FINANCIAL STATEMENTS

FOR THE YEAR ENDED

June 30, 2016

VIRGINIA COMMONWEALTH UNIVERSITY

Make it real.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
(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, 2016, with comparative information presented for the fiscal year ended June 30, 2015. 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,	2016	2015	$ Change	% Change
Current and other assets	$734,988,019	$753,885,024	($18,897,005)	(3%)
Deferred outflows	60,985,446	49,291,271	11,694,175	24%
Capital assets – net	1,066,711,977	1,029,604,288	37,107,689	4%
Total assets and deferred outflows	1,862,685,442	1,832,780,583	29,904,859	2%
Current liabilities	198,969,399	192,823,547	6,145,852	3%
Noncurrent liabilities	835,994,750	820,119,081	15,875,669	2%
Deferred Inflows	27,032,981	56,990,721	(29,957,740)	(53%)
Total liabilities and deferred inflows	1,061,997,130	1,069,933,349	(7,936,219)	(1%)
Net Position:				
Net investment in capital assets	682,111,502	635,409,590	46,701,912	7%
Restricted	79,959,340	91,850,981	(11,891,641)	(13%)
Unrestricted	38,617,470	35,586,663	3,030,807	9%
Total net position	$800,688,312	$762,847,234	$37,841,078	5%

- Current and other assets decreases are due to decreases in investments which are partially offset by a receivable from the VCU Real Estate Foundation for new debt issued in the current year.
- Deferred outflows increases include changes in proportion, differences in expected verses actual experience and changes in proportionate share of contributions related to pension obligations and pension contributions made to the plan after the 6/30/15 measurement date.
- Current liabilities increased due to accrued personnel expense due and prepaid operating costs for the operations in Qatar.
- Deferred inflows decreased due to a change in the fair market value of a derivative instrument; the net difference between projected and actual investments earnings; and actual investment experience on pension plan investments.

Total Net Position

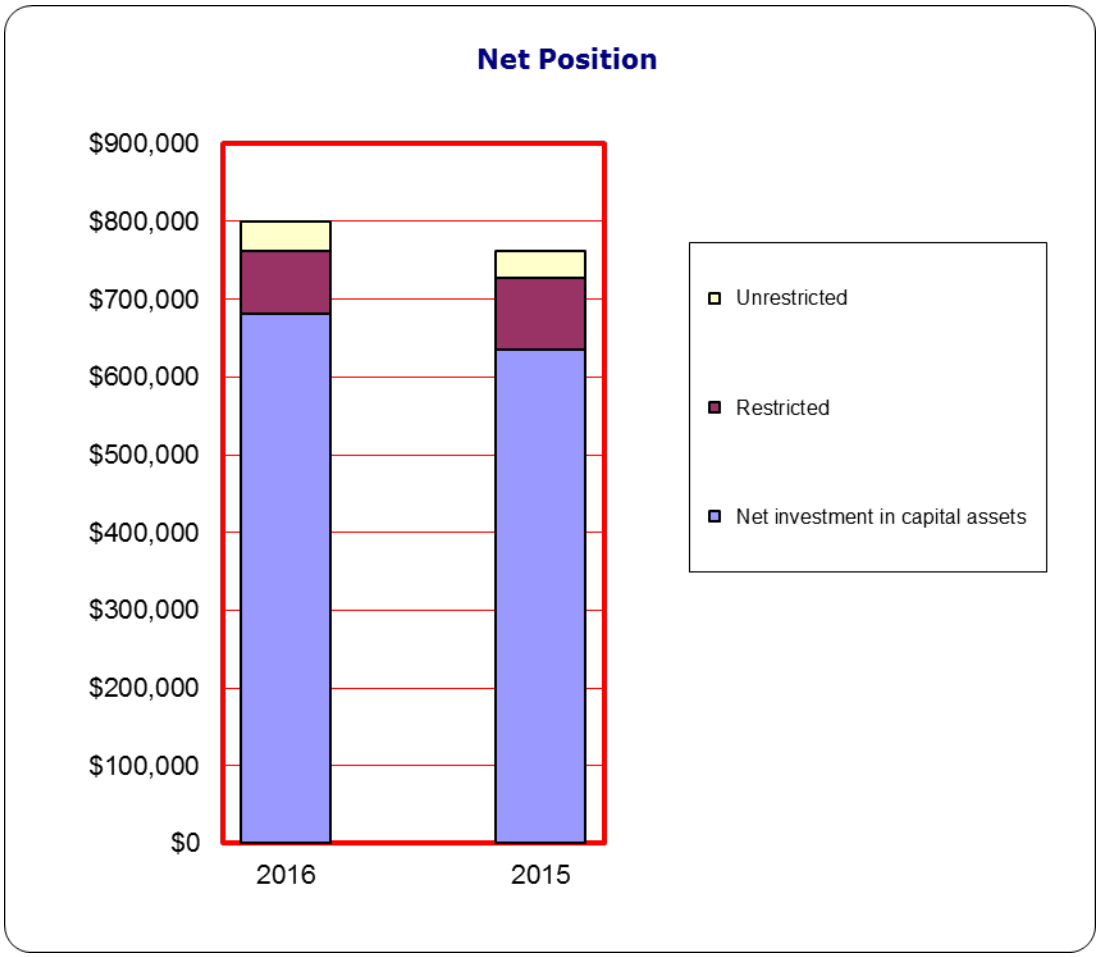
Net position is divided into three major categories:

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

Restricted net assets are 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 2016 and 2015, as restated:



TOTAL NET POSITION

as of June 30,	2016	2015	$ Change	% Change
Net investment in capital assets	$ 682,111,502	$ 635,409,590	$ 46,701,912	7%
Restricted	79,959,340	91,850,981	(11,891,641)	(13%)
Unrestricted	38,617,470	35,586,663	3,030,807	9%
Total Net Position	$ 800,688,312	$ 762,847,234	$ 37,841,078	5%

- Net invested in capital assets increased due to investments in buildings, equipment and library book purchases.
- Restricted net position decreased due to decreases in the value of endowments and investments.
- Unrestricted net assets increased due to auxiliary operations which are partially offset by an increase 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.

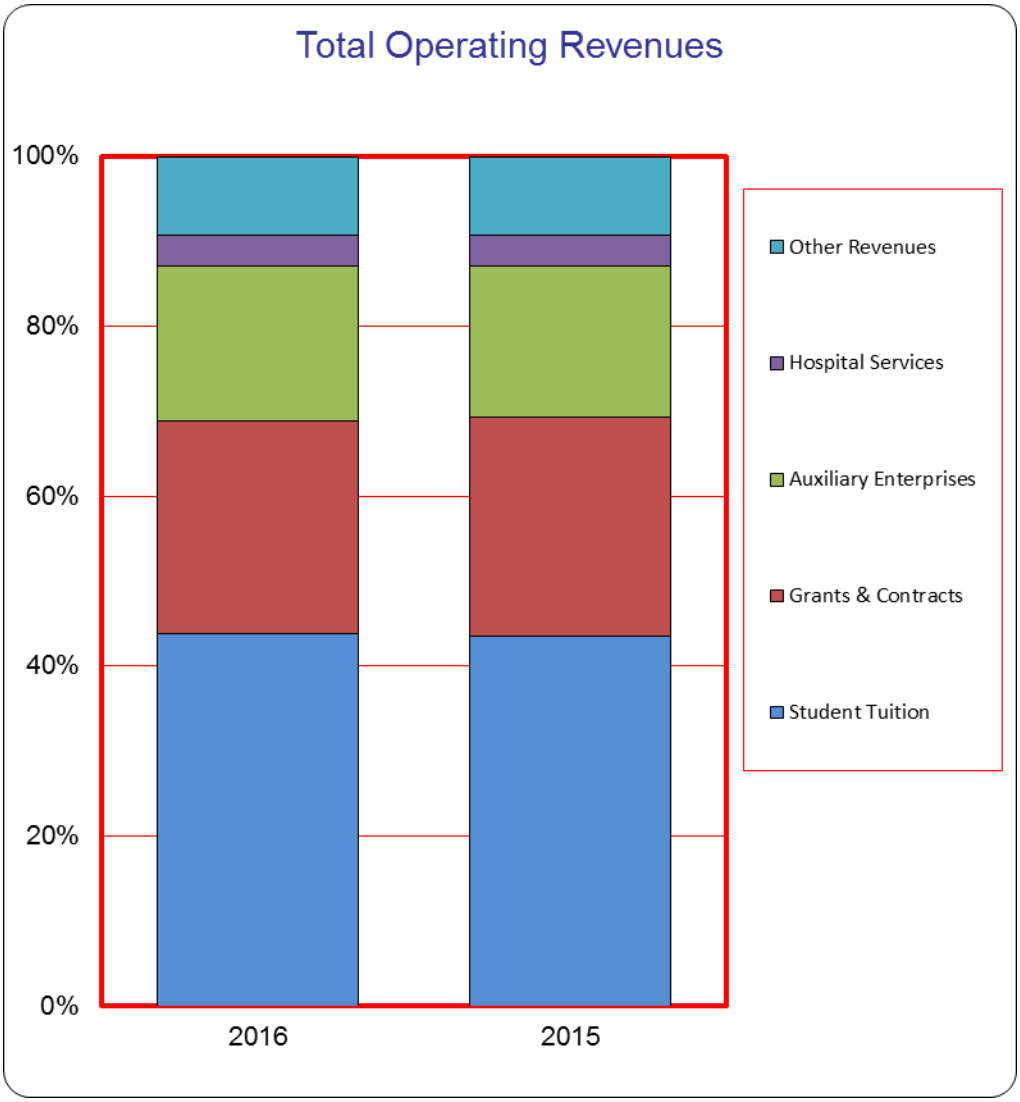
The following is a summarized schedule of the revenues and expenses for the University:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30,	2016	2015	$ Change	% Change
Operating revenue	$ 737,852,440	$ 717,352,350	$ 20,500,090	3%
Operating expense	1,016,303,531	958,336,971	57,966,560	6%
Operating loss	(278,451,091)	(240,984,621)	(37,466,470)	16%
Non-operating revenues, net of expenses	264,513,482	268,020,965	(3,507,483)	(1%)
Other Revenues	51,778,687	40,154,943	11,623,744	29%
Increase in net position	37,841,078	67,191,287	(29,350,209)	(44%)
Net position - beginning of year	762,847,234	695,655,947	67,191,287	10%
Net position - end of year	$ 800,688,312	$ 762,847,234	$ 37,841,078	5%

Revenues

Operating revenues increased $20.5 million, or 3%, in 2016 compared to the prior year.



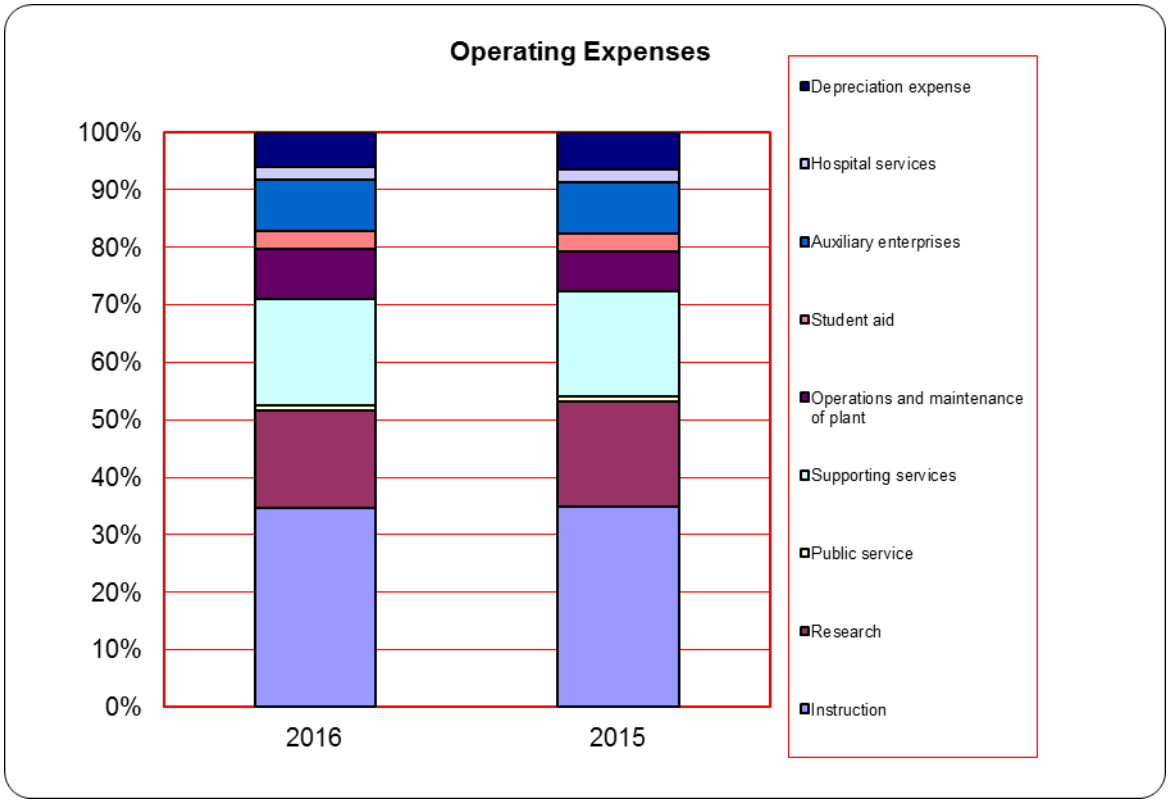
TOTAL OPERATING REVENUES

For the Year Ended June 30,	2016	2015	$ Change	% Change
Student Tuition	$ 323,586,088	$ 312,809,796	$ 10,776,292	3%
Grants & contracts	185,109,357	184,493,396	615,961	0%
Auxiliary enterprises	134,390,824	128,117,651	6,273,173	5%
Hospital services	26,221,997	25,477,514	744,483	3%
Other revenues	68,544,174	66,453,993	2,090,181	3%
Total Operating Revenues	$ 737,852,440	$ 717,352,350	$ 20,500,090	3%

- Operating revenues grew due to increases in tuition and fees and demand for auxiliary services and other revenues. The increase in other revenues is largely due to sales and services of educational departments.

Expenses

Operating expenses increased $58 million, or 6%, over 2015 to $1.016 billion. The following chart summarizes operating expenses by functional classification:



OPERATING EXPENSES BY FUNCTION

For the Year Ended June 30,	2016	2015	$ Change	% Change
Instruction	$ 351,995,761	$ 334,137,776	$ 17,857,985	5%
Research	173,505,082	174,404,481	(899,399)	(1%)
Public service	8,005,757	9,406,629	(1,400,872)	(15%)
Supporting services	188,312,388	174,388,862	13,923,526	8%
Operations and maintenance of plant	87,652,524	67,860,490	19,792,034	29%
Student aid	32,528,941	29,762,299	2,766,642	9%
Auxiliary enterprises	89,640,703	85,342,919	4,297,784	5%
Hospital services	23,206,390	21,792,401	1,413,989	6%
Depreciation expense	61,455,985	61,176,426	279,559	0%
Other expense	-	64,688	(64,688)	(100%)
Total operating expenses	$1,016,303,531	$ 958,336,971	$ 57,966,560	6%

- Instruction expense increased due to additional faculty members and salary increases.
- Supporting services expense increased due to personnel cost and supply purchases.
- Operations and maintenance of plant expenses were higher in the current fiscal year due to increased spending on capital projects and increases in lease expense.
- Auxiliary enterprises expenses have increased due to increased cost of services and demand for services.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2016, VCU had $1.821 billion in capital assets, less accumulated depreciation of $754.5 million, for net capital assets of $1.066 billion. VCU is committed to a comprehensive program of capital initiatives in support of the University's strategic plan.

CAPITAL ASSETS, NET

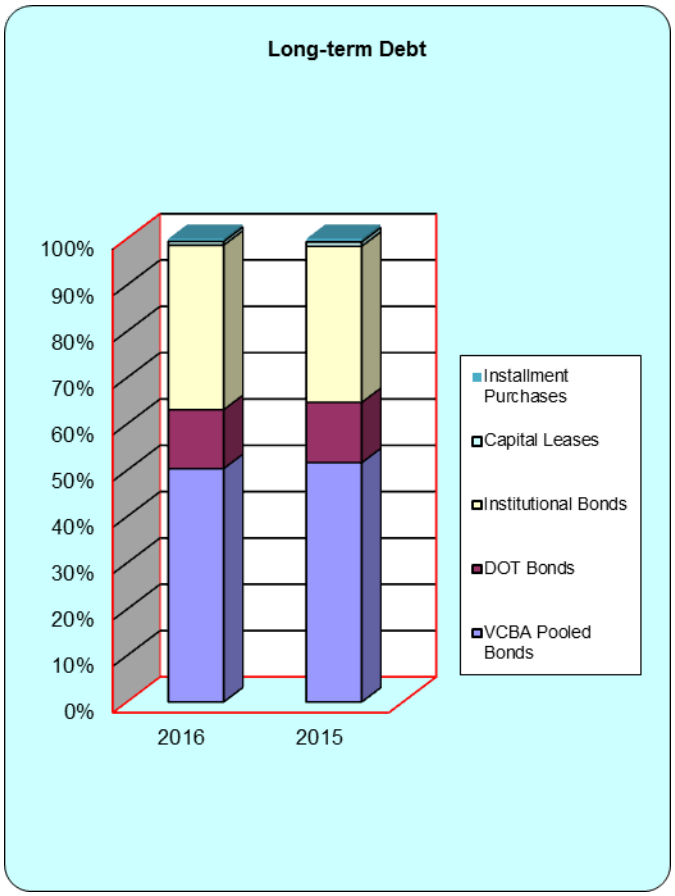
as of June 30,	2016	2015	$ Change	% Change
Land	$52,817,956	$53,354,890	($536,934)	(1%)
Land Improvements and infrastructure	1,624,750	1,663,960	(39,210)	(2%)
Buildings	859,508,212	788,692,906	70,815,306	9%
Equipment	72,433,967	71,302,804	1,131,163	2%
Intangible (computer software)	3,000,584	548,500	2,452,084	447%
Library books	22,110,823	20,314,548	1,796,275	9%
Construction in progress	55,215,685	93,726,680	(38,510,995)	(41%)
Total	$1,066,711,977	$1,029,604,288	$37,107,689	4%

- Buildings increased largely due to construction and renovation projects being completed in the current year causing the correlated decrease in construction in progress.

Debt

At June 30, 2016, the University had $496 million in long-term debt outstanding.

New General Revenue Pledge Bonds totaling $12,879,000 were issued in December 2015. These bonds were issued primarily to finance the acquisition of properties and to refinance debt held by the VCU Real Estate Foundation.



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, 2016 and 2015. For more detailed information, see the accompanying Statement of Cash Flows.

University	2016	2015	$ Change	% Change
Cash provided (used) by:				
Operating activities	$ (223,877,300)	$ (173,232,835)	$ (50,644,465)	29%
Noncapital financing activities	286,003,880	280,202,434	5,801,446	2%
Capital and related financing activities	(93,662,858)	(84,998,135)	(8,664,723)	10%
Investing activities	38,185,178	(27,374,938)	65,560,116	(239%)
Net increase (decrease) in cash	6,648,900	(5,403,474)	12,052,374	(223%)
Cash, beginning of year	96,688,906	102,092,380	(5,403,474)	(5%)
Cash, end of year	$ 103,337,806	$ 96,688,906	$ 6,648,900	7%

- The change in operating activities is due mainly to increased pension and other personnel liabilities.
- The change in capital and related financing activities is due to less issuances of debt over the prior year.
- The change in investing activities is due to a $564.2 million increase in proceeds from sales and a $495.1 million increase in purchases of investments, offset by a $3.6 million decrease 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 $223.8M, reflecting an additional $4.4M to support the goals of access, affordability, quality, and increased degrees, as well as additional funding for need-based aid for in-state undergraduates.
- Tuition and fee revenues are projected to increase by $16.1M in fiscal year 2017 based on Board of Visitors approved increases in tuition and mandatory fee rates.

FINANCIAL STATEMENTS

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016

	University	VCU Health System Authority	MCV Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ 94,581,928	$ 247,033,116	$ -
Short-term investments (Note 2)	195,080,972	16,782,678	-
Accounts receivable:			
Student and other, Net of allowance of $6,485,443	12,479,970	-	81,000
Sponsors	27,433,111	-	-
Patient, Net of allowance of $296,867,693	-	264,986,324	-
Third-party and non-patient	-	115,442,149	-
Contributions and gifts, Net of allowance of $897,429 (Note 24)	-	-	9,436,000
Due from component units	6,485,725	-	167,000
Due from Commonwealth of Virginia	7,424,211	-	-
Due from VCBA	10,795,265	-	-
Student loans receivable, current portion	3,536,301	-	9,000
Current portion of assets whose use is limited (Note 2)	-	6,000,000	-
Other assets	4,424,520	37,755,734	46,000
Total current assets	362,242,003	688,000,001	9,739,000
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	8,755,878	-	9,192,000
Endowment investments (Note 2)	44,288,294	-	194,723,000
Other investments (Note 2)	166,318,063	99,927,036	239,370,000
Contributions and gifts, Net of allowance of $1,203,856 (Note 24)	-	-	15,489,000
Loans and Other receivable, Net of allowance of $2,049,559	20,077,255	-	668,000
Due from component units	133,306,526	-	
Assets whose use is limited, less current portion (Note 2)	-	1,320,726,711	-
Other long-term assets (Note 3)	-	17,247,076	1,215,000
Nondepreciable capital assets (Note 4)	108,033,641	110,667,809	364,000
Depreciable capital assets (Note 4)	958,678,336	681,830,925	1,579,000
Total noncurrrent assets	1,439,457,993	2,230,399,557	462,600,000
Total assets	1,801,699,996	2,918,399,558	472,339,000
Deferred outflows	60,985,446	62,084,904	-
Total assets and deferred outflows	1,862,685,442	2,980,484,462	472,339,000
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	86,688,300	285,241,083	1,148,000
Unearned revenue (Note 7)	45,789,092	-	-
Due to component units	1,504,428	-	-
Long-term liabilities - current portion (Note 8)	56,387,579	46,649,376	665,000
Line of credit (Note 12)	8,600,000	-	-
Total current liabilities	198,969,399	331,890,459	1,813,000
Noncurrent liabilities:			
Funds held for others (Note 5)	26,038,273	-	-
Due to component units	-	-	-
Other	11,610,343	67,348,903	3,257,000
Long-term liabilities (Note 8)	477,806,134	560,069,948	6,675,000
Pension obligations (Note 10)	320,540,000	62,614,773	-
Total noncurrent liabilities	835,994,750	690,033,624	9,932,000
Total liabilities	1,034,964,149	1,021,924,083	11,745,000
Deferred Inflows	27,032,981	10,466,000	-
Total liabilities and deferred inflows	1,061,997,130	1,032,390,083	11,745,000
NET POSITION			
Net investment in capital assets	682,111,502	472,349,856	1,943,000
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	4,239,166	-	-
Departmental uses	46,292,326	18,988,635	208,994,000
Expendable:			
Scholarships and fellowships	3,718,866	-	-
Research	7,409,473	-	-
Departmental uses	13,444,242	5,182,676	201,638,000
Loans	4,855,267	-	-
Unrestricted	38,617,470	1,451,573,212	48,019,000
Total net position	$ 800,688,312	$ 1,948,094,379	$ 460,594,000

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016

	VCU Foundation	VCU Real Estate Foundation	VCU School of Business Foundation
Current assets:			
Cash and cash equivalents (Note 2)	$ 2,819,555	$ 9,221,819	$ 4,459,862
Short-term investments (Note 2)	-	-	-
Accounts receivable:			
Student and other, Net of allowance of $6,485,443	85,872	24,338	58,498
Sponsors	-	-	-
Patient, Net of allowance of $296,867,693	-	-	-
Third-party and non-patient	-	-	-
Contributions and gifts, Net of allowance of $897,429 (Note 24)	7,327,101	-	178,603
Due from component units	198,550	1,507,630	6,289
Due from Commonwealth of Virginia	-	-	-
Due from VCBA	-	-	-
Student loans receivable, current portion	-	-	-
Current portion of assets whose use is limited (Note 2)	-	-	-
Other assets	36,549	148,302	142,006
Total current assets	10,467,627	10,902,089	4,845,258
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	31,118,841	-	3,967,320
Endowment investments (Note 2)	27,114,197	-	10,335,291
Other investments (Note 2)	44,133,959	-	26,218,820
Contributions and gifts, Net of allowance of $1,203,856 (Note 24)	7,590,734	-	401,154
Loans and Other receivable, Net of allowance of $2,049,559	-	-	-
Due from component units	-	7,047,185	-
Assets whose use is limited, less current portion (Note 2)	-	-	-
Other long-term assets (Note 3)	-	395,249	152,345
Nondepreciable capital assets (Note 4)	-	22,391,431	3,503,036
Depreciable capital assets (Note 4)	-	53,670,154	28,864,490
Total noncurrrent assets	109,957,731	83,504,019	73,442,456
Total assets	120,425,358	94,406,108	78,287,714
Deferred outflows	-	-	-
Total assets and deferred outflows	120,425,358	94,406,108	78,287,714
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	16,468	548,024	302,039
Unearned revenue (Note 7)	-	5,254,620	91,830
Due to component units	1,276,509	2,254,808	1,552,096
Long-term liabilities - current portion (Note 8)	-	-	-
Line of credit (Note 12)	-	9,770,222	-
Total current liabilities	1,292,977	17,827,674	1,945,965
Noncurrent liabilities:			
Funds held for others (Note 5)	744,367	-	-
Due to component units	34,032,676	44,134,667	43,288,540
Other	351,231	1,811,687	-
Long-term liabilities (Note 8)	-	-	-
Pension obligations (Note 10)	-	-	-
Total noncurrent liabilities	35,128,274	45,946,354	43,288,540
Total liabilities	36,421,251	63,774,028	45,234,505
Deferred Inflows	-	-	-
Total liabilities and deferred inflows	36,421,251	63,774,028	45,234,505
NET POSITION			
Net investment in capital assets	-	18,488,652	10,094,871
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	-
Departmental uses	27,875,834	-	10,873,421
Expendable:			
Scholarships and fellowships	-	-	-
Research	-	-	-
Departmental uses	53,335,847	-	11,828,440
Loans	-	-	-
Unrestricted	2,792,426	12,143,428	256,477
Total net position	$ 84,004,107	$ 30,632,080	$ 33,053,209

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

VIRGINIA COMMONWEALTH UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016

	VCU School of Engineering Foundation	Eliminations	Total
Current assets:			
Cash and cash equivalents (Note 2)	$ 2,607,766	$ -	$ 360,724,046
Short-term investments (Note 2)	-	-	211,863,650
Accounts receivable:			
Student and other, Net of allowance of $6,485,443	-	-	12,729,678
Sponsors	-	-	27,433,111
Patient, Net of allowance of $296,867,693	-	-	264,986,324
Third-party and non-patient	-	-	115,442,149
Contributions and gifts, Net of allowance of $897,429 (Note 24)	169,537	-	17,111,241
Due from component units	12,116	(8,377,310)	-
Due from Commonwealth of Virginia	-	-	7,424,211
Due from VCBA	-	-	10,795,265
Student loans receivable, current portion	-	-	3,545,301
Current portion of assets whose use is limited (Note 2)	-	-	6,000,000
Other assets	-	(1,615,156)	40,937,955
Total current assets	2,789,419	(9,992,466)	1,078,992,931
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2)	918,758	-	53,952,797
Endowment investments (Note 2)	12,434,997	-	288,895,779
Other investments (Note 2)	57,837,879	-	633,805,757
Contributions and gifts, Net of allowance of $1,203,856 (Note 24)	635,775	-	24,116,663
Loans and Other receivable, Net of allowance of $2,049,559	-	-	20,745,255
Due from component units	-	(140,353,711)	-
Assets whose use is limited, less current portion (Note 2)	-	-	1,320,726,711
Other long-term assets (Note 3)	1,014,646	-	20,024,316
Nondepreciable capital assets (Note 4)	5,912,659	-	250,872,576
Depreciable capital assets (Note 4)	41,288,324	(19,714,024)	1,746,197,205
Total noncurrrent assets	120,043,038	(160,067,735)	4,359,337,059
Total assets	122,832,457	(170,060,201)	5,438,329,990
Deferred outflows	-	-	123,070,350
Total assets and deferred outflows	122,832,457	(170,060,201)	5,561,400,340
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	160,810	-	374,104,724
Unearned revenue (Note 7)	-	(4,708,286)	46,427,256
Due to component units	3,509,470	(10,097,311)	-
Long-term liabilities - current portion (Note 8)	-	(936,063)	102,765,892
Line of credit (Note 12)	4,216,530	-	22,586,752
Total current liabilities	7,886,810	(15,741,660)	545,884,624
Noncurrent liabilities:			
Funds held for others (Note 5)	-	-	26,782,640
Due to component units	71,387,544	(192,843,427)	-
Other	-	-	84,379,164
Long-term liabilities (Note 8)	-	(10,345,081)	1,034,206,001
Pension obligations (Note 10)	-	-	383,154,773
Total noncurrent liabilities	71,387,544	(203,188,508)	1,528,522,578
Total liabilities	79,274,354	(218,930,168)	2,074,407,202
Deferred Inflows	-	-	37,498,981
Total liabilities and deferred inflows	79,274,354	(218,930,168)	2,111,906,183
NET POSITION			
Net investment in capital assets	3,606,688	(6,902,880)	1,181,691,689
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	-	-	4,239,166
Departmental uses	12,593,367	-	325,617,583
Expendable:			
Scholarships and fellowships	-	-	3,718,866
Research	-	-	7,409,473
Departmental uses	3,221,403	-	288,650,608
Loans	-	-	4,855,267
Unrestricted	24,136,645	55,772,847	1,633,311,505
Total net position	$ 43,558,103	$ 48,869,967	$ 3,449,494,157

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, 2016

	University	VCU Health System Authority	MCV Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $86,151,881	$ 323,586,088	$ -	$ -
Federal grants and contracts	156,469,687	-	-
State grants and contracts	5,660,631	-	-
Local grants and contracts	326,755	-	-
Nongovernmental grants and contracts	22,652,284	-	-
Sales and services of educational departments	56,026,293	-	-
Auxiliary enterprises:			
Sales and services	89,768,961	-	-
Student fees, Net of scholarship allowances of $4,947,403	44,621,863	-	-
Hospital services	26,221,997	2,799,086,897	-
Other revenues	12,517,881	-	2,530,000
Total operating revenues	737,852,440	2,799,086,897	2,530,000
Operating expenses:			
Instruction	351,995,761	-	-
Research	173,505,082	-	-
Public service	8,005,757	-	-
Supporting services:			
Academic support	92,954,207	-	24,738,000
Student services	16,419,682	-	-
Institutional support	78,938,499	-	2,598,000
Operations and maintenance of plant	87,652,524	-	-
Student aid	32,528,941	-	2,683,000
Auxiliary enterprises	89,640,703	-	-
Hospital services	23,206,390	2,540,415,617	-
Depreciation expense	61,455,985	77,269,676	64,000
Other expenses	-	-	115,000
Total operating expenses	1,016,303,531	2,617,685,293	30,198,000
Operating gain/(loss)	(278,451,091)	181,401,604	(27,668,000)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	213,480,174	-	-
Gifts	44,103,060	5,540,853	10,967,000
Investment income, Net of investment expense of $4,611,826	(3,524,930)	(24,624,902)	(21,139,000)
Interest on capital asset-related debt	(18,803,229)	(23,006,575)	-
Pell revenue	28,614,178	-	-
Other	644,229	(1,397,228)	-
Net nonoperating revenues	264,513,482	(43,487,852)	(10,172,000)
Income (loss) before other revenues and expenses	(13,937,609)	137,913,752	(37,840,000)
Other Revenues (Expenses)			
Additions to permanent endowments	369,269	-	21,754,000
Capital appropriations	42,692,933	-	-
Capital gifts and grants	8,716,485	-	-
Increase in beneficial interest in trusts	-	(1,141,403)	-
Other	-	(6,367,495)	(1,413,000)
Increase (decrease) in net position	37,841,078	130,404,854	(17,499,000)
Net position - Beginning of year	762,847,234	1,817,689,525	478,093,000
Net position - End of year	$ 800,688,312	$ 1,948,094,379	$ 460,594,000

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, 2016

	VCU Foundation	VCU Real Estate Foundation	VCU School of Business Foundation
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $86,151,881	$ -	$ -	$ -
Federal grants and contracts	-	-	-
State grants and contracts	-	199,930	-
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 $4,947,403	-	-	-
Hospital services	-	-	-
Other revenues	712,865	8,181,401	3,085,495
Total operating revenues	712,865	8,381,331	3,085,495
Operating expenses:			
Instruction	-	-	818,829
Research	-	-	-
Public service	-	-	-
Supporting services:			
Academic support	-	-	-
Student services	-	-	-
Institutional support	-	-	-
Operations and maintenance of plant	-	1,920,009	-
Student aid	-	-	-
Auxiliary enterprises	-	-	-
Hospital services	-	-	-
Depreciation expense	-	2,774,376	1,351,646
Other expenses	16,391,805	78,639	2,813,242
Total operating expenses	16,391,805	4,773,024	4,983,717
Operating gain/(loss)	(15,678,940)	3,608,307	(1,898,222)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	-	-	-
Gifts	12,359,668	-	1,006,394
Investment income, Net of investment expense of $4,611,826	(1,228,444)	(218,107)	(954,964)
Interest on capital asset-related debt	-	(1,647,675)	(931,198)
Pell revenue	-	-	-
Other	-	-	-
Net nonoperating revenues	11,131,224	(1,865,782)	(879,768)
Income (loss) before other revenues and expenses	(4,547,716)	1,742,525	(2,777,990)
Other Revenues (Expenses)			
Additions to permanent endowments	2,267,596	-	685,676
Capital appropriations	-	-	-
Capital gifts and grants	-	-	-
Increase in beneficial interest in trusts	(31,380)	-	-
Other	(28,947)	-	-
Increase (decrease) in net position	(2,340,447)	1,742,525	(2,092,314)
Net position - Beginning of year	86,344,554	28,889,555	35,145,523
Net position - End of year	$ 84,004,107	$ 30,632,080	$ 33,053,209

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, 2016

	VCU School of Engineering Foundation	Eliminations	Total
Operating revenues:			
Student tuition and fees, Net of scholarship allowances of $86,151,881	$ -	$ (773,709)	$ 322,812,379
Federal grants and contracts	-	-	156,469,687
State grants and contracts	-	-	5,860,561
Local grants and contracts	-	-	326,755
Nongovernmental grants and contracts	-	-	22,652,284
Sales and services of educational departments	-	(1,398,220)	54,628,073
Auxiliary enterprises:			
Sales and services	-	(1,768,131)	88,000,830
Student fees, Net of scholarship allowances of $4,947,403	-	-	44,621,863
Hospital services	-	(24,412,802)	2,800,896,092
Other revenues	3,205,717	(20,548,438)	9,684,921
Total operating revenues	3,205,717	(48,901,300)	3,505,953,445
Operating expenses:			
Instruction	-	(99,419)	352,715,171
Research	-	(2,113,667)	171,391,415
Public service	-	(2,865)	8,002,892
Supporting services:			
Academic support	-	(23,903,354)	93,788,853
Student services	-	(2,970)	16,416,712
Institutional support	-	164,114	81,700,613
Operations and maintenance of plant	-	(4,158,052)	85,414,481
Student aid	-	-	35,211,941
Auxiliary enterprises	-	23,661	89,664,364
Hospital services	-	(37,169,726)	2,526,452,281
Depreciation expense	2,389,117	(1,135,776)	144,169,024
Other expenses	2,830,469	(20,623,109)	1,606,046
Total operating expenses	5,219,586	(89,021,163)	3,606,533,793
Operating gain/(loss)	(2,013,869)	40,119,863	(100,580,348)
Nonoperating revenues (expenses):			
State appropriations (Note 22)	-	-	213,480,174
Gifts	955,146	(39,290,320)	35,641,801
Investment income, Net of investment expense of $4,611,826	(4,578,568)	(26,605)	(56,295,520)
Interest on capital asset-related debt	(1,722,383)	3,335,468	(42,775,592)
Pell revenue	-		28,614,178
Other	2,230,539	-	1,477,540
Net nonoperating revenues	(3,115,266)	(35,981,457)	180,142,581
Income (loss) before other revenues and expenses	(5,129,135)	4,138,406	79,562,233
Other Revenues (Expenses)			
Additions to permanent endowments	5,819	-	25,082,360
Capital appropriations	-	-	42,692,933
Capital gifts and grants	-	(8,716,485)	-
Increase in beneficial interest in trusts	-	-	(1,172,783)
Other	-	-	(7,809,442)
Increase (decrease) in net position	(5,123,316)	(4,578,079)	138,355,301
Net position - Beginning of year	48,681,419	53,448,046	3,311,138,856
Net position - End of year	$ 43,558,103	$ 48,869,967	$ 3,449,494,157

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, 2016

		University
Cash flows from operating activities:		
Tuition and fees	$	323,714,053
Grants and contracts		186,868,315
Auxiliary enterprise charges		135,112,799
Sales and services of education departments		56,026,293
Hospital services charges		25,893,010
Payments to suppliers		(336,037,061)
Payments to employees		(629,964,032)
Loans issued to students		(2,604,381)
Collection of loans to students		147
Other receipts (payments)		17,113,557
Net cash provided by operating activities		(223,877,300)
Cash flows from noncapital financing activities:		
State appropriations		213,678,174
Direct lending receipts		217,206,553
Direct lending disbursements		(217,206,553)
Agency receipts		43,158,003
Agency disbursements		(43,900,737)
Insurance recoveries		1,859,719
Pell revenue		28,614,178
Gifts		42,594,543
Net cash provided by noncapital financing activities		286,003,880
Cash flows from capital and related financing activities:		
Proceeds from issuance of note payable		41,471,285
Bond proceeds disbursed to VCUREF		1,365,126
Capital gifts		8,716,485
State appropriations for capital assets		35,738,558
Purchase of capital assets		(99,461,465)
Principal paid on capital-related debt		(62,438,290)
Interest paid on capital-related debt		(19,054,557)
Net cash used by capital financing activities		(93,662,858)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments		1,394,257,253
Investment income		10,491,717
Purchases of investments		(1,366,563,792)
Net cash used by investing activities		38,185,178
Net increase in cash		6,648,900
Cash and cash equivalents - Beginning of year		96,688,906
Cash and cash equivalents - End of year	$	103,337,806

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, 2016

RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating gain/(loss)	$	(278,451,091)
Adjustments to reconcile net gain/(loss) to net cash used by Operating activities:		
Depreciation expense		61,455,985
Provision for uncollectible accounts		(1,874,827)
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Receivables		(596,524)
Other assets		1,741,543
Accounts payable and other liabilities		(11,590,070)
Deferred revenue		9,790,086
Compensated absences and deferred compe		1,233,314
Deposits		(2,971,921)
Other liabilities		(38,051,795)
Pension Obligations		35,438,000
Net cash used by operating activities	$	(223,877,300)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Assets acquired through a gift	$	8,716,485
Change in fair value of SWAP	$	2,362,159
Loss on disposal of capital assets	$	1,608,508
Amortization of bond premium and discount	$	4,408,134

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. The VCU Health System supports the University's health care education, research and patient care mission.

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 225 degree and certificate programs through VCU's 13 schools and one college. 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. Sixteen graduate and first-professional programs are ranked by U.S. News & World Report as among the best in the country.

The University's and VCU Health System Authority's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (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.

The Virginia Commonwealth University Intellectual Property Foundation functions as a nonprofit charitable foundation solely to assist inventors, mainly from VCU, in licensing and patenting technologies. The sole purpose of this foundation is to promote, encourage and aid scientific investigation and research and to manage intellectual property developed at VCU for the benefit 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 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 the 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
- VCU Investment Management Company

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. Basis of Accounting

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, 2016. 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 $10,895,000 in 2016.

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 decrease net patient service revenue by approximately $23,720,000 in 2016. 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 $434,190,000 in 2016. The Authority's Medicaid cost reports have been audited by the Medicaid program representative through June 30, 2013.

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 $16,440,319, 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 $3,572,986 for June 30, 2016, 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, 2016 is summarized as follows:

	Pension Related	Gain / Loss on Debt Refunding	Interest Rate Swap Agreements	Total
At June 30, 2016				
Deferred outflows of resources	$ 39,208,195	$ 21,777,251	$ -	$ 60,985,446
Deferred inflows of resources	$ 22,856,000	$ 1,711,289	$ 2,465,692	$ 27,032,981

The composition of deferred outflows and inflows of resources at June 30, 2016 for the Authority is summarized as follows:

	Pension Related	Gain / Loss on Debt Refunding	Interest Rate Swap Agreements	Total
At June 30, 2016				
Deferred outflows of resources	$ 4,761,770	$ 34,390,337	$ 22,932,797	$ 62,084,904
Deferred inflows of resources	$ 10,466,000	$ -	$ -	$ 10,466,000

W. Pensions

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

X. Recently Adopted Accounting Pronouncements

GASB Statement No. 72, Fair Value Measurements and Application, which required investments to be measured at fair value was adopted in 2016. This provided guidance for determining a fair value measurement for financial reporting purposes and required disclosures about fair value measurements and valuation techniques.

Additionally, the information provided for the state retirement plans reflects an early adoption of GASB Statement No. 82, Pension Issues – An Amendment of GASB No. 68 and No.73. The early implementation resolved two outstanding issues from GASB Statement No. 68 – the Presentation of Payroll Related Measures in RSI and the Classification of Employer-paid Member Contributions.

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, 2016.
- 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, as outlined in the chart below.

	Duration	Maturity
Primary Liquidity Pool	< 9 months	< 2 years
Extended Duration Fund	< 3 years	< 5 years

- 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 of 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, 2016, 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, 2016 the carrying value of deposits totaled $94,876,500 and the account balances reported by the depositories or custodial financial institutions totaled $96,249,740. $250,000 is covered by federal depository insurance, $86,964,805 is collateralized in accordance with the Virginia Security for Public Deposits Act, $294,572 is held by investment managers and $8,740,363 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 University engaged the VCU Management Company as its new investment advisor in the year ending June 30, 2016. As part of this transition, assets were moved to the VCIMCO Ram Fund, LP and are managed by VCIMCO.

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 VCIMCO. 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, 2016, net depreciation for the Glasgow Trust was $-2,063,743.

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, 2016, the University held the following investments:

	Credit Rating	Fair Value	Investment Maturities (In Years) <1	1 to 5	6 to 10	>10
U.S. Treasury and Agency Securities	Aaa	$ 48,175,304	$ 17,141,634	$ 25,510,274	$ -	$ 5,523,396
Commercial Paper	A1	1,349,577	1,349,577			
Corporate Notes						
	Aa2	1,944,347	600,444	1,343,903	-	-
	Aa3	3,273,277	-	3,273,277	-	-
	A1	4,020,462	1,505,035	2,515,427	-	-
	A2	2,583,634	430,568	2,153,066	-	-
	A3	3,132,866	-	3,132,866	-	-
Corporate Bonds						
	Aaa	1,231,616	-	1,231,616	-	-
	Aa1	467,030	-	467,030	-	-
	Aa2	4,399,446	2,532,605	1,392,324	474,517	-
	Aa3	2,103,660	2,103,660	-	-	-
	A1	5,858,138	1,201,078	4,657,060	-	-
	A2	2,311,183	802,868	1,508,315	-	-
	A3	4,979,354	1,096,526	3,882,828	-	-
Asset Backed Securities						
	Aaa	34,986,550	-	28,253,026	2,245,158	4,488,366
Municipal Securities						
	Aaa	102,124	-	102,124	-	-
Agency Mortgage Backed Securities						
	Aaa	6,160,919	-	3,959,381	-	2,201,538
Mutual and Money Market Funds					-	-
	Aaa	68,154,391	68,154,391	-	-	-
Other Assets:						
Alternative Assets (Hedge Funds)	N/A	43,626,075	-	-	-	-
Equity	N/A	85,547,000	-	-	-	-
Fixed Income	N/A	81,280,376	-	-	-	-
Total		**$ 405,687,329**	**$ 96,918,386**	**$ 83,382,517**	**$ 2,719,675**	**$ 12,213,300**

As of June 30, 2016, the Authority held the following investments, which includes assets whose use is limited:

		Investments Maturities (In Years)			
Investment Type:	Fair Value	<1	1-5	6-10	>10
U.S. Treasury and Agency Securities	$ 11,966,668	$ 3,275,701	$ 5,580,440	$ 1,466,499	$ 1,644,028
Cash and cash equivalents	167,863,577	167,863,577	N/A	N/A	N/A
Corporate notes	31,839,690	7,807,990	20,914,132	1,315,242	1,802,326
Corporate bonds	77,561,533	32,142,083	39,684,858	2,805,934	2,928,658
Asset backed securities	31,730,371	981,602	30,748,769	-	-
Agency backed mortgages	46,420,528	14,072,514	20,606,422	1,153,736	10,587,856
Beneficial interest in perpetual trust	16,440,318	N/A	N/A	N/A	N/A
Equity interest in Foundation	3,572,986	N/A	N/A	N/A	N/A
Index funds	15,949,501	N/A	N/A	N/A	N/A
Marketable equity securities	319,378,743	N/A	N/A	N/A	N/A
Real estate	20,677,322	N/A	N/A	N/A	N/A
Commercial paper	2,999,790	2,999,790	-	-	-
Investment companies	697,035,398	N/A	N/A	N/A	N/A
Total	$ 1,443,436,425	$ 229,143,257	$ 117,534,621	$ 6,741,411	$ 16,962,868

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

At June 30, 2016 the credit quality ratings for the Authority's primary enterprise (MCVH) fixed income investments were 74.5% AAA, 6.0% AA, 13.3% A, 6% below A and 0% not rated. The component units of the Authority's fixed income investments were 30.6% AAA, 41.3% AA, 26.4% A, 1.3% 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, 2016, 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	$ -	$ -	$ -	$ 71,699,000
Common & Preferred Stocks	33,396,301	17,939,933	-	73,751,000
Corporate Bonds	16,759,593	8,019,886	-	16,871,000
Asset Backed Securities	-	-	-	1,261,000
Alternative Investments				
International Fund	-	-	-	57,664,000
Real Estate Funds	3,292,614	1,800,442	-	15,716,000
Private Equity	-	-	-	24,713,000
Hedge Funds				-
International Fund	-	-	18,297,688	-
Opportunistic/Macro	4,540,302	1,853,553	-	-
Long Only Equities	-	-	-	31,440,000
Long/Short Equities	2,840,646	1,821,077	51,975,188	70,967,000
Event Driven/Merger Arbitrage	3,131,636	625,584	-	-
Multi-Strategy	-	-	-	67,758,000
Distressed Credit	-	1,122,752	-	-
Relative Value	3,746,899	2,752,441	-	-
Diversified Strategies	2,591,171	618,443	-	-
Life Income Investment	948,994	-	-	2,253,000
Total	$ 71,248,156	$ 36,554,111	$ 70,272,876	$ 434,093,000

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles.

Level 1: Inputs are quoted prices in active markets for identical assets.

Level 2: Inputs are significant other observable inputs

Level 3: Inputs are significant unobservable inputs

The University establishes the fair value of its investments in funds that do not have a readily determinable fair value by using net asset value (NAV) per share, or its equivalent, as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with FASB's measurement principles for investment companies. The classifications of fair value measurements within the valuation hierarchy as of June 30, 2016 are as follows:

University

Investment Type:	Total	Level 1	Level 2	Level 3	Investments measured at the NAV
U.S. Treasury and Agency Securities	$ 48,175,304	$ 26,963,782	$ 21,211,522	$ -	$ -
Commercial Paper	1,349,577	-	1,349,577	-	-
Corporate Notes	14,954,586	-	14,954,586	-	-
Corporate Bonds	21,350,427	-	21,350,427	-	-
Asset Backed Securities	34,986,550	-	34,986,550	-	-
Municipal Securities	102,124	-	102,124	-	-
Agency Backed Mortgages	6,160,919	-	6,160,919	-	-
Mutual and Money Market Funds	68,154,391	-	68,154,391	-	-
Other Assets					
Equity Long Only Hedge Funds	8,235,956	-	-	-	8,235,956
Equity Long/Short Hedge Funds	377,304	-	-	-	377,304
Event-driven Hedge Funds	8,513,080	-	-	-	8,513,080
Opportunistic/Macro	7,992,902	-	-	-	7,992,902
Diversified Strategies Funds	2,165,680	-	-	-	2,165,680
Relative Value/Credit	949,299	-	-	-	949,299
Real Estate	1,307,534	-	-	-	1,307,534
Equity Fund	48,058	-	48,058	-	-
Fixed Income	21,734	-	21,734	-	-
Alternative Investments	23,889	-	23,889	-	-
Ram Fund, LP - Equity	85,498,942	-	-	-	85,498,942
Ram Fund, LP - Fixed income	81,258,642	-	-	-	81,258,642
Ram Fund, LP - Real Assets	14,060,431	-	-	-	14,060,431
Total	$ 405,687,329	$ 26,963,782	$ 168,363,777	$ -	$ 210,359,770

Authority

Investment Type:	Total	Level 1	Level 2	Level 3	Investments measured at the NAV
Investments by fair value level					
Cash and Cash Equivalents	$ 167,863,577	$ 167,863,577	$ -	$ -	$ -
Beneficial Trust	16,440,318	-	-	16,440,318	-
Equity Interest	3,572,986	3,572,986	-	-	-
Debt Securities					
US Treasury Notes	11,966,668	11,966,668	-	-	-
Commercial Paper	2,999,790	2,999,790	-	-	-
Asset Backed Securities	31,730,371	-	31,730,371	-	-
Agency Backed Mortgages	46,420,528	-	46,420,528	-	-
Corporate Notes	31,839,690	-	31,839,690	-	-
Corporate Bonds	77,561,533	-	77,561,533	-	-
Equity Securities					
Consumer Discretionary	13,534,073	13,534,073	-	-	-
Consumer Staples	2,807,485	2,807,485	-	-	-
Financials	15,022,573	15,022,573	-	-	-
Health Care	3,719,951	3,719,951	-	-	-
Industrials	5,108,424	5,108,424	-	-	-
Information Technology	7,396,253	7,396,253	-	-	-
Energy	2,093,085	2,093,085	-	-	-
Material	1,335,020	1,335,020	-	-	-
Telecommunication	321,975	321,975	-	-	-
Utilities	494,910	494,910	-	-	-
Real Estate	229,665	229,665	-	-	-
Equity Mutual Funds	316,258,077	316,258,077	-	-	-
Fixed Income Bond Fund	144,103,020	144,103,020	-	-	-
Index Funds	13,475,157	13,475,157	-	-	-
Mutual Funds and ETF's	56,015,869	56,015,869	-	-	-
Investments Measured at NAV					
Equity Long Only Hedge Funds	97,379,969	-	-	-	97,379,969
Equity Long/Short Hedge Funds	112,433,122	-	-	-	112,433,122
Event-driven Hedge Funds	19,199,106	-	-	-	19,199,106
Relative Value/Credit	13,886,377	-	-	-	13,886,377
Opportunistic/Macro	20,943,524	-	-	-	20,943,524
Absolute Strategies Funds	146,904,245	-	-	-	146,904,245
Private Investments	33,110,779	-	-	-	33,110,779
Bond Funds	27,268,305	-	-	-	27,268,305
Total	$ 1,443,436,425	$ 768,318,558	$ 187,552,122	$ 16,440,318	$ 471,125,427

VCU School of Business Foundation

Investment Type:	June 30, 2016	Level 1	Level 2	Level 3	Measured at NAV
Common & Preferred Stocks	$ 17,939,933	$ 17,939,933	$ -	$ -	$ -
Corporate Bonds	8,019,886	8,019,886	-	-	-
Alternative Investments					
Real Estate Funds	1,800,442	-	-	1,800,442	-
Hedge Funds					
Opportunistic/Macro	1,853,553	-	-	-	1,853,553
Long/Short Equities	1,821,077	-	-	-	1,821,077
Arbitrage	625,584	-	-	-	625,584
Distressed Credit	1,122,752	-	-	-	1,122,752
Relative Value	2,752,441	-	-	-	2,752,441
Diversified Strategies	618,443	-	-	-	618,443
Total	$ 36,554,111	$ 25,959,819	$ -	$ 1,800,442	$ 8,793,850

VCU Foundation

Investment Type:	June 30, 2016	Level 1	Level 2	Level 3	Measured at NAV
Common & Preferred Stocks	$ 33,396,301	$ 33,396,301	$ -	$ -	$ -
Corporate Bonds	16,759,593	16,759,593	-	-	-
Alternative Investments					
Real Estate Funds	3,292,614	-	-	3,292,614	-
Hedge Funds					
Opportunistic/Macro	4,540,302	-	-	-	4,540,302
Long/Short Equities	2,840,646	-	-	-	2,840,646
Arbitrage	3,131,636	-	-	-	3,131,636
Relative Value	3,746,899	-	-	-	3,746,899
Diversified Strategies	2,591,171	-	-	-	2,591,171
Life Income Investment	948,994	-	-	948,994	-
Total	$ 71,248,156	$ 50,155,894	$ -	$ 4,241,608	$ 16,850,654

VCU School of Engineering Foundation

Investment Type:	June 30, 2016	Level 1	Level 2	Level 3	Measured at NAV
Hedge Funds					
International Fund	$ 18,297,688	$ -	$ -	$ -	$ 18,297,688
Long/Short Equities	51,975,188	-	-	41,635,061	10,340,127
Total	$ 70,272,876	$ -	$ -	$ 41,635,061	$ 28,637,815

MCV Foundation

Investment Type:	June 30, 2016	Level 1	Level 2	Level 3
US Treasury and Agency Securities	$ 71,699,000	$ 14,320,000	$ 57,379,000	$ -
Common & Preferred Stocks	73,751,000	37,609,000	36,142,000	-
Corporate Bonds	16,871,000	-	16,871,000	-
Asset Backed Securities	1,261,000	-	1,261,000	-
Alternative Investments				
International Fund	57,664,000	-	15,603,000	42,061,000
Real Estate Funds	15,716,000	-	-	15,716,000
Private Equity	24,713,000	-	-	24,713,000
Hedge Funds				
Long Only Equities	31,440,000	-	-	31,440,000
Long/Short Equities	70,967,000	-	-	70,967,000
Multi-Strategy	67,758,000	-	-	67,758,000
Life Income Investment	2,253,000	-	-	2,253,000
Total	$ 434,093,000	$ 51,929,000	$ 127,256,000	$ 254,908,000

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following tables provide information about the liquidity of these investments, as of June 30, 2016.

University

Investment Type:	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long Only Equities	$ 8,235,956	$ -	Quarterly	30-90 days
Long/Short Equities	377,304	-	Monthly	180 days
Event Driven	8,513,080	-	Annually / Quarterly	60-105 days
Opportunistic/Macro	7,992,902	-	Annually/Quarterly/Monthly	30-90 days
Diversified Strategies	2,165,680	-	Quarterly	45-65 days
Relative Value	949,299	-	Quarterly	65 days
Private Investments/Real Estate	1,307,534	-	Illiquid	N/A
Multi-Strategy Funds				
Ram Fund, LP - Equity	85,498,942	-	Quarterly	120 days
Ram Fund, LP - Fixed Income	81,258,642	-	Quarterly	120 days
Ram Fund, LP - Real Assets	14,060,431	-	Quarterly	120 days
Total	$ 210,359,770	$ -		

Authority

Investment Type:	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Long Only Hedge Funds	$ 97,379,969	$ -	Daily Rolling	14-90 days
Equity Long/Short Hedge Funds	112,433,122	-	Semi annually/Quarterly	45-60 days
Event-driven Hedge Funds	19,199,106	-	Quarterly Rolling	60-180 days
Relative Value/Credit	13,886,377	-	Quarterly Rolling	60-180 days
Opportunistic/Macro	20,943,524	-	Quarterly Rolling	60-180 days
Absolute Strategies Funds	146,904,245	6,482,212	Quarterly Rolling	60-180 days
Private Investments	33,110,779	6,937,635	N/A	N/A
Bond Funds	27,268,305	-	Monthly	10-30 days
Total	$ 471,125,427	$ 13,419,847		

VCU School of Business Foundation

Investment Type:	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Relative Value	$ 586,306	$ -	Quarterly	45 days
Relative Value	596,724	-	Quarterly	90 days
Relative Value	100,000	-	Quarterly	65 days
Relative Value	34,095	-	Other	30 days
Relative Value	364,097	-	Quarterly	65 days
Relative Value	298,522	-	N/A	N/A
Relative Value	606,897	-	Quarterly	60 days
Relative Value	51,403	-	Monthly	30 days
Relative Value	114,397	-	Monthly	30 days
Opportunistic/Macro	421,211	-	Monthly	2 days
Opportunistic/Macro	487,015	-	Monthly	90 days
Opportunistic/Macro	468,102	-	Quarterly	45 days
Opportunistic/Macro	477,225	-	Quarterly	65 days
Long/Short Equities	298,663	-	Quarterly	90 days
Long/Short Equities	273,232	-	Quarterly	65 days
Long/Short Equities	408,231	-	Quarterly	45 days
Long/Short Equities	24,802	-	N/A	N/A
Long/Short Equities	390,842	-	Quarterly	30 days
Long/Short Equities	281,107	-	Annually	90 days
Long/Short Equities	144,200	-	Quarterly	30 days
Event Driven/Merger Arbitrage	216,319	-	Quarterly	105 days
Event Driven/Merger Arbitrage	233,446	-	Quarterly	91 days
Event Driven/Merger Arbitrage	175,819	-	Quarterly	65 days
Distressed Credit	405,301	-	Annually	60 days
Distressed Credit	441,882	-	Annually	95 days
Distressed Credit	275,569	-	Quarterly	90 days
Diversified Strategies	222,385	-	Monthly	30 days
Diversified Strategies	396,058	-	Quarterly	65 days
Total	$ 8,793,850	$ -		

VCU Foundation

Investment Type:	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Relative Value	$ 536,105	$ -	Quarterly	90 days
Relative Value	1,059,712	-	Monthly	60 days
Relative Value	849,148	-	Quarterly	65 days
Relative Value	142,141	-	Quarterly	65 days
Relative Value	1,159,793	-	Quarterly	60 days
Opportunistic/Macro	980,521	-	Monthly	90 days
Opportunistic/Macro	931,706	-	Quarterly	45 days
Opportunistic/Macro	463,623	-	Monthly	30 days
Opportunistic/Macro	808,950	-	Monthly	7 days
Opportunistic/Macro	473,935	-	Monthly	30 days
Opportunistic/Macro	881,567	-	Quarterly	65 days
Long/Short Equities	325,109	-	Annually	60 days
Long/Short Equities	202,068	-	Quarterly	70 days
Long/Short Equities	54,740	-	Quarterly	45 days
Long/Short Equities	830,085	-	Quarterly	30 days
Long/Short Equities	818,092	-	Quarterly	45 days
Long/Short Equities	610,552	-	Quarterly	90 days
Event Driven/Merger Arbitrage	513,420	-	Annually	90 days
Event Driven/Merger Arbitrage	239,933	-	Quarterly	65 days
Event Driven/Merger Arbitrage	447,228	-	Quarterly	105 days
Event Driven/Merger Arbitrage	433,315	-	Quarterly	91 days
Event Driven/Merger Arbitrage	784,468	-	Annually	95 days
Event Driven/Merger Arbitrage	713,272	-	Annually	65 days
Diversified Strategies	929,255	-	Quarterly	70 days
Diversified Strategies	1,119,677	-	Quarterly	90 days
Diversified Strategies	542,239	-	N/A	N/A
Total	$ 16,850,654	$ -		

VCU School of Engineering Foundation

Investment Type:	June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International Fund	$ 18,297,688	$ -	Monthly	60 days
Long/Short Equities	10,340,127	-	N/A	N/A
Total	$ 28,637,815	$ -		

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 $254,541.

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 $2,495,210.

4. CAPITAL ASSET

Capital asset activity for the year ended June 30, 2016 was as follows:

University:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 53,354,890	$ -	$ 536,934	$ 52,817,956
Construction in Progress	93,726,680	73,580,130	112,091,125	55,215,685
Total nondepreciable capital assets	147,081,570	73,580,130	112,628,059	108,033,641
Depreciable capital assets:				
Land Improvements and infrastructure	19,508,711	439,454	-	19,948,165
Buildings	1,195,525,805	106,380,295	1,021,320	1,300,884,780
Equipment	196,316,978	18,564,388	8,720,257	206,161,109
Intangible Assets	8,372,803	3,063,956	289,432	11,147,327
Library Books	164,847,993	10,235,084	-	175,083,077
Total depreciable capital assets	1,584,572,290	138,683,177	10,031,009	1,713,224,458
Less accumulated depreciation for:				
Land Improvements and infrastructure	17,844,751	478,664	-	18,323,415
Buildings	406,832,899	35,458,543	914,874	441,376,568
Equipment	125,014,174	16,493,071	7,780,103	133,727,142
Intangible Assets	7,824,303	586,898	264,458	8,146,743
Library Books	144,533,445	8,438,809	-	152,972,254
Total accumulated depreciation	702,049,572	61,455,985	8,959,435	754,546,122
Total depreciable capital assets, net	882,522,718	77,227,192	1,071,574	958,678,336
Total capital assets - net	$ 1,029,604,288	$ 150,807,322	$ 113,699,633	$ 1,066,711,977

Interest capitalized as part of construction in progress was $309,440

Authority:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 12,159,675	$ 7,316,025	$ -	$ 19,475,700
Construction in Progress	196,083,516	217,321,569	322,212,976	91,192,109
Total nondepreciable capital assets	208,243,191	224,637,594	322,212,976	110,667,809
Depreciable capital assets:				
Buildings	665,938,356	262,840,973	16,112	928,763,217
Equipment	392,265,079	55,722,860	3,561,837	444,426,102
Intangible Assets	107,422,943	4,134,895	2,250	111,555,588
Total depreciable capital assets	1,165,626,378	322,698,728	3,580,199	1,484,744,907
Less accumulated depreciation	729,092,807	77,275,790	3,454,615	802,913,982
Total depreciable capital assets, net	436,533,571	245,422,938	125,584	681,830,925
Total capital assets - net	$ 644,776,762	$ 470,060,532	$ 322,338,560	$ 792,498,734

MCV Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 364,000	$ -	$ -	$ 364,000
Construction in Progress	100,000	-	100,000	-
Total nondepreciable capital assets	464,000	-	100,000	364,000
Depreciable capital assets:				
Property and Equipment	2,090,000	449,000	17,000	$ 2,522,000
Less accumulated depreciation	896,000	63,000	16,000	943,000
Total depreciable capital assets, net	1,194,000	386,000	1,000	1,579,000
Total capital assets - net	$ 1,658,000	$ 386,000	$ 101,000	$ 1,943,000

VCU Real Estate Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable capital assets:				
Land	$ 8,709,641	$ 11,756,090	$ -	$ 20,465,731
Construction in Progress	5,675,263	13,015,774	16,765,337	1,925,700
Total nondepreciable capital assets	14,384,904	24,771,864	16,765,337	22,391,431
Depreciable capital assets:				
Buildings	63,972,077	4,077,087	288,712	67,760,452
Equipment	1,666,031	1,518,071	-	3,184,102
Total depreciable capital assets	65,638,108	5,595,158	288,712	70,944,554
Less accumulated depreciation	14,565,028	2,709,372	-	17,274,400
Total depreciable capital assets, net	51,073,080	2,885,786	288,712	53,670,154
Total before eliminations	65,457,984	27,657,650	17,054,049	76,061,585
Less included on University	8,524,319		274,524	8,249,795
Total capital assets - net	$ 56,933,665	$ 27,657,650	$ 16,779,525	$ 67,811,790

VCU School of Business Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Total nondepreciable capital assets	$ 3,503,036	$ -	$ -	$ 3,503,036
Total depreciable capital assets, net	30,204,427	(1,339,937)	-	$ 28,864,490
Total capital assets - net	$ 33,707,463	$ (1,339,937)	$ -	$ 32,367,526

VCU School of Engineering Foundation:	Beginning Balance	Additions	Reductions	Ending Balance
Total nondepreciable capital assets	$ 5,912,659	$ -	$ -	$ 5,912,659
Total depreciable capital assets, net	43,584,318	-	2,295,994	41,288,324
Total before eliminations	49,496,977	-	2,295,994	47,200,983
Less included on University	12,325,481		861,252	11,464,229
Total capital assets - net	$ 37,171,496	$ -	$ 1,434,742	$ 35,736,754

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 2016 insurance recoveries of $281,927 are reported as other non-operating income.

5. FUNDS HELD FOR OTHERS

At June 30, 2016, the University held deposits for others, which are composed of the following:

	Funds held for others
Federal loan programs	$ 23,309,509
Student organizations and others	2,728,764
Total	$ 26,038,273

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2016:

	University	Authority	MCV Foundation	VCU Foundation	VCU Real Estate Foundation	VCU School of Business	VCU School of Engineering
Vendor payable	$ 31,034,175	$ 90,161,098	$ 976,000	$ 16,468	$ 293,764	$ 225,446	$ 160,810
Retainage payable	191,072	2,538,755	-	-	-	-	-
Accrued wages	51,449,832	85,514,814	42,000	-	-	-	-
Interest payable	4,013,221	8,196,514	130,000	-	254,260	76,593	-
Estimated medical claims payable	-	84,466,496	-	-	-	-	-
Settlements due to third parties	-	14,363,406	-	-	-	-	-
	$ 86,688,300	$285,241,083	$ 1,148,000	$ 16,468	$ 548,024	$ 302,039	$ 160,810
						Total	$ 374,104,724

7. UNEARNED REVENUE

Unearned revenue consisted of the following as of June 30, 2016:

Prepaid tuition and fees	$	13,215,899
Grants and contracts		21,975,215
Other cash advances		10,597,978
	$	45,789,092

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 $29,999,088, which will be repaid by the VCU Real Estate Foundation.

New General Revenue Pledge Bonds totaling $12,879,000 were issued in December. These bonds were issued primarily to finance the acquisition of two properties and to refinance debt held by the VCU Real Estate Foundation on an existing building. These bonds carry an interest rate of 2.25% and are due May 1, 2035.

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.

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 2009A, of which the University had a share. This refunding obtained a savings of $807,309 with the net present value of $724,614. The 2015B General Obligation Bonds were issued at a premium of $4,342,285 in excess of the face value of the bonds. The premium 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. As of June 30, 2016, $66,275,000 of defeased bonds is outstanding.

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	$ 173,027,661	$ 12,879,000	$ (9,731,161)	$ 176,175,500	$ 8,611,606
Commonwealth of Virginia Revenue Bonds	66,751,277	-	(3,624,107)	63,127,170	3,180,581
Total bonds payable	239,778,938	12,879,000	(13,355,268)	239,302,670	11,792,187
Notes payable:					
Virginia College Building Authority	265,059,773	28,592,285	(43,724,593)	249,927,465	16,560,000
Capital leases:					
Virginia Public Building Authority	568,069	-	(568,069)	-	-
AD Center Development LLC	4,200,858	-	(259,714)	3,941,144	271,063
Total capital leases	4,768,927	-	(827,783)	3,941,144	271,063
Installment purchases	3,531,162	-	(579,872)	2,951,290	634,868
Total long-term debt	513,138,800	41,471,285	(58,487,516)	496,122,569	29,258,118
Compensated absences	33,845,683	30,376,460	(29,482,677)	34,739,466	26,176,762
Deferred compensation	2,992,147	1,335,244	(995,713)	3,331,678	952,699
Total	$ 549,976,630	$ 73,182,989	$ (88,965,906)	$ 534,193,713	$ 56,387,579

Authority:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Pledge Bonds	$ 506,629,709	$ -	$ (4,758,131)	$ 501,871,578	$ 5,370,000
Notes Payable	25,805,947	-	(2,099,106)	23,706,841	1,863,387
Capital leases	1,866,171	50,200	(673,089)	1,243,282	679,223
Total long-term debt	534,301,827	50,200	(7,530,326)	526,821,701	7,912,610
Estimated losses on malpractice Claims	25,908,730	3,874,730	(4,117,719)	25,665,741	3,500,000
Workers Compensation	21,520,715	2,478,304	(2,503,903)	21,495,116	2,500,000
Compensated absences	31,058,039	57,004,813	(55,326,086)	32,736,766	32,736,766
Total	$ 612,789,311	$ 63,408,047	$ (69,478,034)	$ 606,719,324	$ 46,649,376

MCV Foundation:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable	$ 7,975,000	$ -	$ (635,000)	$ 7,340,000	$ 665,000

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
VCU Real Estate Foundation:					
Tax exempt bonds payable	$ 3,370,938	$ -	$ (3,370,938)	$ -	$ -
Note Payable	13,361	-	(13,361)	-	-
Total	$ 3,384,299	$ -	$ (3,384,299)	$ -	$ -

Long-term debt matures as follows:

University:	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
	2017	$ 11,792,187	$ 16,560,000	$ 271,063	$ 634,868	$ 29,258,118
	2018	11,247,577	17,265,000	282,908	603,576	29,399,061
	2019	12,123,131	18,045,000	295,271	615,788	31,079,190
	2020	12,498,886	17,920,000	308,173	184,699	30,911,758
	2021	12,845,577	18,655,000	321,640	188,420	32,010,637
	2022-2026	61,160,328	88,795,000	1,831,721	723,939	152,510,988
	2027-2031	67,936,947	45,830,000	630,368	-	114,397,315
	2032-2036	31,500,107	5,145,000	-	-	36,645,107
	2037-2041	10,070,000	-	-	-	10,070,000
	2042-2046	4,560,000	-	-	-	4,560,000
	Add Premium	3,567,930	21,712,465	-	-	25,280,395
	Total	$ 239,302,670	$ 249,927,465	$ 3,941,144	$ 2,951,290	$ 496,122,569

Authority:	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
	2017	$ 5,370,000	$ 1,863,387	$ 679,223	$ -	$ 7,912,610
	2018	5,550,000	1,848,090	543,354	-	7,941,444
	2019	5,680,000	1,486,956	20,705	-	7,187,661
	2020	5,955,000	991,361	-	-	6,946,361
	2021	6,170,000	1,040,199	-	-	7,210,199
	2022-2026	78,045,000	5,919,386	-	-	83,964,386
	2027-2031	65,940,000	3,653,705	-	-	69,593,705
	2032-2036	93,030,000	2,574,971	-	-	95,604,971
	2037-2041	62,940,000	2,773,009	-	-	65,713,009
	2042-2046	172,370,000	1,555,777	-	-	173,925,777
	Premium	821,578	-	-	-	821,578
	Total	$ 501,871,578	$ 23,706,841	$ 1,243,282	$ -	$ 526,821,701

MCV Foundation:	Fiscal Year	Revenue Bonds	Notes Payable	Capital Leases	Installment Purchases	Total
	2017	$ -	$ 665,000	$ -	$ -	$ 665,000
	2018	-	695,000	-	-	695,000
	2019	-	730,000	-	-	730,000
	2020	-	770,000	-	-	770,000
	2021	-	810,000	-	-	810,000
	Thereafter	-	3,670,000	-	-	3,670,000
	Total	$ -	$ 7,340,000	$ -	$ -	$ 7,340,000

A summary of future interest requirements is as follows:

University:	Fiscal Year	Revenue Bonds	Notes Payable	Total
	2017	$ 6,735,219	$ 9,919,009	$ 16,654,228
	2018	6,438,963	9,117,813	15,556,776
	2019	6,182,541	8,273,400	14,455,941
	2020	5,895,439	7,418,069	13,313,508
	2021	5,603,045	6,539,025	12,142,070
	2022-2026	23,308,107	19,808,284	43,116,391
	2027-2031	14,688,755	5,115,300	19,804,055
	2032-2036	6,511,849	107,150	6,618,999
	2037-2041	2,584,716	-	2,584,716
	2042-2046	104,850	-	104,850
	Total	$ 78,053,484	$ 66,298,050	$ 144,351,534

Fiscal Year	Revenue Bonds	Notes Payable	Total
Authority:			
2017	$ 16,036,247	$ 404,545	$ 16,440,792
2018	15,938,952	367,759	16,306,711
2019	15,825,645	320,275	16,145,920
2020	15,695,389	298,915	15,994,304
2021	15,559,709	279,835	15,839,544
2022-2026	73,499,447	1,047,927	74,547,374
2027-2031	63,480,557	635,611	64,116,168
2032-2036	56,311,703	425,682	56,737,385
2037-2041	47,653,815	227,639	47,881,454
2042-2046	28,970,975	35,448	29,006,423
Total	$ 348,972,439	$ 4,043,636	$ 353,016,075

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, 2016, 45 faculty members were enrolled in the plan. Payments during fiscal year 2016 were $995,713. The present value of future Plan payment schedule follows:

Fiscal Year	Plan Obligations
2017	952,698
2018	897,532
2019	632,434
2020	514,587
2021	304,083
2022	30,344
Total	$ 3,331,678

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. 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.
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 Plan Provisions by Plan Structure		
Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a 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.
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.

Retirement Plan Provisions by Plan Structure		
Plan 1	**Plan 2**	**Hybrid Retirement Plan**
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **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.
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.

Retirement Plan Provisions by Plan Structure		
Plan 1	**Plan 2**	**Hybrid Retirement Plan**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as 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, 2016 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28% for August 2015 and 14.22% for September through June 2016. For employees in the VaLORS Retirement Plan, the contribution rate was 17.67% of covered employee compensation for July 2015, 18.34% for August 2015 and 19% for September through June 2016. 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, 2016. Additional funding provided by the

General Assembly moved contribution rates to 90% of the actuarial rate by September 2015 and for the remainder of fiscal year 2016. Contributions from the University to the VRS State Employee Retirement Plan were $28,015,041 and $23,961,950 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions from the University to the VaLORS Retirement Plan were $751,154 and $684,450 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the University reported a liability of $312,358,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $8,182,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the University's proportion of the VRS State Employee Retirement Plan was 5.10176% as compared to 4.96538% at June 30, 2014. At June 30, 2015, the University's proportion of the VaLORS Retirement Plan was 1.15136% as compared to 1.05625% at June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $23,715,000 for the VRS State Employee Retirement Plan and $938,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, 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, 2016, 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	$ 2,248,000	$ 40,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	22,816,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	8,194,000	-
Employer contributions subsequent to the measurement date	28,766,195	-
Total	$ 39,208,195	$ 22,856,000

$28,766,195 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2017. 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	
2017	$ 4,717,000
2018	$ 4,894,000
2019	$ 6,809,000
2020	$ (4,006,000)
	$ 12,414,000

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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, 2014 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, 2014, 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, 2015.

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, 2014 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, 2015, 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	$ 22,521,130	$ 1,902,051
Plan Fiduciary Net Position	16,398,575	1,191,353
Employers' Net Pension Liability (Asset)	$ 6,122,555	$ 710,698
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	62.64%

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	$ 448,640,000	$ 312,358,000	$ 198,074,000

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 Retirement Plan Net Pension Liability	$ 11,125,000	$ 8,182,000	$ 5,762,000

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015- 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, 2016 of $1,704,702 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 2016 related to these optional retirement plans was $19,690,776. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2016 of $1,165,460 related to these plans.

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 2016 was $36,073. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2016 of $1,572 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 $204,402,130 in fiscal year 2016. Total pension costs under these plans were $19,726,848 in fiscal year 2016. Included in accounts payable and other liabilities is an outstanding liability as of June 30, 2016 of $1,167,032 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 $1,692,935 for the fiscal year ending 2016.

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, 2016, approximately 360 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, 2016 was 12.33% of covered employee compensation for employees in the VRS Plan for July 2015, 13.28% for August 2015 and 14.22% for September through June 2016. 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, 2016. Contributions from MCVH to the VRS Plan were approximately $4,376.770 for the year ended June 30, 2016.

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

At June 30, 2016, MCVH reported a liability of $53,472,000 for its proportionate share of the VRS Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015, relative to the total of the actuarially determined employer contribution for all participating employers. At June 30, 2015, MCVH's proportion of the VRS Plan was 0.87% as compared to 0.94% at June 30, 2014.

At June 30, 2016, MCVH recognized pension expense of $580,000 for the Plan. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, 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, 2016, 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	$ 385,000	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,846,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	6,620,000
Employer contributions subsequent to the measurement date	4,376,770	-
Total	$ 4,761,770	$ 10,466,000

$4,376,770 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	$ 4,295,000
2018	$ 4,096,000
2019	$ 2,364,000
	$ 10,755,000

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	$ 76,789,000	$ 53,472,000	$ 33,908,000

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, 2016 there were 6,616 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, 2016 was approximately $21,914,000. 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.

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

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 their 457(b) contribution.

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, 2016 there were 3 participants in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the VCUHS Plan. Total contributions to the HCP Plan for the year ended June 30, 2016 was approximately $27,900.

The VCUHS 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:

	2016
Fidelity investments	$ 185,505,454
TIAA/CREF	91,551,616
The Variable Annuity Life Insurance Company (VALIC)	11,027,822
	$ 288,084,892

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 $16,684,000 for the year ended June 30, 2016.

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, 2016 was approximately $3,426,000.

CMH

CMH participants in the VCUHS 401(a) Plan and retirement plan expense were approximately $1,308,000 for the year ending June 30, 2016.

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.

In addition, VA Premier also contributes 3% of each employee's compensation (Safe Harbor contribution) and also contributes 2% of each employee's compensation (Non Elective base contribution). Virginia Premier made the Safe Harbor and Non Elective employer contributions in an annual installment at the end of the calendar year through 2014. Starting January 2015, Safe Harbor contributions are made on the bi-weekly pay periods. Also starting January 2015, Virginia

Premier may make additional contributions (Non Elective employer contributions) based on age plus years of service as of January 1st of the plan year.

Age plus years of service	Employer contribution 401(a) Plan
65+	5%
55-65	3
45-55	1
<55	

Employees are fully vested after four years of service in which the employee begins employment. The number of covered employees was 1,113 as of June 30, 2016. Virginia Premier's expense for its contributions to this plan was approximately $3,947,000 for the ended June 30, 2016.

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 $18,088,966 as of June 30, 2016. The Pension Plan's fair value of plan assets was $8,946,193 as of June 30, 2016. The Pension Plan's unfunded liability of $9,142,773 as of June 30, 2016, is included in other liabilities on the accompanying statements of net position. Children's participants in the VCUHS 401(a) Plan and retirement plan expense were approximately $1,213,000 for the year ended June 30, 2016.

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 $386,422 in 2016 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 $747,505 in 2016 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 $2,803,331 for the year ended June 30, 2016. The Association purchased equipment of $174,660 in the year ended June 30, 2016, which conveys to the University.

The Association paid for VCU Dental School related payroll and fringe totaling $2,366,016 for the year ended June 30, 2016. Additionally, the Association was reimbursed by the School for payroll and fringe in the amount of $2,179,639 in the year ended June 30, 2016.

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.

VCU Investment Management Company

VCU Investment Management Company, a non-profit, non-stock corporation organized under Virginia law for exclusively charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code was formed to advise the University and its affiliated foundations on the management of its investments. Approved by the VCU Board of Visitors and

VCU Health Board of Directors in June 2015, The VCU Investment Management Company (VCIMCO) will provide investment and investment management services to VCU, VCU Health and affiliated foundations.

In May 2016, VCIMCO entered into a loan agreement with the University borrowing $875,000 at an interest rate of 4.67% with the loan maturing in 2021.

12. LINE OF CREDIT

The University's beginning line of credit balance was $8,600,000. There were no increases or decreases throughout the year so the ending balance remains $8,600,000. This line of credit is used to fund 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 $13,175,605 at June 30, 2016, 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, 2016, the remaining commitments were $59,187,036 for the University, $2,070,600 for the Real Estate Foundation and approximately $122,800,000 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, 2016, was $8,488,875 for the University and $12,903,797 for the Authority.

The University has, as of June 30, 2016, the following total future minimum rental payments due under the above leases:

Fiscal Year	University	Authority
2017	9,272,870	11,034,930
2018	7,800,129	8,240,372
2019	7,078,249	4,062,086
2020	5,625,527	3,785,973
2021	4,943,100	1,675,468
2022-2026	17,190,058	-
2027-2031	12,941,191	-
2032-2036	6,880,498	-
	$ 71,731,622	$ 28,798,829

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, 2016, the VCU Foundation and VCU School of Engineering Foundation held University investments of $25,974,186 and $6,221,158, respectively. VCU School of Business Foundation held investments of $1,070,209. 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 $1,011,305 and for the VCU Real Estate Foundation in the amount of $7,047,185. 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

Through June 30, 1990, the MCVH (Hospitals) were insured under a claims-made policy with respect to institutional and professional liability, each with liability limits of $1 million per incident and an aggregate annual liability limit of $3 million in each policy year. Either the PHICO Insurance Company or The Virginia Insurance Reciprocal provided insurance.

Effective July 1, 1990 and through June 30, 1998, the Hospitals and the Authority were insured under a risk management plan for the Commonwealth of Virginia. This plan was also claims-made with institutional and professional liability limits of $1 million per incident but no aggregate limit.

Effective July 1, 1998, the Hospitals became self-insured. Professional liability limits of $1 million per incident and $3 million in aggregate are self-insured. Excess insurance coverage up to $10 million was provided by The Reciprocal of America (the Reciprocal), a multi provider reciprocal insurance company, until June 30, 2002. In connection with the self-administered plan effective July 1, 2002, an excess professional liability policy for the Hospitals was written by Columbia Casualty Group of the CNA Insurance Group. This policy covers losses in excess of the reciprocal limits for an additional annual aggregate amount of $5 million. Effective July 1, 2003, the Hospitals no longer maintain excess professional liability coverage.

There have been malpractice claims asserted against the 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 through 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, 2016, the internally restricted funds for the Hospitals include approximately $3,456,010 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 un-asserted MCVH claims, if any, at June 30, 2016.

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 $22,209,731 have been internally restricted as of June 30, 2016, 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, 2016.

CMH is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illness; natural disasters; malpractice; and employee health, dental and accidental benefits. Insurance coverage is purchased for claims arising from such matters. CMH can be involved in litigation during the ordinary course

of business related to professional liability claims. Management and legal counsel believe all claims should be settled within the limits of insurance coverage, less a $250,000 deductible. The base level of coverage limits are $1 million per event and $3 million aggregate with an Umbrella policy of $5 million.

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, 2016, 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, 2016.

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, 2016, were approximately $3,969,000, and are included in other expenses in the accompanying consolidated statement of revenues, expenses and changes in net position. Benefits of approximately $4,757,000 were provided by the reinsurer for the year ended June 30, 2016, 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, 2016:

Gross patient revenue:	
Inpatient	$ 2,590,839,713
Outpatient	1,947,018,732
	4,537,858,445
Provision for uncompensated care and contractual adjustments	(3,153,221,939)
Net patient service revenue (Hospitals)	1,384,636,506
MCVAP's net patient service revenue	256,368,275
CMH's net patient service revenue	82,637,035
Children's patient service revenue	31,707,878
Eliminations	(31,553,582)
Consolidated net patient service revenue	$ 1,723,796,112

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, 2016, the amount of these liabilities included in accounts payable and accrued liabilities was $84,466,496.

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, 2016:

Original legislative appropriation per Chapter 732:	
Educational and general programs	$ 169,984,029
Higher education student financial assistance Ch. 732 Item 205	25,120,183
Governor's Research Initiative for Biomedical Engineering and Regenerative Medicine Ch. 732 Item 206	1,162,500
Higher Education Research Initiative for Cancer Research Ch. 732 Item 206	9,500,000
Parkinson's and Movement Disorder Center Ch. 732 Item 206	250,000
Supplemental adjustments:	
CIT Grant Award	119,123
Motion Picture Opportunity Fund Award	30,000
Virtual Library of Virginia- VIVA	21,234
Central Appropriations Distributions	76,738
Virginia Military Survivors and Dependent Education Program	178,625
Two Year College Transfer Grant Program	310,500
Higher Education Equipment Trust Fund 11 Ch. 732 Item 251	9,120,511
Steam Plant debt service	232,908
Capital Fee for Out of State Students Ch. 732 Item 276	(2,626,177)
Total	$ 213,480,174

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	$ 9,793,000
Receivable in one to five years	14,789,000
Receivable in more than five years	2,220,000
	26,802,000
Less:	
Discounts	(900,000)
Allowances	(977,000)
Net Contribution Receivable	$ 24,925,000

Discount rate of 2.30% was used in determining the present value of the contributions receivable.

VCU Foundation:	
Receivable in less than one year	$ 7,854,533
Receivable in one to five years	8,208,202
	16,062,735
Less:	
Discounts	(66,230)
Allowances	(1,078,670)
Net Contribution Receivable	$ 14,917,835

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

VCU School of Business Foundation:	
Receivable in less than one year	$ 189,967
Receivable in one to five years	437,954
	627,921
Less:	
Discounts	(10,601)
Allowances	(37,563)
Net Contribution Receivable	$ 579,757

Discount rate between 1.01% 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	$	171,170
Receivable in one to five years		673,110
		844,280
Less:		
Discounts		(30,916)
Allowances		(8,052)
Net Contribution Receivable	$	805,312

Discount rate between .10% and 5.22% were used in determining the present value of the contributions receivable.

25. DERIVATIVE INSTRUMENT

At June 30, 2016, the University had two fixed-payer interest rate swaps with a notional amount of $57,585,000, 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 (0.31% as of June 30, 2016). 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, 2016, the change in the fair market value of the swap, since reestablishing hedge accounting in November 2012, of $2,465,692 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, 2016, the $57,585,000 notional amount of swaps outstanding

had a negative market value of $11,610,343 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 and are categorized as level 2 in the fair value hierarchy. The University would be exposed to credit risk of its swap counterparties any time the swaps had a positive market value. At June 30, 2016, 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
2017	$ 2,845,000	$ 567,336	$ 1,801,028	$ 5,213,364
2018	2,970,000	539,307	1,712,047	5,221,354
2019	3,095,000	510,046	1,619,158	5,224,204
2020	3,225,000	479,554	1,522,359	5,226,913
2021	3,355,000	447,780	1,421,494	5,224,274
2022-2026	19,020,000	1,714,127	5,441,553	26,175,680
2027-2031	23,075,000	696,449	2,210,900	25,982,349
Total	$ 57,585,000	$ 4,954,599	$ 15,728,539	$ 78,268,138

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, 2016 was $118,950,000. MCVH pays a fixed rate of 3.84% and the counterparty pays 67% of LIBOR (0.31% as of June 30, 2016). 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, 2016, the fair market value of the swap of $49,152,264 is included in other liabilities in the accompanying consolidated statements of net position. For the year ended June 30, 2016, the change in fair value of the swaps was $13,854,847.

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, 2016 was $59,475,000. MCVH pays a fixed rate of 3.50% and the counterparty pays 67% of LIBOR (0.31% as of June 30, 2016). 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, 2016, the fair market value of the swap of $15,832,836 is included in other liabilities in the accompanying consolidated statements of net position. For the years ended June 30, 2016, the change in fair value of the swap was $3,707,192.

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
2017	$ 2,845,000	$ 1,624,339	$ 6,348,461	$ 10,817,800
2018	2,950,000	1,596,643	6,254,041	10,800,684
2019	2,990,000	1,568,525	6,156,078	10,714,603
2020	3,160,000	1,538,873	6,056,870	10,755,743
2021	3,260,000	1,508,260	5,951,904	10,720,164
2022-2026	26,655,000	6,912,900	27,913,028	61,480,928
2027-2031	45,685,000	4,961,723	21,972,597	72,619,320
2032-2036	67,540,000	2,418,663	12,802,211	82,760,874
2037-2041	30,815,000	129,030	1,645,763	32,589,793
Total	$ 185,900,000	$ 22,258,956	$ 95,100,953	$ 303,259,909

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	$ 36,421,469
Add: Unrealized loss on interest rate swap	7,136,634
Net assets as reported on University's financial statements	$ 43,558,103

VCU School of Business Foundation	
Net assets per Foundation financial statements	$ 28,579,501
Add: Unrealized loss on interest rate swap	4,473,708
Net assets as reported on University's financial statements	$ 33,053,209

26. SUBSEQUENT EVENTS

In April 2016, the Commonwealth of Virginia approved a bond package that includes financing for a new building, (the Engineering Research Building), that is projected to be constructed on land that is jointly owned, (50/50), by the School of Engineering Foundation and by the School of Business Foundation. The foundations and other parties have commenced a process whereby all or a portion of the jointly owned land is expected to be transferred to the University. The value, if any, associated with the land transfer has not be determined.

Subsequent to year end, the VCU Foundation engaged the VCU Investment Management Company (VCIMCO) as its new investment advisor. While the target investment mix will be similar to the current portfolio, during the transition, many of the investments held with the current investment manager will be sold.

On July 12, 2016 the VCBA sold Education Facilities Revenue Bonds Series 2016A with interest rates of 3% to 5% to refund series 2006A and 2007A bonds. The University issued $13,115,000 in notes payable for its share of the refunding. The University obtained a savings of $1,604.485 with a net present value of $1,397,589.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
For the Year Ended June 30, 2016 and 2015

	For Year Ended June 30, 2016			For Year Ended June 30, 2015		
	University		Authority	University		Authority
	State Employee	VaLORS		State Employee	VaLORS	
Employer's Portion of the Net Pension Liability	5.10%	1.15%	0.87%	4.97%	1.06%	0.94%
Employer's Proportionate Share of Net Pension Liability	$ 312,358,000	$ 8,182,000	$ 53,472,000	$ 277,982,000	$ 7,120,000	$ 52,598,000
Employer's Covered-Employee Payroll	$ 196,421,847	$ 3,900,759	$ 38,331,215	$ 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	159.02%	209.75%	139.50%	145.48%	192.72%	127.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.81%	62.64%	72.81%	74.28%	63.05%	74.28%

Schedule is intended to show information for 10 years. 2015 was the first year for this presentation, additional years will be included as they become available.
The amounts presented have a measurement date of the previous year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2016

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	$ 28,195,216	$ 28,015,041	$ 180,175	$ 201,682,517	13.9%
University: VaLORS Employee	$ 560,080	$ 751,154	$ (191,074)	$ 4,006,294	18.7%
Authority	$ 4,761,770	$ 4,761,770	$ -	$ 34,987,924	13.6%

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. 2015 was the first year for this presentation, additional years will be included as they become available. The amounts presented have a measurement date of the previous year end.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 5, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
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, 2016, 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, 2016, 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.

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 eleven, and the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes

to Requirement Supplementary Information on pages 89 through 90, 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 5, 2016, 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.

AUDITOR OF PUBLIC ACCOUNTS

KKH/clj

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