amount of $18,130,000, which will be repaid by the VCU Real Estate Foundation.

New General Revenue Pledge Bonds totaling $27,000,000 were issued in June. These bonds were issued to fund the capital construction of a basketball practice facility, Sanger Hall and parking deck renovations. These bonds carry an interest rate of 2.03% and are due May 1, 2030.

General Obligation Bonds

Section 9(c) bonds are general obligation bonds issued by the Commonwealth on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth. The General Obligation Bonds carry interest rates of 2% to 5% and are due through 2037. Of the total Commonwealth general obligation bonds outstanding, bonds payable in the amount of $265,317 will be repaid by the Authority.

Virginia College Building Authority

The Virginia College Building Authority (VCBA) issues Educational Facilities Revenue Bonds (Public Higher Education Financing Program). As a participating institution in this program, the University issued a note payable to the VCBA. This note, along with the notes of other institutions, is held by the VCBA as security for the Educational Facilities Revenue Bonds. For accounting purposes, the financing arrangement is considered to represent a note payable. The notes have interest rates of 2% to 5%.

Virginia Public Building Authority

The University participates in a financing arrangement with the Virginia Public Building Authority to construct a steam plant adjacent to the MCV Campus. The University considers this financing arrangement to be a capital lease with imputed interest rates of 2% to 5.75%.

Ad Center Development LLC

The University leases space for the VCU Brand Center which is owned by the VCU Real Estate Foundation and leased through Ad Center LLC. For accounting purposes, this arrangement is considered to be a capital lease with an imputed interest rate of 4.3%.

Defeasance of Debt

In the current year, the Commonwealth of Virginia issued General Obligation Refunding bonds, Series 2015B to refund its General Obligation Bonds Series 2007B, of which the University had a share. This refunding obtained a savings of $6,022,015 with the net present value of $5,995,863. The 2015B General Obligation Bonds were issued at a premium of $677,291 in excess of the face value of the bonds. The premium is reported in the long-term debt section of the financial statements.

On October 22, 2014 the VCBA sold $186,035,000 in Educational Facilities Revenue Bonds Series 2014B with interest rates of 3% to 5% to refund series 2004A, 2004B, 2005A, 2006A and 2007A bonds. The University issued $28,360,000 in notes payable for its share of the refunding. The net proceeds were placed with an escrow agent to provide for future debt service payments on the series which were refunded. The University obtained a savings of $2,825,543 with a net present value of $2,529,581. The 2014B Series VCBA Educational Revenue Bonds were issued at a premium of $4,923,409 which is reported in the long-term debt section of the financial statements.

In prior fiscal years, a portion of the Commonwealth of Virginia Revenue Bonds, of which the University has a share, has been defeased. Details relating to the current and prior years' defeasances are reported in the Comprehensive Annual Financial Report of the Commonwealth.

The changes in long-term liabilities are as shown below:

University :	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General Revenue Pledge Bonds	$ 153,998,203	$ 27,000,000	$ (7,970,542)	$ 173,027,661	$ 8,945,774
Commonwealth of Virginia Revenue Bonds	71,710,424	7,483,513	(12,442,660)	66,751,277	3,351,042
Total bonds payable	225,708,627	34,483,513	(20,413,202)	239,778,938	12,296,816
Notes payable:					
Virginia College Building Authority	279,609,111	33,283,409	(47,832,747)	265,059,773	15,835,000
Capital leases:					
Virginia Public Building Authority	1,108,186	-	(540,117)	568,069	568,069
AD Center Development LLC	4,449,698	-	(248,840)	4,200,858	259,714
Total capital leases	5,557,884	-	(788,957)	4,768,927	827,783
Installment purchases	2,217,644	1,856,185	(542,667)	3,531,162	579,873
Total long-term debt	513,093,266	69,623,107	(69,577,573)	513,138,800	29,539,472
Compensated absences	33,611,536	28,968,199	(28,734,052)	33,845,683	23,564,921
Deferred compensation	2,909,121	1,216,682	(1,133,656)	2,992,147	830,054
Total	$ 549,613,923	$ 99,807,988	$ (99,445,281)	$ 549,976,630	$ 53,934,447

Authority:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Pledge Bonds	$ 511,243,592	$ -	$ (4,613,883)	$ 506,629,709	$ 4,705,000
Notes Payable	25,513,233	2,447,178	(2,154,464)	25,805,947	2,097,965
Capital leases	2,446,097	65,103	(645,029)	1,866,171	655,806
Total long-term debt	539,202,922	2,512,281	(7,413,376)	534,301,827	7,458,771
Estimated losses on malpractice Claims	26,191,669	3,657,511	(3,940,450)	25,908,730	3,500,000
Workers Compensation	17,813,092	6,070,130	(2,362,507)	21,520,715	2,400,000
Compensated absences	30,244,495	49,736,376	(48,922,832)	31,058,039	31,058,039
Total	$ 613,452,178	$ 61,976,298	$ (62,639,165)	$ 612,789,311	$ 44,416,810

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MCV Foundation:					
Note Payable	$ 8,575,000	$ -	$ (600,000)	$ 7,975,000	$ 635,000
VCU Real Estate Foundation:					
Tax exempt bonds payable	3,612,838	-	(241,900)	3,370,938	251,278
Note Payable	28,267	-	(14,906)	13,361	13,361
Total	$ 3,641,105	$ -	$ (256,806)	$ 3,384,299	$ 264,639

Long-term debt matures as follows:

University:	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
	2016	$ 12,296,815	$ 15,835,000	$ 1,018,471	$ 579,873	$ 29,730,159
	2017	10,994,887	16,560,000	436,200	634,868	28,625,955
	2018	10,432,306	17,265,000	436,200	603,576	28,737,082
	2019	11,289,484	18,045,000	436,200	615,788	30,386,472
	2020	11,646,448	17,920,000	436,200	184,699	30,187,347
	2021-2025	56,641,478	91,480,000	2,181,000	912,358	151,214,836
	2026-2030	65,898,247	55,810,000	1,090,500	-	122,798,747
	2031-2035	37,952,801	11,085,000	-	-	49,037,801
	2036-2040	11,645,000	-	-	-	11,645,000
	2041-2045	6,695,000	-	-	-	6,695,000
	Less Interest	-	-	(1,265,844)	-	(1,265,844)
	Add Premium	4,286,472	21,059,773	-	-	25,346,245
	Total	$ 239,778,938	$ 265,059,773	$ 4,768,927	$ 3,531,162	$ 513,138,800

	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
Authority:						
	2016	$ 4,705,000	$ 2,097,965	$ 655,806	$ -	$ 7,458,771
	2017	5,370,000	1,862,895	660,414	-	7,893,309
	2018	5,550,000	1,848,695	529,246	-	7,927,941
	2019	5,680,000	1,486,953	20,705	-	7,187,658
	2020	5,955,000	991,459	-	-	6,946,459
	2021-2025	72,480,000	5,961,982	-	-	78,441,982
	2026-2030	63,440,000	4,159,663	-	-	67,599,663
	2031-2035	87,130,000	2,537,155	-	-	89,667,155
	2036-2040	76,040,000	2,732,260	-	-	78,772,260
	2041-2045	179,405,000	2,126,920	-	-	181,531,920
	Premium	874,709	-	-	-	874,709
	Total	$ 506,629,709	$ 25,805,947	$ 1,866,171	$ -	$ 534,301,827
MCV Foundation:						
	2016	$ -	$ 635,000	$ -	$ -	$ 635,000
	2017	-	665,000	-	-	665,000
	2018	-	695,000	-	-	695,000
	2019	-	730,000	-	-	730,000
	2020	-	770,000	-	-	770,000
	Thereafter	-	4,480,000	-	-	4,480,000
	Total	$ -	$ 7,975,000	$ -	$ -	$ 7,975,000
VCU Real Estate Foundation:						
	2016	$ 251,278	$ 13,361	$ -	$ -	$ 264,639
	2017	261,021	-	-	-	261,021
	2018	271,141	-	-	-	271,141
	2019	281,654	-	-	-	281,654
	2020	292,575	-	-	-	292,575
	Thereafter	2,013,269	-	-	-	2,013,269
	Total	$ 3,370,938	$ 13,361	$ -	$ -	$ 3,384,299

A summary of future interest requirements is as follows:

Fiscal Year	Revenue Bonds	Notes Payable	Total
University:			
2016	$ 6,659,296	$ 10,719,348	$ 17,378,644
2017	6,361,248	9,956,538	16,317,786
2018	6,087,477	9,155,345	15,242,822
2019	5,854,143	8,310,931	14,165,074
2020	5,590,739	7,455,600	13,046,339
2021-2025	23,755,051	24,081,531	47,836,582
2026-2030	15,919,502	7,447,663	23,367,165
2031-2035	7,740,922	435,675	8,176,597
2036-2040	2,874,176	-	2,874,176
2041-2045	611,325	-	611,325
Total	$ 81,453,879	$ 77,562,631	$ 159,016,510

Fiscal Year	Revenue Bonds	Notes Payable	Total
Authority:			
2016	$ 16,036,247	$ 436,243	$ 16,472,490
2017	15,938,952	385,923	16,324,875
2018	15,825,645	347,198	16,172,843
2019	15,695,389	302,768	15,998,157
2020	15,559,709	284,997	15,844,706
2021-2025	73,499,447	1,112,263	74,611,710
2026-2030	63,480,557	688,479	64,169,036
2031-2035	56,311,703	463,500	56,775,203
2036-2040	47,653,815	268,386	47,922,201
2041-2045	28,970,975	64,436	29,035,411
Total	$ 348,972,439	$ 4,354,193	$ 353,326,632

9. VIRGINIA COMMONWEALTH UNIVERSITY FACULTY EARLY RETIREMENT INCENTIVE PLAN

The University established the Virginia Commonwealth University Faculty Early Retirement Incentive Plan for Faculty (Plan) to provide a financial early retirement incentive for certain tenured faculty that will facilitate the release of tenured faculty resources for budget reallocation or reduction in accordance with the University Strategic Plan goals, changes in enrollment and other University needs. Tenure is a permanent appointment granted to associate professors and professors, which continues until the faculty member leaves the University, is dismissed for cause or is terminated due to a financial crisis.

The Plan provides an annuity for five years from the date of retirement equal to 20% of the average University salary of the faculty members eligible to participate in the Plan, not to exceed 30% of the participant’s base annual salary from University resources at the time the agreement was signed. In addition, the University provides a health care benefit supplement until the participant becomes Medicare eligible (currently age 65) if the participant retires, or up to 18 months of COBRA benefits if the participant does not retire.

As of June 30, 2015, 45 faculty members were enrolled in the plan. Payments during fiscal year 2015 were $1,133,656. The present value of future Plan payment schedule follows:

Fiscal Year	Plan Obligations
2016	830,054
2017	779,649
2018	681,901
2019	382,070
2020	318,473
Total	$ 2,992,147

10. RETIREMENT, PENSION PLANS, AND POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

University

Pension Plan Description

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

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

Retirement Plan Provisions by Plan Structure		
Plan 1	**Plan 2**	**Hybrid Retirement Plan**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes state employees and 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.

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

Retirement Plan Provisions by Plan Structure		
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 creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%	**Service Retirement Multiplier VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For nonhazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier Defined Benefit Component: VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age VRS: Age 65. **VaLORS:** Age 60.	**Normal Retirement Age VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age Defined Benefit Component: VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility VRS**: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS**: Same as Plan 1.	**Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS**: Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Retirement Plan Provisions by Plan Structure		
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. The member retires on disability. The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). The member Is involuntarily separated from employment for	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1 **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component**: Not applicable. Eligibility: Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service Defined Benefit Component:** Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The contractually required contribution rate for the year ended June 30, 2015 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan and 17.67% of covered employee compensation for employees in the VaLORS Retirement Plan. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.06%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2015. Contributions from the University to the VRS State Employee Retirement Plan were $23,961,950 and $16,773,612 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions from the University to the VaLORS Retirement Plan were $684,450 and $546,777 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the University reported a liability of $277,982,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $7,120,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the University's proportion of the VRS State Employee Retirement Plan was 4.96538% as compared to 4.88402% at June 30, 2013. At June 30, 2014, the University's proportion of the VaLORS Retirement Plan was 1.05625% as compared to 1.04827% at June 30, 2013. For the year ended June 30, 2015, the University recognized pension expense of $19,978,000 for the VRS State Employee Retirement Plan and $665,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the University's total reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	50,354,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4,008,000	-
Employer contributions subsequent to the measurement date	24,646,400	-
Total	$ 28,654,400	$ 50,354,000

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

Year ended June 30	
2016	$ 11,194,000
2017	$ 11,194,000
2018	$ 11,368,000
2019	$ 12,590,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 5 years and females were set back 3 years.

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2014, 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	$ 21,766,933	$ 1,824,577
Plan Fiduciary Net Position	16,168,535	1,150,450
Employers' Net Pension Liability (Asset)	$ 5,598,398	$ 674,127
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%	63.05%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	Expected arithmetic nominal return		8.33%

Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, 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. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 407,215,000	$ 277,982,000	$ 169,616,000

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
University's proportionate share of the VaLORS VaLORS Retirement Plan Net Pension Liability	$ 9,730,000	$ 7,120,000	$ 4,975,000

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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014- annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2015 of $1,415,343 due to VRS.

Optional Retirement Plans

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed-contribution programs where the retirement benefits received are based upon the employer (5.4%) and employee (5%) contributions (all of which are paid by the University for faculty hired before July 1, 2010) plus interest and dividends. For faculty hired on or after July 1, 2010, the 5% employee contribution is paid by the employee, and the employer contribution, paid by the University, is 8.5%. The two providers are TIAA-CREF and Fidelity. The total pension expense for fiscal year 2015 related to these optional retirement plans was $18,854,315.

Certain employees of Virginia Commonwealth University are participating in The Select Plan. The Select Plan is a 401(a) defined contribution plan, and participation is limited to executives (Dean and above) by invitation. It is primarily designed to continue defined contributions at the regular other retirement plan percentages of salary (as applicable depending upon the faculty member's plan) for executives whose base salaries exceed the compensation maximum for the other retirement plans (currently $265,000). Total pension expense related to The Select Plan for fiscal year 2015 was $61,851. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2015 of $285 related to this plan.

Individual contracts issued under these plans provide for full and immediate vesting of both the University's and the employee's contributions. Contributions to other retirement plans were calculated using the base salary $193,704,191 in fiscal year 2015. Total pension costs under these plans were $18,916,166 in fiscal year 2015. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2015 of $1,070,657 related to these plans.

Other Post-Employment Benefits

The state participates in the VRS administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The state also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of state service and participate in the state health plan. Also, the long-term disability benefit provided by the "Virginia Sickness and Disability Program" (VSDP) is administered by VRS. Information related to these plans is available at the statewide level in the Comprehensive Annual Financial Report of the Commonwealth.

The Deferred Compensation Plan (DCP) gives full and part-time faculty and staff who contribute at least $10 each pay period through the Tax Deferred Annuity Program (TDA) a matching contribution of 50%, up to a maximum of $20 each pay period, of the amount faculty and staff contribute through the TDA Program. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Total employer contributions under the Deferred Compensation Plan including both VRS and other retirement plan participants were approximately $1,698,622 for the fiscal year ending 2015.

Authority

MCVH Virginia Retirement System Plan (VRS Plan)

Prior to July 1, 1997, employees of MCVH were employees of the Commonwealth of Virginia (the Commonwealth). These employees were eligible to participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). After July 1, 1997, employees could choose to remain in the VRS Plan or enroll in the MCVH Authority Defined Contribution Plan (the Plan). As of June 30, 2015, approximately 530 employees remain enrolled in VRS. MCVH employees are eligible for VRS's Plan 1 benefit structure in which the retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The Commonwealth, not MCVH, has overall responsibility for these plans. The VRS also administers health-related plans for retired employees. A description of the pension plan, contributions, actuarial assumptions, net pension liability, long-term expected rate of return and discount rate can be found under the University's section described previously.

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. Prior to July 1, 2013, the 5.00% member contribution was paid by MCVH. Beginning July 1, 2013, MCVH employees were required to pay the 5.00% member contribution. MCVH's contractually required contribution rate for the year ended June 20, 2015 was 12.33% of covered employee compensation for employees in the VRS Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS Plan was 15.80%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of 51.1-145 of the Code of Virginia, as amended, the contributions for the VRS Plan were funded at 78.02% of the actuarial rate for the year ended June 30, 2015. Contributions from MCVH to the VRS Plan were approximately $4,145,864 and $3,226,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, MCVH reported a liability of $52,598,000 for its proportionate share of the VRS Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. MCVH's proportion of the Net Pension Liability was based on MCVH's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014, relative to the total of the actuarially determined employer contribution for all participating employers. At June 30, 2014, MCVH's proportion of the VRS Plan was 0.93952% as compared to 1.03839% at June 30, 2013.

For the year ended June 30, 2015, MCVH recognized pension expense of $1,847,000 for the VRS Plan. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, MCVH reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	9,388,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	4,819,000
Employer contributions subsequent to the measurement date	4,145,864	-
Total	$ 4,145,864	$ 14,207,000

$4,145,864 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	$ 4,020,000
2017	$ 4,020,000
2018	$ 3,820,000
2019	$ 2,347,000

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

The following presents the Authority's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
The Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 77,051,000	$ 52,598,000	$ 32,094,000

VCUHS Retirement Plan (VCUHS 401(A) Plan)

The MCVH Authority Defined Contribution Plan (the Plan) was amended and restated effective January 1, 2002 and is now referred to as the VCUHS Retirement Plan (VCUHS 401(a) Plan). All employees, excluding house staff, working at least 20 hours a week in a benefit-eligible position are eligible to participate in the VCUHS 401(a) Plan. At June 30, 2015 there were 6,486 participants in the VCUHS 401(a) Plan. Per the VCUHS 401(a) Plan document as approved by the Authority's Board of Directors, MCVH contributes up to 10% of the participant's salary to the VCUHS 401(a) Plan not to exceed the lesser of (a) the amount in accordance with Code 415(d), or (b) one hundred percent (100%) of the Participant's Compensation for such limitation year. Contributions are a function of the employee's age plus years of service per the table below. Total contributions to the VCUHS 401(a) Plan for the year ended June 30, 2015 was approximately $21,010,000. MCVH shall have the right at any time, and without the consent of any party, to terminate the VCUHS 401(a) Plan in its entirety. Any changes to the provisions of the VCUHS 401(a) Plan, including the contribution requirements, must be approved in writing by the Authority's Board of Directors.

MCVH also sponsors the VCUHS Savings Plan (VCUHS 457(b) Plan); a savings plan that represents employee contributions and employees may also receive a 2% matching contribution in their VCUHS 401(a) Plan based on heir 457(b) contribution.

Age plus years of service	Employer contribution 401(a) Plan
65+	10%
55-65	8
45-55	6
35-45	4
<35	2

MCVH has also established the HCP Plan. All persons hired as a health care provider on or after July 1, 1993 and prior to July 1, 1997 and working at least 35 hours of service per week are eligible to participate in the HCP Plan. At June 30, 2015 there were 3 participants in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the Plan. Total contributions to the HCP Plan for the year ended June 30, 2015 was approximately $27,900.

The Plan and the HCP Plan use the accrual basis of accounting and the Plan assets, which consist of mutual funds, are carried at fair market value. The fair market values of the mutual funds are based on quoted market prices. Investments with investment managers are as follows:

	2015
Fidelity investments	$ 178,565,570
TIAA/CREF	86,501,731
The Variable Annuity Life Insurance Company (VALIC)	12,213,452
	$ 277,280,753

MCVAP

MCVAP sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan, which covers substantially all full-time clinical provider employees of MCVAP and the MCVAP 403(b) Salary Deferral Plan (the 403(b) Plan), a salary deferral plan that represents physician contributions. Contributions to the 401(a) Plan by MCVAP, as determined annually at the discretion of the Board of Directors, were approximately $15,064,000 for the year ended June 30, 2015.

MCVAP also participates in the VCUHS Retirement Plan (VCUHS 401(a) Plan), a defined contribution plan, which covers all benefited nonclinical provider employees of MCVAP; the VCUHS Savings Plan (VCUHS 457(b) Plan), a savings plan that represents employee contribution and the MCVAP 403(b) Supplemental Plan (the 403(b) Highly Compensated Plan), a noncontributory defined contribution plan for highly compensated employees. The VCUHS 401(a) Plan contributions (as a percentage of the employee's salary) are a function of the employee's age plus years of service per the table below. MCVAP employees may contribute to the VCUHS 457(b) Savings Plan. Employees may also receive a 2% matching contribution in their VCUHS 401(a) Plan based on their 457(b) contribution.

Age plus years of service	Employer contribution (VCUHS 401(a) Plan)
65+	10%
55-65	8
45-55	6
35-45	4
<35	2

Contributions to the plans for the year ended June 30, 2015 was approximately $3,691,000.

VA Premier

Effective August 1, 1999, VA Premier adopted a 401(k) plan, for which Fidelity Investments is the trustee. Prior to January 1, 2015, employees become eligible to participate after completing one year of service, during which the employee completed 1,000 hours of service. Effective January 1, 2015, employees became eligible to participate following one month of service. There is no minimum service or age requirement to participate in the 401(k) plan. Employees may contribute 1% to 90% of their compensation. VA Premier will match 50% of the employee's contributions up to 4% of the employee's compensation. Matching will occur based on the biweekly pay periods. VA Premier also contributes 3% of each employee's compensation (Safe Harbor contribution) and may make additional contributions (non-elective employer contributions) at the option of the Board of Directors. During FY 2014 and through December 2014, VA Premier made non-elective employer contributions equal to 2% of each eligible employee's compensation. During that time, VA Premier made the Safe Harbor and non-elective employer contributions in an annual installment at the end of the calendar year. Effective January 1, 2015, VA Premier is making the Safe Harbor contributions on the biweekly pay periods. The non-elective employer contribution for the calendar year 2015 will be determined and submitted at the end of the calendar year. Employees are fully vested after four years of service in which the employee begins employment. The number of covered employees was 977as of June 30, 2015. VA Premier's expense for its contributions to this plan was approximately $2,956,000 for the year ended 2015.

Children's

Children's has a noncontributory defined benefit pension plan (Pension Plan) covering substantially all Children's employees. The Pension Plan provides benefits that are based on the five consecutive years for which an employee's compensation is highest. Children's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Children's may determine to be appropriate from time to time. Effective June 30, 2010, Children's decided to freeze all future benefit accruals for those who were active plan participants. The Pension Plan is also frozen to new participants as of that date.

The measurement date for determining the Pension Plan's funded status is June 30. The Pension Plan's projected benefit obligation was $16,555,417 as of June 30, 2015. The Pension Plan's fair value of plan assets was $9,279,752 as of June 30, 2015. The Pension Plan's unfunded liability of $7,275,665 as of June 30, 2015, is included in other liabilities on the accompanying statements of net position.

Children's participates in the VCUHS 401(a) Plan and retirement plan expense was approximately $1,210,000 for the year ended June 30, 2015.

CMH

CMH participates in the VCUHS 401(a) Plan and retirement plan expense was approximately $1,030,000 for the year ended June 30, 2015.

11. RELATED PARTIES

The financial statements do not include the assets, liabilities or fund balances of affiliated organizations. All of these organizations are separately incorporated entities managed by their own Boards and audited by other independent certified public accounting firms. Each organization is described below.

Medical College of Virginia Alumni Association of VCU

The purpose of the Medical College of Virginia Alumni Association of VCU is to organize alumni activities for Virginia Commonwealth University. The University provided funding of $399,403 in 2015 as the principal source of funding for the Association's operation.

Virginia Commonwealth University Alumni Association

The Association was formed for educational purposes to further the best interests of the University, its alumni and students. The University provided funding of $690,259 in 2015 as the principal source of funding for the Association's operation.

MCV/VCU Dental Faculty Practice Association

The Association, also known as Dentistry@VCU, was established to support the education, research, service and patient care mission of the School of Dentistry (School) of Virginia Commonwealth University. The Association promotes and coordinates the delivery of superior patient care at the School.

The Association reimburses VCU for certain other expenses including personnel, telephone, postage, payroll, physical repairs for the building and supplies. These payments were $2,748,420 for the year ended June 30, 2015. The Association purchased equipment of $43,846 in the year ended June 30, 2015, which conveys to the University.

The Association paid for VCU Dental School related payroll and fringe totaling $1,845,445 for the year ended June 30, 2015. Additionally, the Association was reimbursed by the School for payroll and fringe in the amount of $1,842,338 in the year ended June 30, 2015.

Virginia Biotechnology Research Park Partnership Authority

The primary purpose of the Virginia Biotechnology Research Park Partnership Authority is to expand knowledge pertaining to scientific and technological research, and development among public and private entities and promote the economic and industrial development of the City of Richmond and the Commonwealth of Virginia. The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues. Bond issuances, long-term notes payable, line of credit debt, appropriations from the Commonwealth, voluntary assessments from property owners located in the Research Park and contract support payments from VCU have funded both the operations and the acquisition and construction of capital assets.

In November, 2011, the Authority entered into a lease agreement with Virginia Commonwealth University for the use of the real property, building, and improvements located at 800 East Leigh Street, otherwise known as Biotech Center. Biotech Center is the property from which the Authority conducts the majority of its operations. The rent under the lease agreement was $30 and was paid in a lump sum at the beginning of the lease; therefore, there is no related rent expense represented within these financial statements. The lease term ends November 2041.

12. LINE OF CREDIT

In the current fiscal year, the University drew $8,600,000 from a new line of credit for use in the construction of a new basketball practice facility.

13. FUNDS HELD IN TRUST BY OTHERS

Under the provisions of the wills of certain benefactors, the University's portion of principal sums with market values of $14,145,821 at June 30, 2015, was held in trust by others. These assets are not included in the University's balance sheet.

14. COMMITMENTS

The University, VCU Real Estate Foundation and the Authority are party to various construction commitments. At June 30, 2015, the remaining commitments were $49,959,920 for the University, $6,136,475 for the Real Estate Foundation and approximately $42,000,000 for the Authority.

The University also is committed under various operating leases (for buildings, computer equipment, business equipment, etc.). The University has renewal options on the leased assets for another similar term. In most cases, the University expects that, in the normal course of business, these leases will be replaced by similar leases. Rental expense for the fiscal year ended June 30, 2015, was $8,721,009 for the University and $11,114,613 for the Authority.

The University has, as of June 30, 2015, the following total future minimum rental payments due under the above leases:

Fiscal Year	University	Authority
2016	7,204,847	10,250,511
2017	5,902,828	7,899,615
2018	5,379,493	5,564,291
2019	4,783,514	2,969,989
2020	3,465,091	1,527,154
2021-2025	11,402,604	-
2026-2030	8,684,979	-
2031-2033	3,727,934	-
	$ 50,551,290	$ 28,211,560

15. LITIGATION

The University and Authority have been named as a defendant in a number of lawsuits. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University and Authority may be exposed will not have a material effect upon the entity's financial position.

16. TRANSACTIONS BETWEEN COMPONENT UNITS

The University and its component units provide services and support to each other so as to avoid duplication of efforts as much as possible.

The VCU Foundation, the VCU School of Business Foundation and the VCU School of Engineering Foundation hold the University's investments that function as endowments, both true and quasi. As of June 30, 2015, the VCU Foundation and VCU School of Engineering Foundation held University investments of $27,659,326 and $7,026,912, respectively. VCU School of Business Foundation held investments of $1,144,810. The University has a due from component units for these investments, which is eliminated in the total column.

The VCU Foundation also holds investments for the VCU Intellectual Properties Foundation in the amount of $1,044,778 and for the VCU Real Estate Foundation in the amount of $7,280,438. The University has a due from component units for these investments, which is eliminated in the total column.

The VCU School of Engineering Foundation has constructed two buildings with the proceeds of debt issued by the University. The School of Engineering Foundation transfers sufficient funds to the University annually to fund the debt service. The annual transfer is recorded on the University as a gift received. The University includes one of the buildings and the liability for both buildings on the Statement of Net Position. The VCU School of Engineering Foundation has the phase I building, deferred bond issuance costs, prepaid bond interest, a liability and an accrued contribution to the University on their financial statements which are eliminated in the Statement of Net Position.

The VCU School of Business Foundation has constructed a building with the proceeds of debt issued by the University. The School of Business Foundation transfers sufficient funds to the University annually to fund the debt service. The University has the liability for the outstanding debt on the Statement of Net Position. The VCU School of Business Foundation has deferred issuance costs, a liability and an accrued contribution to the University on their financial statements which are eliminated in the Statement of Net Position.

The MCV Foundation, VCU Foundation, VCU School of Engineering Foundation and VCU School of Business Foundation solicit funds to benefit the University and transfer a portion of those funds to the University to support programs. These transactions have been eliminated from the Statement of Revenues, Expenses and Changes in Net Position from gift revenue and supporting services.

MCV Associated Physicians, a component of the VCU Health System, transfers a portion of their patient revenues to the University, to support the academic and research missions. Those transfers are eliminated from hospital services expenses and other operating revenue.

The VCU Real Estate Foundation acquires facilities and rents them to the University and VCU Health System. Those rental expenses are eliminated from operations and maintenance expenses and other revenues.

The University and VCU Health System support each other through the sharing of capabilities and resources. Reimbursements of costs are made between the entities to ensure that each entity bears the proper portion of costs. Those transactions are eliminated between the revenue recorded and the expense category so that the expense is included in the expense category that reflects the service delivered to the student or public.

17. CONTINGENCIES

There have been malpractice claims asserted against MCVH (Hospitals) by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of MCVH accrues estimated losses on malpractice claims to the extent they fall within the limits of the MCVH's self-insurance program or exceed the limits of the excess insurance coverage in place at the date of the claim. The undiscounted liability is actuarially determined using industry data and MCVH's historical experience.

Investments have been set aside for payment of malpractice claims and related expenses based on actuarially determined reserves. At June 30, 2015, the internally restricted funds for the Hospitals include approximately $2,853,506 for that purpose.

The Authority believes that its consolidated financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or unasserted MCVH claims, if any, at June 30, 2015.

In addition, MCVAP is self-insured for all malpractice claims. There have been malpractice claims asserted against MCVAP by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition there may be other claims from unreported incidents arising from services provided to patients. Management of MCVAP accrues estimated losses on malpractice claims. The undiscounted liability is actuarially determined using industry data and MCVAP's historical experience. Assets whose use is limited of $23,055,224 have been internally restricted as of June 30, 2015, for payment of claims and related legal expenses for reported and unreported incidents.

The Authority believes that its combined financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted and unasserted MCVAP claims, if any, at June 30, 2015.

VA Premier maintains general and professional liability policies. The general liability policy in force is occurrence-based. The coverage under the professional liability policy is on a claims-made basis and must be renewed or replaced with the equivalent insurance if claims incurred during its terms, but asserted after its expiration, are to be insured. Coverage limits for the general liability policy are $1 million per occurrence and $3 million annual aggregate. The coverage limit for the professional liability policy is $10 million in the annual aggregate. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2015, is significant.

Children's Hospital maintains professional liability insurance coverage on the claims-made basis. Should Children's not renew its policy or replace it with equivalent insurance, occurrences during its term but asserted after its term will be uninsured, unless Children's obtains tail coverage.

The Authority believes that its combined financial position would not be materially affected by the ultimate cost related to unasserted claims, if any, at June 30, 2015.

18. STOP-LOSS COVERAGE

VA Premier has a stop-loss arrangement to limit losses on individual claims. These contracts provide stop-loss coverage for all enrollee claims. The VA Premier contract provides coverage for 90% of all inpatient and outpatient services, physician services and drug related services in excess of $375,000 subject to certain limitations and a lifetime limit of $5,000,000 per enrollee. Premiums paid to the reinsurer for the year ended June 30, 2015, were approximately $3,713,000, and are included in other expenses in the accompanying consolidated statement of revenues, expenses and changes in net position. Benefits of approximately $4,381,000 were provided by the reinsurer for the year ended June 30, 2015, and are netted with medical claims expense in the accompanying consolidated statement of revenues, expenses and changes in net position.

19. INDEMNIFICATIONS

The MCV Foundation has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Foundation's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Foundation has a Director and Officer insurance policy that further limits its exposure and enables the Organization to recover a portion of any future amounts paid.

20. NET PATIENT SERVICE REVENUE

The Authority's patient service revenue is as follows for the year ended June 30, 2015:

Gross patient revenue:	
Inpatient	$ 2,393,115,710
Outpatient	1,730,975,415
	4,124,091,125
Provision for uncompensated care and contractual adjustments	(2,742,361,985)
Net patient service revenue (Hospitals)	1,381,729,140
MCVAP's net patient service revenue	212,338,220
CMH's net patient service revenue	73,815,743
Children's patient service revenue	29,265,508
Eliminations	(9,470,298)
Consolidated net patient service revenue	$ 1,687,678,313

This balance is included in the hospital services line item of the Statement of Revenues, Expenses and Changes in Net Position along with other revenues earned by the Health System Authority.

21. ESTIMATED MEDICAL CLAIMS PAYABLE

Claims expenses and liabilities arising from services rendered to VA Premier's HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2015, the amount of these liabilities included in accounts payable and accrued liabilities was $94,963,621.

22. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert at the end of the biennium, as specifically provided by the General Assembly, unless the University meets management standards.

The following is a summary of the state appropriations for the year ended June 30, 2015:

Original legislative appropriation per Chapter 665:	
Educational and general programs	$ 159,710,856
Higher education student financial assistance	24,070,183
Governor's Research Initiative for Biomedical Engineering and Regenerative Medicine	1,162,500
Higher Education Research Initiative for Cancer Research	8,500,000
Parkinson's and Movement Disorder Center	250,000
Supplemental adjustments:	
CIT Grant awaard	478,000
Virtual Library of Virginia- VIVA	23,184
Central Reappropriations Distributions	3,649,380
Virginia Military Survivors and Dependent Education Program	149,850
Two Year College Transfer Grant Program	177,000
Higher Education Equipment Trust Fund 11 Chapter 665 Item 251	7,829,189
Steam Plant debt service	232,809
HEETF NGF Payment Ch 665 Item 276	(401,647)
Capital Fee for Out of State Students Ch 665 Item 276	(2,132,460)
Total	$ 203,698,844

23. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and 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, air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. The University also purchases certain contingency insurance coverage related to the VCU School of the Arts in Qatar. Information relating to the Commonwealth's insurance plans is available in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

24. CONTRIBUTIONS RECEIVABLE

MCV Foundation:	
Receivable in less than one year	$ 8,288,000
Receivable in one to five years	7,795,000
Receivable in more than five years	3,430,000
	19,513,000
Less:	
Discounts	(937,000)
Allowances	(778,000)
Net Contribution Receivable	$17,798,000

Discount rate of 3.11% was used in determining the present value of the contributions receivable.

VCU Foundation:	
Receivable in less than one year	$ 9,449,400
Receivable in one to five years	10,472,234
	19,921,634
Less:	
Discounts	(31,314)
Allowances	(1,447,435)
Net Contribution Receivable	$18,442,885

Discount rate between 0.11% and 4.28% were used in determining the present value of the contributions receivable.

VCU Real Estate Foundation:	
Receivable in less than one year	$ 171,491
Less:	
Allowances	(52,174)
Net Contribution Receivable	$ 119,317

VCU School of Business Foundation:	
Receivable in less than one year	$ 249,621
Receivable in one to five years	218,488
	468,109
Less:	
Discounts	(7,928)
Allowances	(17,296)
Net Contribution Receivable	$ 442,885

Discount rate between 1.06% and 1.63% were used in determining the present value of the contributions receivable.

VCU School of Engineering Foundation:	
Receivable in less than one year	$ 250,739
Receivable in one to five years	753,810
	1,004,549
Less:	
Discounts	(32,191)
Allowances	(8,946)
Net Contribution Receivable	$ 963,412

Discount rate between .65% and 5.22% were used in determining the present value of the contributions receivable.

25. DERIVATIVE INSTRUMENT

At June 30, 2015, the University had two fixed-payer interest rate swaps with a notional amount of $60,320,000, which declines to $4,835,000 at the termination date of November 1, 2030. The swaps are used as cash flow hedges by the University in order to provide a hedge against changes in interest rates on a similar amount of the University's variable-rate debt. The fair value of the swaps was calculated by Deutsche Bank using undisclosed proprietary methods. The swaps were entered into at a zero market value and no payments were made or received when they were initiated.

The University pays a fixed rate of 3.436% and the counterparty pays 67% of LIBOR (0.125% as of June 30, 2015). The payments are settled monthly at the first of each month. Payments or receipts under the terms of the swap are recorded as non-operating revenue or expense. At June 30, 2015, the change in the fair market value of the swap, since reestablishing hedge accounting in November 2012, of $4,827,851 is included in deferred inflows in the accompanying consolidated balance sheets.

In November 2012, the University refunded the Series 2006 A and B General Revenue bonds associated with these swaps. At that time, the hedging relationship between the interest rate swap agreements and the 2006 Series A and B bonds was terminated, and the accumulated change in fair value of the interest rate swaps was included in the calculation of the deferred loss on refunding.

With GASB 65, this deferred loss on refunding was reclassified as deferred outflows and is being amortized over the life of the swaps. Concurrently, the University reestablished hedge accounting by designating the 2012 Series A and B bonds as the hedged debt.

Risk

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

Credit risk is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. As of June 30, 2015, the $60,320,000 notional amount of swaps outstanding had a negative market value of $9,248,184 recorded in non-current liabilities, representing the amount the University would pay if the swaps were terminated on that date.

The fair values of the swaps were calculated by Deutsche Bank using undisclosed proprietary methods. The University would be exposed to credit risk of its swap counterparties any time the swaps had a positive market value. At June 30, 2015, the University had no credit risk related to its swaps.

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow variability caused by changes in interest rates.

Basis risk arises when different indexes are used in connection with a derivative resulting in the hedge and hedged item not experiencing price changes in entirely opposite directions from each other. The University's swaps are deemed to be effective hedges of its variable-rate debt with an amount of basis risk that is within guidelines for establishing hedge effectiveness.

Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on the University's strategy or could lead to potentially significant unscheduled payments. The University's derivative contract uses the international Swap Dealers Association Master Agreement, which included standard termination events, such as failure to pay and bankruptcy. The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, the University would be liable to the counterparty for a payment equal to the swaps' market value.

Rollover risk arises when a derivative associated with a hedged item does not extend all the way to the maturity date of the hedged item, thereby creating a gap in the protection otherwise afforded by the derivative. The University's hedges serve to hedge its variable rate Series 2012A and 2012B bonds maturing in November 2030.

Market-access risk arises when an entity enters into a derivative in anticipation of entering the credit market at a later date, but is ultimately prevented from doing so. The University has no market-access risk.

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

Below are debt service requirements of the University's debt and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary.

Maturity	Principal	Variable Interest	Hedging Derivative Instruments, Net	Total
2016	2,735,000	498,605	2,011,368	5,244,973
2017	2,845,000	475,998	1,920,170	5,241,168
2018	2,970,000	452,481	1,825,302	5,247,783
2019	3,095,000	427,931	1,726,268	5,249,199
2020	3,225,000	402,348	1,623,065	5,250,413
2021-2025	18,255,000	1,589,056	6,410,233	26,254,289
2026-2030	22,360,000	769,151	3,102,750	26,231,901
2031	4,835,000	39,966	161,224	5,036,190
Total	$ 60,320,000	$ 4,655,536	$ 18,780,380	$ 83,755,916

In June 2007, MCVH entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 tax-exempt bonds. The swaps have a combined notional amount of $125,000,000 which declines over time to $15,700,000 at the termination date of July 1, 2037. The nominal amount as of June 30, 2015 was $119,930,000. MCVH pays a fixed rate of 3.84% and the counterparty pays 67% of LIBOR (0.125% as of June 30, 2015). The payments are settled monthly at the first of each month. Payments or receipts under the terms of the swap are recorded as interest expense. At June 30, 2015, the fair market value of the swap of $35,297,417 is included in other liabilities in the accompanying consolidated statements of net position. For the year ended June 30, 2015, the change in fair value of the swaps was $4,365,398.

In June 2013, MCVH refunded the Series 2008 Bonds using proceeds of the Series 2013A Bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2008 bonds was terminated, and the accumulated change in fair value of the interest rate swaps was included in the calculation of the deferred loss on refunding. In June 2013, MCVH reestablished hedge accounting by designating the Series 2013A Bonds as the hedged debt.

In December 2005, MCVH entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 tax-exempt bonds. The swap has a notional amount of $75,000,000 which declines over time to $8,000,000 at the maturity date of July 1, 2030. The nominal amount as of June 30, 2015 was $68,225,000. MCVH pays a fixed rate of 3.499% and the counterparty pays 67% of LIBOR (0.125% as of June 30, 2015). The payments are settled monthly at the first of each month. Payments or receipts under the terms of the swap are recorded as interest expense. At June 30, 2015, the fair market value of the swap of $12,125,644 is included in other liabilities in the accompanying consolidated statements of net position. For the years ended June 30, 2015, the change in fair value of the swap was $485,442.

In June 2013, MCVH refunded the Series 2005 bonds using proceeds of the Series 2013B bonds. At that time, the hedging relationship between the interest rate swap agreement and the Series 2005 bonds was terminated, and the accumulated change in fair value of the interest rate swap was included in the calculation of the deferred loss on refunding. In June 2013, MVCH reestablished hedge accounting by designating the Series 2013B bonds as the hedged debt.

MCVH uses interest rate swap agreements to limit this exposure to rising interest rates on its variable-rate debt. Interest rate differentials to be paid or received as a result of the swap agreements are accrued and recognized as an adjustment of interest expense related to the associated debts. Derivatives are recognized on the statements of net position at their fair value. Fair value is calculated using the zero-coupon method, which considers known and projected contractual cash flows.

Below are debt service requirements of MCVH's debt and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary.

Maturity	Principal	Interest	Hedging Derivative Instruments, Net	Total
2016	2,255,000	1,311,491	6,758,304	10,324,795
2017	2,845,000	1,289,946	6,678,868	10,813,814
2018	2,950,000	1,267,639	6,579,387	10,797,026
2019	2,990,000	1,244,983	6,476,175	10,711,158
2020	3,160,000	1,221,103	6,371,647	10,752,750
2021-2025	21,725,000	5,681,579	30,114,804	57,521,383
2026-2030	44,065,000	4,251,281	24,609,504	72,925,785
2031-2035	62,795,000	2,312,777	15,750,418	80,858,195
2036-2040	45,370,000	297,314	3,414,115	49,081,429
Total	$ 188,155,000	$ 18,878,113	$ 106,753,222	$ 313,786,335

Per FASB rules, the School of Business Foundation and the School of Engineering Foundation have recorded unrealized gain and losses on the interest rate swap and reduced or increased their liability by the amount of the gain or loss. The University records this amount in other liabilities.

Following is a reconciliation of the net assets of the foundations.

VCU School of Engineering Foundation	
Net assets per Foundation financial statements	$ 42,997,188
Add: Unrealized loss on interest rate swap	5,684,231
Net assets as reported on University's financial statements	$ 48,681,419

VCU School of Business Foundation	
Net assets per Foundation financial statements	$ 31,581,571
Add: Unrealized loss on interest rate swap	3,563,953
Net assets as reported on University's financial statements	$ 35,145,524

26. SUBSEQUENT EVENTS

The University anticipates issuing of new debt not to exceed $15M. This issuance will be used to refinance various University occupied buildings owned by the VCU Real Estate Foundation and for the acquisition of two properties by the VCU Real Estate Foundation with the intent of leasing to the University. This is expected to close in mid-December of 2015.

The University announced the formation of the VCU Investment Management Company (VCIMCO), an independent 501(c)(3) foundation to advise the University and its affiliated foundations on the management of its assets. Investing activities by VCIMCO are to begin early 2016. Its primary objective in managing the assets is to maximize long-term real return commensurate with the risk tolerance of the VCU entities.

On July 1, 2015, the joint venture, known as South Hill Radiation Oncology, LLC, between the Authority and CMH was dissolved. As a result of the dissolution, the Authority gave a capital contribution to CMH in the amount of $3,522,657.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
For the Year Ended June 30, 2015

	University		Authority
	State Employee	VaLORS	
Employer's Portion of the Net Pension Liability	4.97%	1.06%	0.94%
Employer's Proportionate Share of Net Pension Liability	$ 277,982,000	$ 7,120,000	$ 52,598,000
Employer's Covered-Employee Payroll	$ 191,084,233	$ 3,694,440	$ 41,277,334
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	145.48%	192.72%	127.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%	63.05%	74.28%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2015

Plan	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
University: State Employee	$ 24,218,814	$ 23,961,950	$ 256,864	$ 196,421,847	12.2%
University: VaLORS Employee	$ 689,264	$ 684,450	$ 4,814	$ 3,900,759	17.5%
Authority	$ 4,145,864	$ 4,145,864	$ -	$ 38,331,215	10.8%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions – The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Commonwealth of Virginia

Auditor of Public Accounts

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December 8, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Commonwealth University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Virginia Commonwealth University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1.X. to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68 and No. 71, related to pension accounting and financial reporting for employers. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages two through ten, and the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to Required Supplementary Information on pages 78 through 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

KKH/clj

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