VIRGINIA COMMONWEALTH UNIVERSITY

FINANCE, BUDGET AND INVESTMENT COMMITTEE
11:00 A.M.**
MARCH 22, 2018
JAMES BRANCH CABELL LIBRARY
901 PARK AVENUE – ROOM 303
RICHMOND, VIRGINIA

DRAFT

OPEN SESSION AGENDA

1. **CALL TO ORDER** — **Mr. William Ginther**, *Chair*

2. **APPROVAL OF AGENDA**

3. **APPROVAL OF MINUTES** (December 8, 2017) — **Mr. William Ginther**, *Chair*

4. **ACTION ITEMS:**

   a. Resolution: Authorization of line of credit for Engineering Research Building — **Ms. Karol Kain Gray**, *Vice President for Finance and Budget*

   b. Architect/Engineer Selection and/or project plans: — **Dr. Meredith Weiss**, *Vice President for Administration*

      i. A/E/ Selection D Deck Renovations
      ii. A/E Selection Trani Life Sciences Building Roof Repair and HVAC Replacement
      iii. A/E Selection West Hospital Department of Transplant Surgery Renovation
      iv. Project Plans West Main Street Deck Restoration

5. **REPORT FROM VICE PRESIDENT FOR ADMINISTRATION** — **Dr. Meredith Weiss,** *Vice President for Administration*

   a. Sightlines Presentation
   b. Notification of Contract Award: West Hospital 8th Floor Renovations

**** The start time for the Board of Visitors meeting is approximate only. The meeting may begin either before or after the listed approximate start time as Board members are ready to proceed.**

6. **REPORT FROM VICE PRESIDENT FOR FINANCE AND BUDGET** — **Ms. Karol Kain Gray,** *Vice President for Finance and Budget*

   a. Procurement Update
   b. Report on Debt Management

7. **FOUNDATION ANNUAL REPORTS** — **Ms. Karol Kain Gray,** *Vice President for Finance and Budget*
   a. VCU Foundation
   b. VCU Real Estate Foundation
   c. MCV Foundation
   d. VCU School of Engineering Foundation
   e. VCU School of Business Foundation
   f. VCU Intellectual Property Foundation
   g. VCU/MCV Alumni Associations Foundation

8. **TREASURER'S REPORT** — **Ms. Karol Kain Gray,** *Vice President for Finance and Budget*

9. **MISCELLANEOUS REPORTS: For Informational Purposes Only** — **Mr. William Ginther,** *Chair*
   a. Sources and Uses Funding FY18
   b. Revenue and Expense Summary
   c. VCU Intercollegiate Athletics Programs for the year ended June 30, 2017
   d. VCU Health System and Financial Operations
   e. Capital Projects Update
   f. Dashboards
   g. Campaign Pledges

10. **CLOSED SESSION** — **Mr. William Ginther,** *Chair*
    Freedom of Information Act Section 2.2-3711 (A) (3), Relating to the Acquisition or Disposition of Real Property Adjacent to the Monroe Park Campus or the MCV Campus, and Section 2.2—3711 (A) (29), Relating to the negotiation and award of a contract, prior to a contract being awarded.

11. **RETURN TO OPEN SESSION AND CERTIFICATION** — **Mr. William Ginther,** *Chair*
    Action Item:
    Approval of items discussed in closed session, if any

12. **OTHER BUSINESS** — **Mr. William Ginther,** *Chair*

13. **ADJOURNMENT** — **Mr. William Ginther,** *Chair*

**** The start time for the Board of Visitors meeting is approximate only. The meeting may begin either before or after the listed approximate start time as Board members are ready to proceed.**

VIRGINIA COMMONWEALTH UNIVERSITY

MEETING
OF THE
FINANCE, BUDGET AND INVESTMENT COMMITTEE
11:00 A.M.
DECEMBER 8, 2017
JAMES CABELL LIBRARY
901 PARK AVENUE, ROOM 303, RICHMOND, VIRGINIA

MINUTES

DRAFT

COMMITTEE MEMBERS PRESENT

Mr. William Ginther, chair
Mr. Benson Dendy, vice chair
Mr. John Luke, Jr.
Mr. Keith Parker
Ms. Jacquelyn Stone
Dr. Shantaram Talegaonkar

COMMITTEE MEMBER ABSENT

Mr. Alexander McMurtrie, Jr.

BOARD MEMBERS PRESENT

Ms. Phoebe Hall, rector

OTHERS PRESENT

Dr. Michael Rao, President
Ms. Karol Kain Gray, Vice President for Finance and Budget
Dr. Meredith Weiss, Vice President of Administration

Staff and students from VCU and VCUHS

Members of the press

CALL TO ORDER

Mr. William Ginther, Chair of the Finance, Budget and Investment Committee, called the meeting to order at 11:05 a.m.

APPROVAL OF AGENDA

Mr. Ginther asked for a motion to approve the agenda for the December 8, 2017 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded the agenda for the December 8, 2017 meeting of the Finance, Budget and Investment Committee meeting was approved.

APPROVAL OF MINUTES

Mr. Ginther asked for a motion to approve the minutes of the September 14, 2017 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded the Minutes of the September 14, 2017 were approved. A copy of the minutes can be found at on the VCU website at the following webpage http://www.president.vcu.edu/board/committeeminutes.html.

ACTION ITEMS:

Resolution for Modification to 2012AB Bonds

Ms. Gray presented the resolution to refinance the 2012AB bonds which were issued to construct the Engineering and Business Schools. Due to the recently approved tax bill, 501C3 foundations would be prohibited from reissuing these bonds on a tax-exempt basis. This resolution allows the University to close on refinancing prior to January 2018, thereby ensuring that the obligations remain tax-exempt for an additional 9.5 years.

Mr. Dendy commended Ms. Gray and her staff for reacting to the changes in the tax bill so quickly. Mr. Ginther asked for a motion to recommend that the Board approve the resolution to refinance the 2012A and 2012B bonds. After motion duly made and seconded the Finance Budget and Investment approved the motion to recommend that the Board approve the resolution to reissue the bonds. A copy of the resolution is attached hereto as ***Attachment A*** and is made a part hereof.

Request for Proposals – External Security Services

Ms. Gray presented the request from VCU Police to solicit proposals to contract with one or more firms to provide mobile, bike, post and/or special event security coverage. This service is expected to cost $2.8 million annually and is an expansion of our current service.

Mr. Ginther asked for a motion to recommend that the Board approve the issuance of a request for proposals for external security services. After motion duly made and seconded the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the issuance of a request for proposals for external security services.

Architect/Engineer and Project Plans Selections:

Dr. Weiss presented architect selections and/or project plans as outlined below:

- **Siegel Center Chiller Replacement –** Approval of WSP Parson Brinkerhoff Company as the firm selected for a replacement costing $3.5 million from auxiliary funds. Mr. Ginther noted the location of the chiller was behind the facility and not on its roof.
- **West Hospital Eighth Floor Renovations** – Project plans for the renovation of 8,200 GSF on the north and west wings in support of the newly created cardio-oncology program within the Pauley Heart Center. The project will cost $2,480,000 paid from school of medicine funds.
- **MCV Campus Steam Line Installation** - Project Plans to increase the capacity of the steam line to accommodate the new School of Allied Health Profession and for future buildings included in the University and Health System's Master Plan. The project will cost $4 million in auxiliary funds.

Mr. Ginther asked for a motion to recommend that the Board approve the architect/engineer and project plans as presented. After motion duly made and seconded, the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the architect selections and/or project plans for the Siegel Center Chiller Replacement, the West Hospital Eighth Floor Renovations, and the MCV Campus Steam Line Installation.

Approval of Demolition:

Dr. Weiss presented two facilities which need to be demolished to make way for new construction for future projects on the MCV Campus.

- Strauss Research Laboratory - This project will make way for a potential inpatient bed tower and parking deck that the VCU Health System is currently investigating.
- Virginia Treatment Center for Children - This project will make way for redevelopment of the VTCC site by VCU Health System. The VCU Health System plans to build an adult outpatient care facility and a patient/visitor parking deck on the current site.

Mr. Luke asked about use of the space in the interim. Dr. Rappley commented that there is a dire need for green space in those areas. Dr. Weiss commented that surface parking would also be considered. Mr. Ginther asked for a motion to recommend that the Board approve the two demolition requests. After motion duly made and seconded, the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the demolition requests for Strauss Research Laboratory and the Virginia Treatment Center for Children.

Amendment to Six Year Capital Outlay Plan for Trani Life Sciences Roof and HVAC Replacement

Dr. Weiss presented a proposed amendment to the current Six Year Capital Outlay Plan to include this $6 million project to replace all major rooftop HVAC equipment, boilers, and roofing of the Trani Life Sciences building which have reached the end of their serviceable life.

This is considered an emergency project as the ceilings within the facility are leaking. The project will be requested in the state general fund request. The University will use alternative funding if state general fund money is not allocated for this project.

Mr. Parker asked what other previously-approved projects will be delayed as a result of this emergency. Dr. Weiss and Mr. Sliwoski commented that their entire maintenance reserve project list will be adjusted to delay other projects not as urgent. Dr. Weiss commented that our annual deferred maintenance totals approximately $23 million but only $7 million is spent on an annual basis. Facilities Management is currently working to identify the total backlog in deferred maintenance.

Mr. Ginther asked for a motion to recommend that the Board approve the amendment to the six year capital outlay plan to add the Trani Life Sciences roof and HVAC replacement. After motion duly made and seconded, the Finance Budget and Investment Committee approved the recommendation that the Board approve the amendment to the six year capital outlay plan to add the Trani Life Sciences roof and HVAC replacement.

Resolutions and Amendment to Optional Retirement Plan (ORP)

It was noted that since the eligibility change is part of the launch of Human Resources redesign in January, an expansion of ORP eligibility is necessary to include non-faculty professionals and administrators (currently the ORP only allows faculty) and amend current delegation of authority for non-substantive (e.g. technical and conforming) changes to the VCU ORP and Select Plan from the Senior Vice President for Finance and Administration, a position that no longer exists, to the Vice President of Administration in consultation with the Vice President for Finance.

Mr. Ginther asked for a motion to recommend that the Board approve both resolutions as presented to amend the Optional Retirement Plan. After motion duly made and seconded, the Finance Budget and Investment Committee approved the recommendation that the Board approve the resolutions and amendment to the Optional Retirement Plan. A copy of the Resolutions and amendment to the Optional Retirement Plan is attached hereto as ***Attachment B*** and is made a part hereof.

REPORT FROM VICE PRESIDENT OF ADMINISTRATION

Dr. Weiss presented an update on the University Master Site Planning process advising that a complete update would be provided at the full board meeting that afternoon. Dr. Weiss thanked two board members – Mr. Dendy and Mr. McCoy for their active participation on the steering committee. The architects (Ayers Saint Gross) are working closing on gathering data to closely align the facilities master plan with the new strategic academic plan now underway.

REPORT FROM VICE PRESIDENT OF FINANCE AND BUDGET

Ms. Gray provided an update on the University's cash position that showed $507 million in cash and investments and 154 days of cash on hand which is within the Moody liquidity indicator standards for a public As2 University.

Ms. Gray also provided a brief update of what may come from the State for the budget as our newly elected governor takes over just before the start of the General Assembly session in January. Although revenues have exceeded expectations, there is little hope for increased State support for Higher Education. Mr. Ginther asked Mr. Dendy (as a former state legislator) to provide some insight into the changing of administrations and if Governor McAuliffe's budget is likely to be modified. Mr. Dendy commented that while changes are possible with a new governor, it is not likely as the new administration will only want to ensure that the outgoing governor's budget is balanced. Changes may come from the General Assembly session but it is likely that any additional monies will be allocated to the stabilization of the "Rainy Day" fund.

Ms. Gray also discussed the coming budget development process for FY19 indicating that once again with contractual obligations, strategic initiatives, salary increases, and cost of living increases, the University is again faced with a deficit. Ms. Gray indicated she would be asking for their input during the development phase to avoid any sudden requests. Dr. Talegaonkar asked that all options be exhausted before raising the tuition rate again this year. Dr. Rao reminded the committee that the budget cycle is a two year plan and it is important to remember the institutional budget history. Mr. Parker indicated that he would be interested in seeing options as soon as possible and providing a presentation on what it takes to run the University properly including covering the deficit. Ms. Gray added that she and senior leadership are working on ways to increase revenue to avoid continually relying on tuition increases. Dr. Hackett explained that with the new programs being funded to increase enrollment from out-of-state and international students as well as online enrollment, the University can expect to see results in FY20 but that FY19 would again be a lean year. Mr. Ginther indicated that he thinks the committee would benefit from seeing actual projections from these new programs and to get the numbers from the capital campaign to determine if any of the philanthropic dollars can be used to offset any increase in tuition.

Ms. Gray also presented the Treasurer's Report that was distributed to the Board for informational purposes.

REPORTS FOR INFORMATIONAL PURPOSES

Mr. Ginther noted that there were several reports provided to the committee for informational purposes, specifically, the Sources and Uses funding for FY18, the Revenue and Expense Summary as of September 30, 2017; the VCU Health System and Financial Operations as of September 30, 2017; Capital Projects Update; State Audit Report – unmodified opinion on the financial statements; and, the Finance, Budget & Investment Committee Dashboards.

CLOSED SESSION

On motion made and seconded, the meeting of the Finance, Budget and Investment Committee convened into closed session pursuant to Sections 2.2-3711 (A) (3) of the Virginia Freedom of Information Act for the discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body**.**

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. Mr. Ginther, Chair, called the meeting to order. On motion duly made and seconded the following resolution of certification was approved by a roll call vote:

Resolution of Certification

BE IT RESOLVED, that the joint meeting of the Finance, Budge and Audit Committee and the Board of Visitors of Virginia Commonwealth University certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered by the Committee of the Board.

Vote	Ayes	Nays
Mr. William Ginther, chair	X	
Mr. Benson Dendy, vice chair	X	
Mr. John Luke, Jr.	X	
Mr. Keith Parker	X	
Ms. Jacquelyn Stone	X	
Dr. Shantaram Talegaonkar	X	
Ms. Phoebe Hall, Rector	X	

All members responding affirmatively, the resolution of certification was unanimously adopted.

ADJOURNMENT

There being no further business Mr. Ginther, Chair, adjourned the meeting at 12:04 p.m.

RESOLUTION OF THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY

AUTHORIZATION OF THE LINE OF CREDIT FOR THE ENGINEERING RESEARCH EXPANSION PROJECT

WHEREAS, under the 2008 Management Agreement between the Commonwealth of Virginia (the "Commonwealth") and Virginia Commonwealth University (the "University"), the Board of Visitors (the "Board") is required to authorize the initiation of each major capital project by approving its size, scope, budget, and funding and must include a statement of urgency if not part of the approved Six Year Capital Plan;

WHEREAS, the University has developed plans to construct, equip and furnish an approximately 131,200 square foot, $94.1 million School of Engineering Research Expansion project, (the "Project"), and the Project is a part of the Six Year Capital Plan approved by the Board on May 8, 2015;

WHEREAS, under the 2008 Management Agreement between the Commonwealth and the University, the University has the authority to issue bonds, notes or other obligations that do not constitute state tax supported debt;

WHEREAS, on March 4, 2014, the Executive Committee of the Board adopted a resolution (the "Authorizing Resolution") that authorized the University to enter into a revolving line of credit to issue short term, non-state tax supported debt for capital projects authorized by the Board (the "Line of Credit");

WHEREAS, on September 15, 2016 the Board authorized the University to move forward with a $5.6 million detailed planning authorization for the Project (the "Planning Authorization") and further authorized the use of the Line of Credit for the purpose of providing short-term financing for the Planning Authorization;

WHEREAS, the $94.1 million total Project cost (of which the $5.6 million Planning Authorization is a component) is to be funded in part with approximately $51.6 million of proceeds from state tax supported debt and general fund appropriations (the "State Portion") and with approximately $42.5 million of the University's non-state tax supported debt (the "University Portion");

WHEREAS, the University desires to use the Line of Credit to provide short-term financing for the $42.5 million University Portion of the Project, plus related issuance costs and financing expenses;

WHEREAS, the Board will further review and approve a permanent financing resolution prior to securing permanent financing for the $42.5 million University Portion of the Project, plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; and,

WHEREAS, the Project has followed the state's process for capital budget requests and has obtained all necessary pre-appropriation approvals of the state's government agencies.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

1. The Board hereby confirms that up to $42.5 million of the proceeds of the Line of Credit (or any other borrowing mechanism that prior to such borrowing has been approved by the Board) is authorized pursuant to the Authorizing Resolution to be used for purposes of providing short term financing for the School of Engineering Research Expansion project, plus related issuance costs and financing expenses.

2. The President, the Vice President of Finance and Budget and the University Treasurer, and their designees, are each authorized to take such actions and to execute and deliver such agreements, certificates, and other documents as they deem necessary or desirable to carry out the foregoing resolutions, and further that any and all actions heretofore taken by them consistent with the foregoing resolutions are hereby ratified and confirmed.

3. This Resolution shall take effect immediately upon its adoption.

VIRGINIA COMMONWEALTH UNIVERSITY
ARCHITECT/ENGINEER SELECTION
D Deck Restoration

PROJECT: This project will complete the restoration work for Parking Deck D on the MCV Campus that was started in 2015. The original project scope of work included structural repairs, corrosion protection and traffic bearing membrane. After structural repairs were completed, the project was halted since VCU Health planned a project on the site of Parking Deck D. A different site for this project has since been selected. This project completes the original scope of work to Parking Deck D which is designated for faculty and staff of VCU Health and the School of Medicine. The work will consist of the application of a corrosion inhibitor, adding a traffic bearing membrane and miscellaneous concrete repairs.

Construction Budget $4,000,000
Total Budget..$4,506,852

SOURCE OF FUNDS: University Debt...$4,506,852

JUSTIFICATION: This firm was selected because of its extensive experience with VCU and in working on renovations of this type and magnitude. Comparable projects include:

1. Parking Deck D Restoration, Richmond, VA, 2015, $5,300,000. Restoration of a seven level, 633,000 square foot, cast in place concrete parking structure;
2. Parking Deck N Structural Repairs, Richmond, VA, 2014, $800,000. Structural repairs to the seven level, 321,000 square foot, precast concrete parking structure on the MCV Campus;
3. West Broad Street Parking Deck Structural Repairs, Richmond, VA, 2014, $900,000. Structural repairs to the six level, 369,000 square foot, precast concrete parking structure on the Monroe Park Campus; and
4. VCU Health Stony Point Medical Parking Deck, Richmond, VA, 2016, $320,000. Structural repairs to a four level, 90,000 square foot, precast concrete parking structure.

RECOMMENDATION: Approve selection of Dunbar, Milby, Williams, Pittman & Vaughan for Architect/Engineer selection for the D Deck restoration.

March 2018

VIRGINIA COMMONWEALTH UNIVERSITY
ARCHITECT/ENGINEER SELECTION
Trani Life Sciences Building Roof Repair and HVAC Replacement

<u>PROJECT:</u>	This project will replace the rooftop mechanical system and the roof membrane on the Eugene P. and Lois E. Trani Center for Life Sciences on the Monroe Park Campus. The building is a 132,415 square foot teaching and research laboratory facility which houses the Department of Biology, the Center for Environmental Studies and the Office of the Vice Provost for Life Sciences.
	Construction Budget..$5,000,000 Total Budget..$6,000,000
<u>SOURCE OF FUNDS:</u>	General Funds..$6,000,000
<u>ARCHITECT/ENGINEER SELECTION:</u>	The University selected a firm that brings extensive experience in heating, ventilating and air conditioning (HVAC) and roof replacement to the project. They have broad experience with the Commonwealth of Virginia's building code officials and they successfully completed the Feasibility Study for this project in 2017. This study assessed the conditions of the HVAC equipment and the roof membrane and recommended a scope of work and budget for the renovation. Comparable projects include: 1. Harris Hall Air Handling Unit Replacement, Richmond, VA, 2017, $1,200,000; 2. Oceanography & Physical Science Buildings HVAC Renovation, Old Dominion University, Norfolk VA, 2016, $4,400,000; 3. Gornto Teletechnet Building HVAC Replacement, Old Dominion University, Norfolk, VA, 2014, $1,050,000; 4. Eliades & Admin. Building Chiller and Boiler Replacement, John Tyler Community College, Midlothian, VA, 2017, $750,000; and 5. Warehouse 351 HVAC & Roof Renovation, Langley Air Force Base, Langley VA, 2017, $9,250,000.
<u>RECOMMENDATION:</u>	Approve selection of DJG, Inc. for Architect/Engineer selection for the Trani Life Sciences Building roof repair and HVAC replacement project.

March 2018

VIRGINIA COMMONWEALTH UNIVERSITY
ARCHITECT/ENGINEER SELECTION
West Hospital Department of Transplant Surgery Renovations

PROJECT: The purpose of the project is to consolidate and modernize facilities to accommodate the School of Medicine's Department of Transplant Surgery in West Hospital. Effecting the improvements involves renovations to portions of the 8th and 15th floors of the West Hospital Building. A capital project authorizing $10 million of renovations for the School of Medicine was approved as part of the University's Six-Year Capital Plan.

Construction Budget $1,190,000
Total Budget...$2,275,000

SOURCE OF FUNDS: School of Medicine $2,275,000

ARCHITECT/ENGINEER SELECTION: This firm was selected because of its extensive experience with VCU, West Hospital, and in working on renovations of this type and magnitude. Comparable projects include:

1. West Hospital 8th Floor Renovations, to be completed May 2018, $2,480,000;
2. West Hospital 9th Floor Renovations, to be completed April 2018, $2,700,000;
3. Rhoads Hall Core Laundry Room Utilities Renovations, 2014, $450,000;
4. Rhoads Hall Boiler Replacement Plant, 2012, $1,750,000; and
5. Rhoads Hall Core Toilet Room Renovations, 2015, $4,852,000.

RECOMMENDATION: Approve selection of KOP Architects, PC for Architect/Engineer Selection for the West Hospital Department of Transplant Surgery renovations.

VIRGINIA COMMONWEALTH UNIVERSITY
PROJECT PLANS
West Main Street Deck Restoration

PROJECT:	A structural condition assessment conducted in 2013 identified deficient conditions and recommended repairs to allow for continued use of the deck. Without these repairs, the deck will continue to deteriorate.
LOCATION:	801 West Main Street, Richmond, Virginia
PROJECT COSTS:	Construction Budget..$5,040,000 Total Budget $5,828,000
OPERATING COSTS:	Annual operating costs are not expected to change as a result of this restoration.
FUND SOURCES:	Parking Revenues ....$ 1,000,000 University Debt..$ 4,828,000
TIMETABLE:	Complete Planning February 2018 Construction Starts May 2018 Construction Complete November 2018
PROJECT DESIGN:	This project will consist of structural repairs to the West Main Street Parking Deck on the Monroe Park Campus. Designated for students and visitors, the West Main Street Deck shows signs of structural deterioration. This project will repair concrete slabs, cracks in concrete columns, girders and beams, and will replace of deteriorated expansion joints. The project will also repair cracks in the stair towers, replace the elevators and replace the lighting.
RECOMMENDATION:	Approve project plans for the West Main Street Deck Restoration project.

March 2018

VIRGINIA COMMONWEALTH UNIVERSITY
Notification of Contract Award
West Hospital; 8th Floor Renovation

PROJECT: This project involves the renovation of 8,200 gross square feet in West Hospital, 8th Floor, located at 1200 East Broad Street. It supports the need of the newly created cardio-oncology program within the Pauley Heart Center. This project consists of the complete renovation of the north and west wings of the eighth floor, including portions of the lobby. This space will be reconfigured to create offices for informatics and research fellows, study recruiters, and trainees. It will also include an image reading room, a patient interview room, a conference room and workstations for analysts. Also included is the replacement of old mechanical and electrical systems and related asbestos abatement.

Construction Budget…………………………………….. $1,267,900
Total Budget……………………………………………$2,480,000

SOURCE OF FUNDS: School of Medicine..$2,480,900

CONTRACT AWARD: Woodland Construction, Richmond, Virginia

Procure-to-Pay System

- **Issue**: Inadequate eProcurement tool which limits VCU's ability to maximize opportunities to strategically source goods and services

- **Solution:** Utilize an existing E&I contract to establish Jaggaer, formerly SciQuest, as the vendor to provide Procure-to-Pay system which will:
  - Reduce maverick spend by directly buyers to purchase from existing contracts
  - Streamline and automate processes and reduce cycle times
  - Identify sourcing opportunities where contracts are not currently in place

- **Cost:** $1.4M during two year base term; $600K of on-going licensing costs through year five

- **Next Steps:** VCU project team met with the Jaggaer team the week of February 19th to establish the project timeline. Full implementation is expected to take approximately 15 months. The vendor is estimating savings to be approximately $3.5M.

VCU

Report on Debt Management

Finance and Budget, Karol Kain Gray, March 22, 2018

Executive Summary

The Debt Management Policy was approved by the Board of Visitors on September 19, 2013. The policy requires the University to annually report the following:

- Outstanding Debt and Line of Credit (page 3) - **No Concerns**
- FY2017 Debt Issuances and Refinancing (page 4) – **No Concerns**
- Outstanding Bond Principal Repayment, Planned Future Issuances, Projected Debt Ratio and Debt Capacity (pages 5-7) – **Potential for Debt Capacity Limitations once Campus Master Plan is complete**
- Concentration Risk Matrix (page 8) – **No Concerns**
- Committed Debt (page 9) – **No Concerns**
- Swap Summary and Swap Compliance (pages 10-11) – **No Concerns**
- Tax-Exempt Debt Compliance (page 12) – **No Concerns**
- Financial Ratios – **No Concerns**

Outstanding Debt

	FY 2017	FY 2016
Outstanding Bonds	$434.4	$463.9
Capital Leases & Installment Obligations	6.0	6.9
Total	$440.4	$470.8
Audited Debt Ratio	4.55%	4.86%

Current Available Line of Credit Balance

	Draws	Available
Available LOC Beginning Balance		$60.0
Current Basketball Practice Facility Draws	($8.6)	
Current Eng. Research Expansion (Detailed Planning) Draws	(3.9)	
Current ICA Draws	(2.4)	($14.9)
Current Available LOC Balance, 12/31/17		$45.1

Projected Available Line of Credit Balance

	Draws	Available
Available LOC Balance, 12/31/17		$45.1
Projected ICA Draws	($4.7)	
Projected Eng. Research Expansion (Detailed Planning) Draws	(1.7)	
Projected Eng. Research Expansion (Construction) Draws	(6.1)	
Projected ESCO Draws	(15.7)	($28.2)
Projected Available LOC Balance		$16.9

VCU

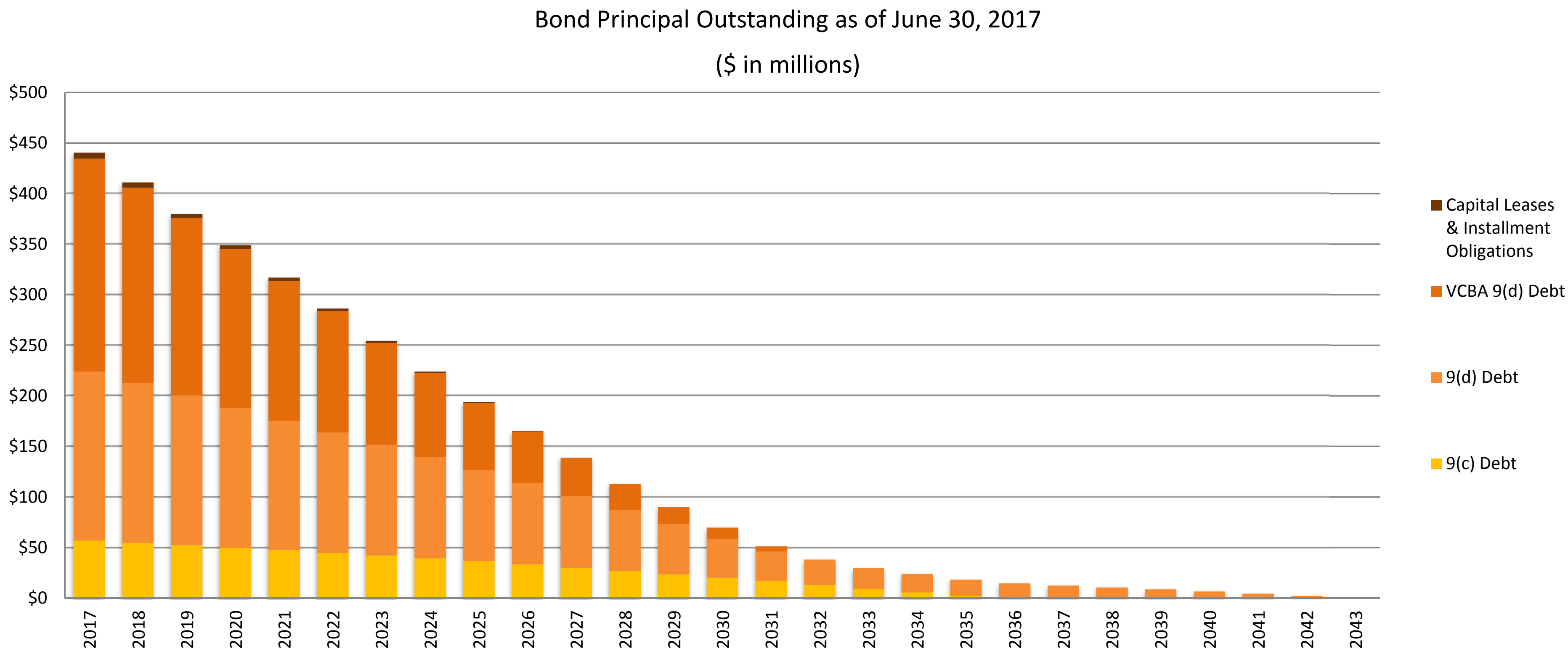
FY2017 Debt Issuance and Refinancing Summary

- No new debt issuance during FY2017
- One VCBA Refunding:

Series 2016A – VCBA Refunding Bonds Series 2006A and 2007A

Debt Refinanced	Original Series	Old Rate/ New Rate	Responsible Department	Funding Savings	Par Refunded	NPV Savings	Avg. Annual Cash Flow Savings
Game and Inland Fisheries	2006A	4.19%/ 1.73%	DGIF	N/A	$0.47M	$55K	$5K
Monroe Park Housing and Parking (Cary & Belvidere Residential College and Jefferson St Parking Deck)	2006A	4.19%/ 1.73%	Student Affairs and Parking & Transportation	Auxiliary Savings	$10.38M	$1.04K	$86K
Recreation Facilities (Cary St Gym, Mary & Frances Youth Ctr, Sports Outing Rental Ctr and Larrick Ctr)	2007A	4.34%/ 2.06%	Student Affairs	Auxiliary Savings	$3.47M	$308K	$26K

Outstanding Bond Principal Repayment



- Amortization of bond principal over time, assuming on additional debt is issued
- Approximately $30 million per year of bond principal retired
- During the next 5 years, over $154 million will be retired (35%)
- During the next 10 years, over $301 million will be retired (68%)

VCU

Planned Future Issuances

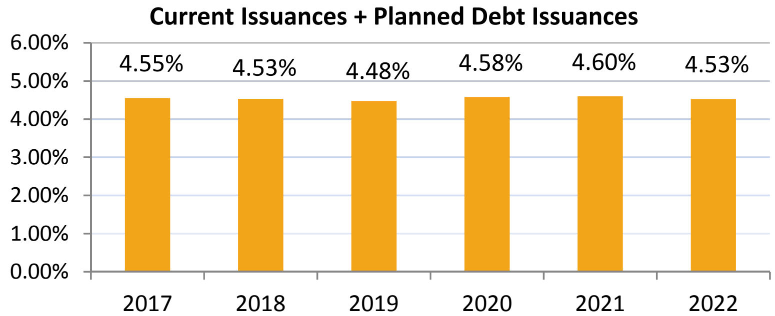
Capital Project Assumptions – $126.5M of new issuance projected over next 6 years:

- FY19
  - Engineering Expansion $42.5M
  - "D" Deck $8M
  - Major Maintenance $5M
- FY20
  - Tennis Center $23M
- FY21
  - Dentistry $30M (debt-service projected to be funded by practice plan)
  - Wayfinding/Front Doors $10M
- FY24
  - Sanger III $8M

Projected Debt Ratio & Debt Capacity, Inclusive of Planned Future Issuances

Debt Ratio must not exceed 6% per Debt Management Policy, but Moody's Medians dictate that Debt Ratio not exceed 5%

(Annual Debt Service as a % of Projected Operating Expenses)



	Projected Debt Burden Ratio (Current + Planned)	Moody's Aa2 Public University Median (Most Recent Available)	Debt Capacity (Max Issuance, Solved for 5% Debt Ratio)
FY2017 (actual)	4.55%	4.50%	$75,596,000
FY2018	4.53%	4.50%	$75,201,000
FY2019	4.48%	4.50%	$86,754,000
FY2020	4.58%	4.50%	$71,745,000

- Assumptions: 2017 operating expenses from the FY2017 Audited Financial Statements. Projected operating expenses for subsequent years assume an average 2.7% growth rate.
- Includes $126.5 million of new bond issuances plus bond principal repayments outlined in previous slides.
- New bond issuance debt service assumes a 4.5% rate (tax-exempt), 5.5% rate (taxable), 20-year term, and a 2% cost of issuance.
- Does not include pending changes to GASB 87 that will likely impact debt capacity when $26 million of operating leases become capital leases.

VCU

Concentration Risk Matrix

As of December 31, 2017

The University has diversified its concentration risk on financial institutions providing banking, credit and swap counterparty services.

	State Pooled Issuances	US Bank	Deutsche Bank	Capital One	Davenport & Company	PNC Bank	TD Bank/ Securities	Wells Fargo	VCIMCO/ Northern Trust	JP Morgan (terminated)
Private Placement Debt		2012 A&B: 11.5% of debt		2013 B&C: 3.5% of debt		2014 B: 1.6% of debt	2015A&B: 7.9% of debt			
Public Placement Debt	Multiple: 63.6% of debt				2014A: 8.2% of debt		2013A: 3.7% of debt			
Line of Credit						Taxable Note				
Swap (Debt) Counterparty			2012 A&B							
Investment Advisory									$147M Long-Term Tier and $238M Extended Duration Funds under advisement	$2M held for Long-Term Tier
Custodian		$292M for Operating Pool								
General Banking								$41M in average monthly balance		

Committed Debt

- Committed debt is defined as debt that is either committed to maturity (without a put) or that has a put that is exercisable more than two years from now.
- Per the Debt Management Policy, committed debt must be greater than 70% of total debt.
- 100% of the University's debt is currently considered committed.
- On December 29, 2017, the University extended the put date on its 2012A&B bonds by 9.5 years to 6/25/2027.
- The University has two bond issuances that will become uncommitted in the distant future.

	Original Issuance	Current Balance	Put Date	Balance at Put Date
Series 2012A&B	$65.67M	$51.92M	6/25/2027	$23.14M
Series 2015B	$8.22M	$7.74M	11/1/2030	$2.47M

VCU

Swap Summary

- In 2006, VCU entered into two floating-to-fixed interest rate swap agreements with Deutsche Bank:
    - Series 2006A School of Engineering (current notional $31,940,000)
    - Series 2006B School of Business (current notional $20,030,000)
- The School of Engineering and School of Business Foundations pay VCU for all debt service costs on the bonds and the swaps.

All-In Debt Service Costs and Termination Values

Variable Rate Paid to Bondholders	2.274%	
Less Floating Rate Received from DB	(1.050%)	
Plus Fixed Rate paid to DB under swap	3.436%	
All-in Rate	4.660%	
Termination Value:		
Mark-to-Market (12/31/2017): Series 2012A		$ (4,170,168)
Mark-to-Market (12/31/2017): Series 2012B		$ (2,613,757)
Total Termination Value		$ (6,783,925)

VCU

Swap Compliance

1. VCU and Deutsche Bank are both required to begin posting collateral if either party's credit ratings fall below A1/A+ if the current MTM of the swap is $15M or greater in the counterparty's favor.
2. VCU is currently rated Aa2/AA-, and the swap is $6.8M in Deutsche Bank's favor (see previous slide).
3. Therefore, no collateral posting is required.
4. Deutsche Bank is currently rated A3/A-.
5. Either party may demand full payment of the termination value if the swap is in their favor and the counterparty's credit rating falls below BBB/Baa2 (a Termination Event).
6. No Termination Events exist.
7. Per the Debt Management Policy, total interest rate swaps must not exceed 50% of total outstanding debt. As of December 31, 2017, interest rate swaps totaled 11.5% of total outstanding debt.

Tax-Exempt Debt Compliance

- The Tax-Exempt Debt Compliance Policy was adopted by the Board of Visitors on February 9, 2012.
- The policy provides a framework for complying with federal laws relating to the issuance and post issuance monitoring of tax-exempt bonds, addressing the following compliance areas:
  - Expenditure and allocation of bond proceeds
  - Spending requirements and arbitrage rebates
  - Private Business Use
  - Continuing disclosure and other filings
  - Record retention
  - Training
- To monitor Private Business Use, the policy requires the following:
  - Annual distribution of a Private Use Questionnaire to responsible departments to determine whether Private Business Use above allowable thresholds exists (2017 surveys are in-progress)
  - Active monitoring of Private Business Use by a Bond Compliance Committee consisting of the individuals from Treasury Services, Facilities Management Division, Controller’s Office, Office of the General Counsel and Office of Research (ongoing)
  - KPMG completed their audit of the University’s existing private use and the final report indicated no significant private use issues.
- There are no tax-exempt debt compliance issues that require the attention of the Board of Visitors.

Virginia Commonwealth University Foundation

Financial Statements

June 30, 2017

Virginia Commonwealth University Foundation

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3 - 4
Statement of activities and changes in net assets	5
Statements of cash flows	6 - 7
Notes to financial statements	8 - 24

Independent Auditor's Report

Board of Trustees
Virginia Commonwealth University Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Commonwealth University Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2017, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Statements

We have previously audited the Foundation's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Petersburg, Virginia
September 13, 2017

Virginia Commonwealth University Foundation

Statement of Financial Position
June 30, 2017, with Comparative Totals as of June 30, 2016

		Temporarily	Permanently	Totals	
Assets	**Unrestricted**	**Restricted**	**Restricted**	**2017**	2016
Cash and cash equivalents	**$ 545,849**	**$ 19,105,801**	**$ -**	**$ 19,651,650**	$ 28,162,643
Contributions receivable, less allowance for uncollectible receivables 2017 $871,503; 2016 $1,078,670	**-**	**11,831,373**	**859,497**	**12,690,870**	14,917,835
Investments	**2,399,603**	**49,931,620**	**27,989,766**	**80,320,989**	76,074,915
Interfund obligations	**(489)**	**(1,361)**	**1,850**	**-**	-
Due from Virginia Commonwealth University affiliated foundations	**21,099**	**191,700**	**-**	**212,799**	284,422
Beneficial interest in charitable remainder trust	**-**	**942,648**	**-**	**942,648**	948,994
Other assets	**1,001**	**26,676**	**-**	**27,677**	36,549
Total assets	**$ 2,967,063**	**$ 82,028,457**	**$ 28,851,113**	**$ 113,846,633**	$ 120,425,358

(continued)

Virginia Commonwealth University Foundation

Statement of Financial Position (continued)
June 30, 2017, with Comparative Totals as of June 30, 2016

		Temporarily	Permanently	Totals	
Liabilities and Net Assets	**Unrestricted**	**Restricted**	**Restricted**	**2017**	2016
Liabilities					
Accounts payable	**$ 21,730**	**$ 284,885**	**$ -**	**$ 306,615**	$ 16,783
Due to Virginia Commonwealth University	**-**	**892,267**	**-**	**892,267**	1,240,667
Due to Virginia Commonwealth University affiliated foundations	**-**	**250,375**	**-**	**250,375**	35,881
Deposits held for Virginia Commonwealth University	**-**	**26,865,382**	**-**	**26,865,382**	25,974,186
Deposits held for VCU Real Estate Foundation	**-**	**7,580,318**	**-**	**7,580,318**	7,047,185
Deposits held for VCU Intellectual Property Foundation	**-**	**1,087,812**	**-**	**1,087,812**	1,011,305
Deposits held for VCU Alumni Association	**-**	**799,122**	**-**	**799,122**	744,013
Annuity payment liability	**-**	**346,071**	**37,835**	**383,906**	351,231
Total liabilities	**21,730**	**38,106,232**	**37,835**	**38,165,797**	36,421,251
Net Assets	**2,945,333**	**43,922,225**	**28,813,278**	**75,680,836**	84,004,107
Total liabilities and net assets	**$ 2,967,063**	**$ 82,028,457**	**$ 28,851,113**	**$ 113,846,633**	$ 120,425,358

The accompanying notes are an integral part of these financial statements.

Virginia Commonwealth University Foundation

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
Operating Revenues					
Contributions	**$ -**	**$ 12,468,892**	**$ 981,810**	**$ 13,450,702**	$ 14,627,264
Administrative fees	**680,000**	**-**	**-**	**680,000**	712,865
Other revenue	**-**	**25,695**	**-**	**25,695**	-
Interest income	**2,877**	**164,451**	**-**	**167,328**	93,969
Net assets released from restrictions	**24,851,815**	**(24,851,815)**	**-**	**-**	-
Total operating revenue	**25,534,692**	**(12,192,777)**	**981,810**	**14,323,725**	15,434,098
Operating Expenses					
Distributions to and in support of Virginia Commonwealth University	**25,178,368**	**-**	**-**	**25,178,368**	15,908,527
Bad debt expense	**-**	**48,645**	**46,027**	**94,672**	144,735
Personnel	**282,325**	**-**	**-**	**282,325**	274,600
Professional fees	**53,200**	**-**	**-**	**53,200**	31,885
Other expenses	**59,073**	**-**	**-**	**59,073**	32,058
Total operating expenses	**25,572,966**	**48,645**	**46,027**	**25,667,638**	16,391,805
Changes in net assets from operations	**(38,274)**	**(12,241,422)**	**935,783**	**(11,343,913)**	(957,707)
Other Changes in Net Assets					
Investment return (loss)	**191,181**	**2,908,172**	**7,353**	**3,106,706**	(1,305,773)
Change in value of annuity agreements	**-**	**(72,871)**	**(5,692)**	**(78,563)**	(16,640)
Change in value of charitable remainder trust	**-**	**(6,346)**	**-**	**(6,346)**	(31,380)
Changes in net assets before transfers	**152,907**	**(9,412,467)**	**937,444**	**(8,322,116)**	(2,311,500)
Transfers to Virginia Commonwealth University affiliated foundations	**-**	**(1,155)**	**-**	**(1,155)**	(28,947)
Changes in net assets	**152,907**	**(9,413,622)**	**937,444**	**(8,323,271)**	(2,340,447)
Net assets, beginning	**2,792,426**	**53,335,847**	**27,875,834**	**84,004,107**	86,344,554
Net assets, ending	**$ 2,945,333**	**$ 43,922,225**	**$ 28,813,278**	**$ 75,680,836**	$ 84,004,107

The accompanying notes are an integral part of these financial statements.

Virginia Commonwealth University Foundation

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	**$ (8,323,271)**	$ (2,340,447)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized (gains) losses on investment transactions	**(870,898)**	307,976
Net unrealized (gains) losses on investments	**(2,767,550)**	1,345,234
Adjustment to beneficial interest in CRT	**6,346**	31,380
Transfers to Virginia Commonwealth University affiliated foundations	**1,155**	28,947
Permanently restricted contributions and other support	**(981,810)**	(2,267,596)
Donated securities - temporarily restricted	**(275,432)**	(202,886)
Changes in operating assets		
Contributions receivable	**1,861,036**	619,123
Due from VCU affiliated foundations	**71,623**	(19,573)
Other assets	**8,872**	(26,827)
Changes in operating liabilities		
Accounts payable	**289,832**	4,972
Due to VCU	**(348,400)**	660,987
Due to VCU affiliated foundations	**214,494**	721
Annuity payment liability	**32,675**	(33,808)
Net cash (used in) operating activities	**(11,081,328)**	(1,891,797)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**38,890,578**	13,200,926
Purchase of investment securities	**(37,017,466)**	(11,533,485)
Net cash provided by investing activities	**1,873,112**	1,667,441
Cash Flows from Financing Activities		
Permanently restricted contributions	**698,378**	1,682,022
Transfers to Virginia Commonwealth University affiliated foundations	**(1,155)**	(28,947)
Net cash provided by financing activities	**697,223**	1,653,075
Net change in cash and cash equivalents	**(8,510,993)**	1,428,719
Cash and cash equivalents, beginning	**28,162,643**	26,733,924
Cash and cash equivalents, ending	**$ 19,651,650**	$ 28,162,643

(continued)

Virginia Commonwealth University Foundation

Statements of Cash Flows (continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Supplemental Schedule of Noncash Operating Activities		
Gifts of noncash investments in satisfaction of prior year contributions receivable balances	**$ 649,361**	$ 3,226,584
Increase (decrease) in deposits liability for Virginia Commonwealth University offset by increase (decrease) in investment assets	**$ 891,196**	$ (1,685,140)
Increase (decrease) in deposits liability for VCU Real Estate Foundation offset by increase (decrease) in investment assets	**$ 533,133**	$ (233,253)
Increase (decrease) in deposits liability for VCU Intellectual Property Foundation offset by increase in investment assets	**$ 76,507**	$ (33,473)
Increase (decrease) in deposits liability for VCU Alumni Association offset by decrease in investment assets	**$ 55,109**	$ (25,790)
Purchase of investment securities		
Investment securities purchased	**$ 37,017,466**	$ 11,803,689
Reclassification of accrued income receivable	**-**	(270,204)
Cash payments for investment securities	**$ 37,017,466**	$ 11,533,485

The accompanying notes are an integral part of these financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization
Virginia Commonwealth University Foundation, (the Foundation) is a Virginia corporation that functions as a nonprofit charitable foundation solely to assist, support, and foster Virginia Commonwealth University in all proper ways that may from time to time be approved by the trustees of the Foundation with the guidance of the University. The Foundation manages and distributes current and endowed gifts for schools, departments, and programs throughout the University, with major emphasis on programs for the Monroe Park Campus.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting
The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Comparative financial statements
These financial statements include summarized comparative prior-year information in the statement of financial position and the statement of activities and changes in net assets. The prior year balances are not presented by net asset class and do not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016.

Cash and cash equivalents
For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. Cash and cash equivalents, held by investment managers, are reported with investments. At times, the Foundation may have cash in excess of insured limits. The Foundation's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2017, the Foundation had cash balances and cash investments that exceeded insurance limits.

Contributions receivable
Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included

Note 1. Nature of Organization and Significant Accounting Policies (continued)

in support or expenses until the conditions are substantially met. The Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

Investments

Investments in all debt securities and equity securities are stated at fair value based on quoted market prices. Alternative investments include investments in limited partnerships and limited liability corporations (hedge funds, private equity and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2017. However, alternative investments are not marketable and some of the alternative investments have underlying investments that do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed for these alternative investments. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements as unrealized gain (loss) on investments.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).* The guidance removes the requirement to make certain disclosures and categorize with the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The Foundation elected to early adopt the provision of Update No. 2015-07 and applied the provisions of the update beginning with fiscal year 2016.

Revenue recognition

All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received and investment income earned that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Collections
Collection items acquired through purchase or donation are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

Unrestricted net assets
The Foundation reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Trustees to support the Foundation's purpose and operations.

Temporarily restricted net assets
The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement. Temporarily restricted net assets at June 30, 2017, consist of contributions restricted by donor designation to support individual departments and specific initiatives within Virginia Commonwealth University.

Permanently restricted net assets
Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be utilized only for purposes specified by the donor. At June 30, 2017, the income from these permanently restricted net assets may be used in support of Virginia Commonwealth University including scholarships, endowed chairs, and other school-related programs.

Reclassifications
Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measure of operations
The Foundation reports as changes in net assets from operations all activities, except for investment income or loss and the change in value of split interest agreement obligations with beneficiaries.

Income taxes
The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation had no unrelated business income during the year ended June 30, 2017. In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(iv) and has been classified as an organization other than a private foundation under IRC Section 509(a)(1).

The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2017. The Foundation includes penalties and interest assessed by income taxing authorities in operating expenses, if applicable. The Foundation did not incur any penalties or interest expense for the year ended June 30, 2017.

Note 2. Contributions Receivable

Contributions receivable as of June 30, 2017, are expected to be received as follows:

Receivable in less than one year	$ 5,375,040
Receivable in one year or more	8,383,164
	13,758,204
Less discount	(195,831)
Less allowance for uncollectible receivables	(871,503)
	$ 12,690,870

Discount rates ranging from 0.11% to 1.88% were used in determining the present value of the contributions receivable.

Note 3. Investments

The Foundation's pooled investments consist of both endowed funds (see Note 8) and unrestricted funds, as well as funds held on behalf of the University (see Note 7) and its affiliates. Assets of various funds are pooled for investment purposes. Equity of individual funds in the pooled investments is maintained using the "market value method." Under the market value method, units of participation are assigned when dollars enter the pool based upon the most recently determined market value of units. The market value of units of participation is calculated monthly.

Pooled assets at June 30, 2017 are summarized below:

	Cost	Fair Value	Net Unrealized Gains
Cash and cash equivalents	$ 3,198,599	$ 3,198,599	$ -
Alternative investments	69,647,825	77,122,390	7,474,565
	$ 72,846,424	$ 80,320,989	$ 7,474,565

The number of units of participation in the pooled investments at June 30, 2017 was 1,002,416.1507 with an $80.127389 value per unit.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income	$ 220	$ 36,176	$ 121	$ 36,517
Net realized gains	47,708	821,048	2,142	870,898
Net unrealized gains	173,845	2,587,274	6,431	2,767,550
Investment expenses	(30,592)	(536,326)	(1,341)	(568,259)
Total investment return	$ 191,181	$ 2,908,172	$ 7,353	$ 3,106,706

The Foundation maintains investments in various money market funds, fixed income instruments, equity securities, and other investments that are at risk to loss of principal. The Foundation holds these investments in various custodial accounts with its custodian, SunTrust Bank. The custodial accounts are monitored; however, there is no guarantee that the custodian will not become insolvent. The Foundation believes that in the event of insolvency of its custodian, some of the Foundation's assets may be unavailable for a period of time, but that it would ultimately have a full recovery of its assets.

Note 3. Investments (continued)

VCU Investment Management Company
Beginning in July 2016, the Foundation transitioned its portfolio to the VCU Investment Management Company (VCIMCO) as its new investment advisor. VCIMCO is a nonprofit, nonstock corporation organized under Virginia law for exclusively charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. VCIMCO was set up to advise the University and its affiliated foundations on the management of its investments. The Foundation is also a limited partner in two funds managed by VCIMCO: The Ram Fund, LP and The Ram Private Assets Fund, LP (see Note 4).

Note 4. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Note 4. Fair Value Measurements (continued)

The classification of assets by level within the valuation hierarchy as of June 30, 2017 is as follows:

	Fair Value Measurements at Reporting Date Using				
	June 30,2017	Level 1	Level 2	Level 3	Measured at NAV
Assets					
Cash and cash equivalents	$ 3,198,599	$3,198,599	$ -	$ -	$ -
Alternative investments					
Relative value	95,166	-	-	-	95,166
Event driven/merger arbitrage	66,373	-	-	-	66,373
Diversified strategies	479,273	-	-	-	479,273
Real estate	3,191,145	-	-	3,191,145	-
The Ram Private Assets Fund, LP	2,241,307	-	-	-	2,241,307
The Ram Fund, LP	71,049,126	-	-	-	71,049,126
Total investments	$ 80,320,989	$ 3,198,599	$ -	$ 3,191,145	$ 73,931,245
Beneficial interest in charitable remainder unitrust	$ 942,648	$ -	$ -	$ 942,648	$ -

Note 4. Fair Value Measurements (continued)

The reconciliation of activity for Level 3 investments for fiscal year 2017 is as follows:

Level 3 Assets	Real Estate Funds	Beneficial Interest in Charitable Remainder Unitrust	Total
Beginning of year	$ 3,292,614	$ 948,994	$ 4,241,608
Sales and other dispositions	(324,076)	-	(324,076)
Change in value of charitable remainder unitrust	-	(6,346)	(6,346)
Change in unrealized gains	222,607	-	222,607
End of year	$ 3,191,145	$ 942,648	$ 4,133,793

The amount of total unrealized gain for the period included in the statement of activities attributable to Level 3 investments still held at June 30, 2017 is $222,607.

Note 4. Fair Value Measurements (continued)

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments, unless noted. Management is not aware of any factors that would impact net asset value as of June 30, 2017.

The following table sets forth a summary of the Foundation's assets valued at net asset value per share, or its equivalent, as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Relative value	$ 95,166	$ -	Quarterly	65 days
Event driven/merger arbitrage	66,373	-	Annually	95 days
Diversified strategies	278,283	-	Quarterly	70 days
Diversified strategies	200,990	-	N/A	N/A
The Ram Private Assets Fund, LP	2,241,307	-	N/A	N/A
The Ram Fund, LP	71,049,126	-	Quarterly	120 days
	$ 73,931,245	$ -		

Relative value funds
Investment strategies that use quantitative and/or fundamental analysis designed to exploit the relative imbalances and dislocations in the pricing relationships of two securities. Relative value strategies are expected to have very limited correlation with equities and fixed income markets, as managers generally hedge out the systemic risk of the markets in which they invest.

Event driven/merger arbitrage
Investment strategies that attempt to profit as a result of stocks and bonds changing in response to certain corporate actions including mergers, shareholder activism, restructurings, share buybacks, spinoffs, etc. Event driven managers typically look to isolate the expected event itself and assess investment opportunities based on their assessment of each event's ability to create additional value in a security.

Note 4. Fair Value Measurements (continued)

Diversified strategies
These funds include investments in broadly diversified portfolios of hedge funds. Underlying manager strategies will vary but primarily include a long/short equity strategy. Other strategies used are convertible bond arbitrage, merger arbitrage, distressed securities, and private equity/real estate. The majority of the investments across the underlying manager strategies are in publicly traded securities, but managers have the flexibility to invest in private/non-marketable investments. The fair value of two of the investments have been estimated using the net asset value per share of the investments, and the fair value of two other investments have been estimated using the percentage share of the Foundation's ownership interest in the partner's capital.

The Ram Fund, LP
The Ram Fund, LP (the Ram Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Ram Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Ram Fund. The investment manager of the Ram Fund is VCIMCO.

The Ram Fund invests via a mix of active and passive investment managers and strategies across a diversified group of asset classes including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities.

Redemptions from the Ram Fund may be done quarterly and require a 120 day notice with an effective date on the last day of such calendar quarter. The general partner may, in its discretion, apply a limit to any quarterly redemption request in excess of 20% of the total capital account balance of the limited partner's interest. A limited partner may redeem its entire capital account balance in five quarterly redemptions.

The Ram Private Assets Fund, LP
The Ram Private Assets Fund, LP (the Private Assets Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Private Assets Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Private Assets Fund. The investment manager of the Private Assets Fund is VCIMCO.

The Private Assets Fund invests in active investment managers employing strategies primarily in the illiquid asset classes, including private equity, venture capital, private debt, real estate, infrastructure and natural resources. Due to the illiquid nature of these strategies, the contracted investment period for these investments is typically greater than 5 years.

Note 4. Fair Value Measurements (continued)

Redemptions from the Private Assets Fund are at the discretion of the general partner. The general partner shall make a good faith effort to effect a redemption of a limited partner's interest upon a termination of such limited partner's advisory agreement, or in certain extraordinary circumstances, as defined in the partnership agreement.

Real Estate Funds
The Foundation is a limited partner in three real estate investment partnerships. Pursuant to its limited partnership agreements as of June 30, 2017, the Foundation had unfunded commitments of approximately $181,036.

Other financial instruments
The Foundation's other financial instruments not measured at fair value on a recurring basis include amounts due from VCU affiliated foundations, contributions receivable, amounts due to VCU, amounts due to VCU affiliated foundations, deposits held for VCU Intellectual Property Foundation, deposits held for VCU Alumni Association, deposits held for VCU Real Estate Foundation, and deposits held for Virginia Commonwealth University. These financial instruments are reflected in the financial statements at cost, which approximates fair value.

Note 5. Charitable Remainder Annuity Agreements

The Foundation has entered into various agreements providing for gift contributions for the benefit of certain endowments in exchange for a life gift annuity agreement from the Foundation to the grantors. The Foundation is obligated to pay the grantors various quarterly installments for the remainder of their lives. There are a total of six agreements with four donors at year-end. The present value of these annuities at June 30, 2017 is $383,906 and is included on the Statement of Financial Position as Annuity Payment Liability.

Note 6. Charitable Remainder Unitrust

The Foundation is a 50% remainder beneficiary of a charitable remainder unitrust. The contribution portion of an agreement is recognized as revenue when the Foundation has the unconditional right to receive benefits under the agreement and is measured at fair value using a current discount rate. During the term of the agreement, any changes in actuarial assumptions, are recognized as "change in value of charitable remainder trust" in the statement of activities and changes in net assets.

The fair value of the trust is $942,648 at June 30, 2017. The discount rate used in calculating the value was 2.40% for 2017. The depreciation in value of the trust was $6,346.

Note 7. Deposits Held for Virginia Commonwealth University

These funds, including all income earned net of expenses, are owned by Virginia Commonwealth University.

Deposits held for Virginia Commonwealth University consist of the following amounts:

University deposits, beginning of year	$ 25,974,186
Add	
Contributions, net	9,646
Investment income	30,760
Less	
Unrealized gain on investments	1,536,929
Net realized gain on investments transactions	660,976
Related fees for investment managers	(339,493)
Disbursements to the University	(1,007,622)
University deposits, end of year	$ 26,865,382

Note 8. Endowment

The Foundation's endowment consists of approximately 400 individual funds established for purposes that support the University. The endowment is comprised only of donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant state law

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of a donor-restricted endowment fund not classified as a permanently restricted net asset is classified as a temporarily restricted net asset until appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 8. Endowment (continued)

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 12,362,916	$ 28,813,278	$ 41,176,194
Total endowment funds	$ -	$ 12,362,916	$ 28,813,278	$ 41,176,194

The following schedule summarizes the net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 12,362,916	$ 28,813,278	$ 41,176,194
Unrestricted funds	2,945,333	-	-	2,945,333
Temporarily restricted funds	-	31,559,309	-	31,559,309
Total net assets	$ 2,945,333	$ 43,922,225	$ 28,813,278	$ 75,680,836

Note 8. Endowment (continued)

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (22,414)	$ 10,798,735	$ 27,875,834	$ 38,652,155
Investment return				
Investment income	-	34,711	121	34,832
Net appreciation, realized and unrealized	22,414	3,264,572	8,573	3,295,559
Investment expenses	-	(521,041)	(1,341)	(522,382)
Total investment return	22,414	2,778,242	7,353	2,808,009
Contributions and other income	-	-	981,810	981,810
Appropriation of endowment assets for expenditure	-	(1,257,015)	-	(1,257,015)
Other changes				
Bad debt expense	-	-	(46,027)	(46,027)
Change in value of annuity agreements	-	42,954	(5,692)	37,262
	22,414	1,564,181	937,444	2,524,039
Endowment net assets, end of year	$ -	$ 12,362,916	$ 28,813,278	$ 41,176,194

Note 8. Endowment (continued)

A description of the amounts classified as permanently restricted net assets and temporarily restricted nets assets (endowment only) as of June 30, 2017 is as follows:

Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 28,813,278
Total endowment funds classified as permanently restricted net assets	$ 28,813,278
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	$ 12,362,916
Total endowment funds classified as temporarily restricted net assets	$ 12,362,916

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There are no deficiencies of this nature as of June 30, 2017.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

Note 8. Endowment (continued)

Strategies employed for achieving objectives
To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes equity funds, fixed income instruments, hedge funds, and limited liability partnerships, in order to minimize risks while achieving total return objectives.

Spending policy
The Foundation has a policy of appropriating for distribution each year up to 5% of the twelve-quarter average market value of endowment fund units as of December 31 of the preceding calendar year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Note 9. Transfers to Virginia Commonwealth University Affiliated Foundations

Transfers were made to the following University affiliated foundations for the year ended June 30, 2017:

MCV Foundation	$ 1,155

Note 10. Economic Dependency

For the year ended June 30, 2017, approximately 50% of total gross contributions receivable represents promises to give from eight donors.

For the year ended June 30, 2017, approximately 12% of total contribution revenue for the year came from three donors.

Note 11. Allocation of Functional Expenses

	Total	Program	Management & General	Fundraising
Distribution to and support of the University	$ 25,178,368	$ 25,178,368	$ -	$ -
Bad debt expense	94,672	94,672	-	-
Personnel	282,325	30,041	182,188	70,096
Professional fees	53,200	-	53,200	-
Other	59,073	-	59,073	-
Total functional expenses	$ 25,667,638	$ 25,303,081	$ 294,461	$ 70,096
Allocation percentage	100.0%	98.6%	1.1%	0.3%

Note 12. Contingency

On June 7, 2017, the bankruptcy trustee for a local business filed a complaint in bankruptcy court seeking recovery of certain past transfers made to the Foundation during the applicable time period under current bankruptcy law. The case is ongoing. An adverse result is not probable and no estimate of loss, if any, can be determined at the date of the financial statements.

Note 13. Subsequent Events

Management has evaluated events through September 13, 2017, the date which the financial statements were available for issue.

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Consolidated Financial Statements

June 30, 2017 and 2016

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Officers

George P. Emerson, Jr., President

Robert L. Hansan, Jr., Vice President

Mitzi M. Lee, Secretary

Timothy A. Graf, Treasurer

Directors

Elizabeth Whalley Buono
Richard E. Byrne
F. Davis Drumheller, Jr.
George P. Emerson, Jr.
Deborah K. Fourness
Jeffrey H. Gumenick
Robert L. Hansan, Jr.
John C. Jacoby
Brian K. Jackson
Alexander B. McMurtrie, Jr.
Thomas W. Papa
William A. Royall, Jr.
H. Leon Shadowen, Jr.
Patricia Wilkerson

Ex Officio Director

Dr. Michael Rao

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Consolidated statements of financial position	3
Consolidated statements of activities and changes in net assets	4
Consolidated statements of cash flows	5 - 6
Notes to consolidated financial statements	7 - 20
Supplementary Information	
Schedules of consolidating information	
Statements of financial position	21 - 22
Statements of activities and changes in net assets	23 - 24

Independent Auditor's Report

Board of Trustees
Virginia Commonwealth University Real Estate Foundation
Richmond, Virginia

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Virginia Commonwealth University Real Estate Foundation and its subsidiaries (the Organizations), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

Management's Responsibility for the Consolidated 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to, prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mitchell Wiggins

Petersburg, Virginia
September 8, 2017

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2017 and 2016	2017	2016
Assets		
Cash and cash equivalents	**$ 11,735,839**	$ 9,221,819
Accounts receivable, less allowance for uncollectible receivable 2017 $65,548; 2016 $71,882	**183,796**	193,877
Due from Virginia Commonwealth University	**118,759**	1,338,091
Investments - unitized pool held by Virginia Commonwealth University Foundation	**7,580,318**	7,047,185
Deposits and other assets	**1,000**	3,921
Leasing costs, net of accumulated amortization 2017 $42,329; 2016 $17,338	**113,290**	144,381
Construction in progress	**134,897**	369,689
Property and equipment, net of accumulated depreciation 2017 $20,074,157; 2016 $17,274,401	**76,160,068**	75,691,896
Total assets	**$ 96,027,967**	$ 94,010,859
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 45,678**	$ 282,976
Accrued interest payable	**252,268**	254,259
Security deposits	**11,989**	13,991
Deferred revenue	**4,980,796**	5,254,620
Due to Virginia Commonwealth University - bonds payable, net of unamortized debt issuance costs	**43,765,352**	45,994,474
Bond premium, net of accumulated amortization 2017 $482,509; 2016 $373,262	**1,702,440**	1,811,687
Note payable, net of unamortized debt issuance costs	**12,007,107**	9,766,772
Total liabilities	**62,765,630**	63,378,779
Net Assets, Unrestricted		
Controlling interest in net assets	**32,644,914**	30,014,773
Non-controlling interest in net assets	**617,423**	617,307
Total net assets	**33,262,337**	30,632,080
Total liabilities and net assets	**$ 96,027,967**	$ 94,010,859

The accompanying notes are an integral part of these financial statements.

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30,	2017	2016
Changes in Unrestricted Net Assets		
Revenues		
Rental income	$ 8,676,865	$ 8,181,401
Unrealized gain (loss) - unitized investment pool	533,133	(233,253)
Grant revenue	-	199,930
Interest income and other income	53,124	15,146
Total unrestricted revenues	9,263,122	8,163,224
Expenses		
Depreciation	2,799,756	2,709,372
Interest expense	1,658,580	1,647,675
Property management	720,000	715,500
Utilities	409,925	412,623
Personnel expenses	366,900	324,600
Repairs and maintenance	244,195	135,134
Real estate taxes and fees	81,594	70,325
Professional fees	72,571	54,624
Insurance expense	47,722	69,173
Bad debt expense	41,455	48,639
Parking deck expenses	36,755	40,950
Amortization	36,113	14,122
Real estate planning and development	32,746	12,117
Support to Virginia Commonwealth University	30,000	30,000
Interest expense, amortization of debt issuance costs	28,880	50,882
Miscellaneous	23,673	31,963
Contributions	2,000	53,000
Total expenses	6,632,865	6,420,699
Change in unrestricted net assets before non-controlling interest in changes in net assets of consolidated subsidiary	2,630,257	1,742,525
Non-controlling interest's share of excess of revenues over expenses	(116)	9
Changes in unrestricted net assets	2,630,141	1,742,534
Changes in Net Assets of Non-Controlling Interest		
Non-controlling interest's share of excess of revenues over expenses	116	(9)
Changes in net assets of non-controlling interest	116	(9)
Total changes in net assets	2,630,257	1,742,525
Net assets, beginning	30,632,080	28,889,555
Net assets, ending	$ 33,262,337	$ 30,632,080

The accompanying notes are an integral part of these financial statements.

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30,	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	$ 2,630,257	$ 1,742,525
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net income (loss) in non-controlling interest in subsidiary	116	(9)
Changes in net assets of non-controlling interest	(116)	9
Depreciation	2,799,756	2,709,372
Interest expense, amortization of debt issuance costs	28,880	50,882
Amortization	36,113	14,122
Bond premium amortization	(109,247)	(109,247)
Unrealized loss (gain) - unitized investment pool	(533,133)	233,253
Interest earned on Due from VCU - bond proceeds	(906)	(3,201)
Changes in operating assets		
Due from Virginia Commonwealth University	74,093	(74,093)
Accounts receivable	10,081	(74,560)
Grants receivable	-	81,059
Deposits and other assets	2,921	(2,921)
Changes in operating liabilities		
Accounts payable	(269,101)	(179,734)
Accrued interest payable	(1,991)	33,292
Security deposits	(2,002)	7,000
Deferred revenue	(273,824)	(18,578)
Due to Virginia Commonwealth University - other	-	(441)
Net cash provided by operating activities	4,391,897	4,408,730
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,482)	(120,213)
Payments for construction in progress	(281,629)	(6,985,187)
Amounts received from (paid to) VCU for capital project costs paid on behalf of VCU	1,053,757	(1,053,757)
Proceeds from sale of property and equipment	214,073	-
Payments for leasing costs	(5,022)	(91,063)
Net cash provided by (used in) investing activities	956,697	(8,250,220)
Cash Flows from Financing Activities		
Principal payments on bonds - due to Virginia Commonwealth University	(2,251,606)	(1,705,687)
Proceeds from bonds - due to Virginia Commonwealth University	-	6,522,405
Decrease in amounts due from Virginia Commonwealth University	92,388	-
Principal payments on tax-exempt financing payable	-	(125,639)
Principal payments on note payable	(640,000)	(653,361)
Payment of debt issuance costs	(35,356)	(13,718)
Net cash provided by (used in) financing activities	(2,834,574)	4,024,000
Net change in cash and cash equivalents	2,514,020	182,510
Cash and cash equivalents, beginning	9,221,819	9,039,309
Cash and cash equivalents, ending	$ 11,735,839	$ 9,221,819

(continued)

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Consolidated Statements of Cash Flows (continued)

Years Ended June 30,	**2017**	2016
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest during 2017 and 2016 of $23,509 and $0, respectively	**$ 1,769,818**	$ 1,723,630
Supplemental Disclosures of Noncash Investing and Financing Activities		
Purchase of property and equipment		
Property and equipment acquired	**$ (3,267,928)**	$ (17,351,252)
Increase in note payable	**2,833,600**	468,317
Construction in progress placed in service	**409,846**	16,762,722
Cash payments for property and equipment	**$ (24,482)**	$ (120,213)
Cost of construction in progress		
Construction in progress acquired	**$ (2,268,401)**	$ (12,724,444)
Increase in notes payable	**1,954,969**	5,511,793
Increase in accounts payable	**31,803**	227,464
Cash payments for construction in progress	**$ (281,629)**	$ (6,985,187)
Sale of property and equipment		
Sales price of property and equipment	**$ 2,093,347**	$ -
Decrease in note payable	**(1,879,274)**	-
Cash proceeds from sale of property and equipment	**$ 214,073**	$ -
Increase in amounts due to VCU - 2015B Series bond issuance	**$ -**	$ 12,879,000
(Increase) decrease in amounts due from VCU - bond proceeds	**-**	(210,241)
Increase in bond issuance costs	**-**	(108,123)
Decrease in notes payable	**-**	(2,779,860)
Decrease in tax-exempt financing payable	**-**	(3,245,299)
Decrease in accrued interest payable	**-**	(16,270)
Interest earned on SNAP account	**-**	3,201
Cash proceeds from amounts due to VCU - 2015B bond issuance	**$ -**	$ 6,522,408

The accompanying notes are an integral part of these financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization
Virginia Commonwealth University Real Estate Foundation (the Foundation), organized April 7, 1992, is a Virginia corporation that functions as a nonprofit charitable foundation solely to assist and support Virginia Commonwealth University (the University).

The sole purpose of the Foundation and its subsidiaries (the Organizations) is to hold and manage real estate for the benefit of Virginia Commonwealth University. All expenses incurred by the Organizations support this activity and are, therefore, deemed to be program service expenses.

A summary of the Organizations' significant accounting policies follows:

Basis of accounting
The Organizations' consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Principles of consolidation
The consolidated financial statements include the accounts of Virginia Commonwealth University Real Estate Foundation; its subsidiaries, Art Station, LLC, 535 W Broad Street LLC, 501 W Broad Street LLC, and Venture Development LLC. All significant intercompany accounts and transactions have been eliminated.

Art Station, LLC (Art Station) was established on April 30, 2013 for the purpose of incurring rehabilitation expenditures eligible for historic tax credits. An investor-member was brought into Art Station that could benefit from the historic tax credits (see Note 6).

Cash and cash equivalents
For purposes of reporting the consolidated statements of cash flows, the Organizations include all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying consolidated statements of financial position. At times, the Organizations may have cash in excess of insured limits. The Organizations' cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2017, the Organizations had cash balances and cash investments that exceeded insurance limits.

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Investments – unitized pool

The Foundation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in unrestricted net assets.

Virginia Commonwealth University Foundation (VCU Foundation) holds and manages investments for the Foundation. The VCU Foundation solicits, holds, and manages investments for the benefit of schools, departments, and programs throughout Virginia Commonwealth University. Pooled investments include cash and cash equivalents, fixed income instruments, equities, and alternative investments. The total fair market value of the Foundation's pooled investments held by VCU Foundation as of June 30, 2017 was $7,580,318, which includes cumulative unrealized gains of $580,318.

Accounts receivable

The Organizations extend unsecured credit in the ordinary course of their activities but mitigate the associated credit risk by performing credit checks when appropriate and actively pursuing past due accounts. The allowance for uncollectible receivables is based upon management's assessment of historical and expected net collections. Receivables are charged against the allowance when deemed to be uncollectible.

Debt issuance costs

Debt issuance costs are being amortized over the corresponding lives of the bonds and notes, which are 3 to 20 years. Accumulated amortization was $83,293 and $67,088 at June 30, 2017 and 2016, respectively.

Leasing costs

Leasing costs are being amortized over the corresponding lives of the leases, which are 3 to 20 years.

Property and equipment

Acquisitions of property and equipment are recorded at cost or, if donated, at fair market value at the time of donation. Depreciation is provided for properties that are placed in service using the straight-line method at rates adequate to depreciate the cost of the property over its estimated useful life. The estimated useful life of these properties is between 20 and 40 years. The estimated useful lives of equipment are between 5 and 20 years.

Note 1. Nature of Organization and Significant Accounting Policies (continued)

Gifts
The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Unrestricted net assets
The Organizations report assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation's purpose and operations.

Temporarily restricted net assets
The Organizations report gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement. At June 30, 2017 and 2016, there were no temporarily restricted net assets.

Permanently restricted net assets
Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income utilized only for purposes specified by the donor. At June 30, 2017 and 2016, there were no permanently restricted net assets.

Revenue and real estate sales gain recognition
Rental income related to leases is recognized on an accrual basis and is recognized when earned. The Organizations recognize interest income, management fees, and other fees when earned, fixed, and determinable.

The Organizations account for sales of real estate in accordance with FASB ASC 360-20, *Real Estate Sales* (formerly SFAS 66, "Accounting for Sales of Real Estate"). For sale transactions meeting the requirements for full accrual profit recognition, such as the Foundation no longer having continuing involvement in the property, the related assets

Note 1. Nature of Organization and Significant Accounting Policies (continued)

and liabilities are removed from the consolidated statements of financial position and a gain or loss is recorded in the period the transaction closes.

New accounting pronouncement

During the current year, the Organization retrospectively adopted the requirements of Accounting Standards Update (ASU) No 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs,* to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. The due to Virginia Commonwealth University – bonds payable and note payable were previously reported on the consolidated statement of financial position as $46,386,273 and $9,770,222 with the associated $395,249 unamortized debt issuance costs included in assets. Amortization of the debt issuance costs is now reported as interest expense in the accompanying consolidated statements of activities and changes in net assets.

Income taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to each entity's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation had no unrelated business income during the years ended June 30, 2017 and 2016.

Art Station, LLC, is treated as a partnership for income tax purposes, and as such, each member is taxed separately on its distributive share of the Partnership's income, whether or not that income is actually distributed. At June 30, 2017, 535 W Broad Street LLC, 501 W Broad Street LLC, and Venture Development LLC were single member LLC's and, therefore, considered disregarded entities for tax purposes.

The Organizations have determined that they do not have any material unrecognized tax benefits or obligations at June 30, 2017. The Organizations include penalties and interest assessed by income taxing authorities in operating expenses, if applicable. The Organizations did not incur any penalties or interest expense for the years ended June 30, 2017 and 2016.

Non-controlling interests

The Foundation adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) that establishes accounting and reporting standards for a non-controlling interest in a subsidiary, including the accounting treatment upon the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary should be reported as a component of net assets in the consolidated financial statements. The consolidated changes in net assets should include the net changes in assets for both the parent and the non-controlling interest, with disclosure of both amounts on the

Note 1. Nature of Organization and Significant Accounting Policies (continued)

consolidated statements of activities. As of June 30, 2017, there is a 1.00% non-controlling interest in Art Station, LLC (see Note 6).

Use of estimates
The preparation of consolidated financial statements, in conformity with generally accepted accounting principles, 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

Note 2. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date;

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies; and

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Assets measured at fair value on a recurring basis at June 30, 2017 and 2016 include investments held by the VCU Foundation in the amount of $7,580,318 and $7,047,185, respectively, which are considered Level 3 within the valuation hierarchy.

Note 2. Fair Value Measurements (continued)

Unitized pooled investments held by VCU Foundation include cash and cash equivalents, fixed income instruments, equities, and alternative investments.

The reconciliation of activity for Level 3 assets for fiscal years 2017 and 2016 is as follows:

Level 3 Assets	**Investments Unitized Pool**
Beginning balance at July 1, 2015	$ 7,280,438
Unrealized losses	(233,253)
Balance at June 30, 2016	7,047,185
Unrealized gains	533,133
Ending balance at June 30, 2017	$ 7,580,318

Note 3. Property and Equipment

A summary of property and equipment is as follows:

	2017	**2016**
Building	$ 68,131,716	$ 67,760,453
Land	11,242,276	11,242,276
Property held for future development	13,637,548	10,779,466
Land Improvements	38,583	-
Furniture and equipment	3,184,102	3,184,102
	96,234,225	92,966,297
Less - accumulated depreciation	(20,074,157)	(17,274,401)
	$ 76,160,068	$ 75,691,896

Note 3. Property and Equipment (continued)

The Organizations own the following real estate at June 30, 2017:

	Cost	Accumulated Depreciation	Book Value
Broad and Belvidere Student Apartments	$ 25,215,294	$ (7,340,049)	$ 17,875,245
912 West Grace Street	14,190,045	(1,439,286)	12,750,759
VCU Brandcenter	11,372,998	(2,617,858)	8,755,140
The Depot (814 W. Broad Street)	6,168,562	(973,800)	5,194,762
535 West Broad Street	4,556,325	-	4,556,325
111 North 4th Street	4,492,588	(239,024)	4,253,564
505 West Leigh Street	4,048,475	-	4,048,475
501 West Broad Street	2,858,082	-	2,858,082
813 W. Grace Street	2,580,585	-	2,580,585
807, 811-817 South Cathedral Place, 14 North Laurel	3,493,174	(1,063,869)	2,429,305
701 West Broad Street (Technology Administration Building)	5,203,241	(2,950,782)	2,252,459
800 West Broad Street	1,381,067	(122,913)	1,258,154
1109 West Marshall Street	1,068,312	(105,834)	962,478
Various other properties	9,605,477	(3,220,742)	6,384,735
	$ 96,234,225	$ (20,074,157)	$ 76,160,068

Note 3. Property and Equipment (continued)

Future minimum rental payments due for operating leases by property at June 30, 2017, which have an original term in excess of one year, are as follows:

	2018	2019	2020	2021	2022	Later Years	Total
912 West Grace	$ 801,015	$ 801,015	$ 801,015	$ 801,015	$ 801,015	$ 8,811,170	$ 12,816,245
807, 8011, 8013, 8015 & 817 South Cathedral Place and 14 North Laurel St.	448,551	453,037	457,567	462,143	466,764	6,777,093	9,065,155
814 - 816 West Broad St.	441,630	441,630	441,630	441,630	441,630	4,857,930	7,066,080
111 N. 4th St	308,451	308,451	308,451	308,451	308,451	3,958,461	5,500,716
103 S. Jefferson St.	436,200	436,200	436,200	436,200	436,200	2,399,100	4,580,100
701 West Broad St.	426,297	426,297	426,297	426,297	426,297	1,492,040	3,623,525
813 West Grace St.	179,656	179,656	179,656	179,656	179,656	2,305,580	3,203,860
1109 W. Marshall St.	57,961	58,541	59,126	59,718	60,315	967,707	1,263,368
612 - 620 N. Lombardy St.	178,574	183,931	189,449	31,729	-	-	583,683
824 West Broad St.	20,712	20,712	20,712	20,712	20,712	476,379	579,939
910 W Grace St	101,664	101,664	101,664	101,664	84,720	-	491,376
934 West Grace St.	96,478	99,372	102,353	105,424	53,491	-	457,118
940 West Grace St.	93,489	96,293	99,182	102,157	56,364	-	447,485
1050 Oliver Hill Way	130,000	131,000	-	-	-	-	261,000
600 West Franklin Str.	128,843	132,064	-	-	-	-	260,907
Parking master lease	105,317	105,679	-	-	-	-	210,996
1225 W. Broad St.	43,796	44,891	46,009	47,169	-	-	181,865
920- 928 West Grace St.	41,862	43,118	44,412	34,053	-	-	163,445
419 - 423 W. Broad St.	41,410	41,410	-	-	-	-	82,820
930 West Grace St.	30,804	34,104	17,304	-	-	-	82,212
201 North Belvidere St.	25,044	25,545	-	-	-	-	50,589
800 W. Broad St. (2nd Flr)	24,844	21,218	-	-	-	-	46,062
911 A W Grace St	34,834	2,910	-	-	-	-	37,744
911 1/2 West Grace St.	23,204	-	-	-	-	-	23,204
814-816 W Broad, Suite A	6,357	-	-	-	-	-	6,357
	$ 4,226,993	$ 4,188,738	$ 3,731,027	$ 3,558,018	$ 3,335,615	$ 32,045,460	$ 51,085,851

Note 4. Construction in Progress

Construction in progress consisted of the following projects at June 30:

	2017	2016
505 West Broad Street	$ 44,300	$ -
700 West Broad Street	27,348	-
535 West Broad Street	17,660	-
944 West Broad Street	10,077	-
600 West Franklin Street	-	249,860
Other projects	35,512	119,829
	$ 134,897	$ 369,689

There is no capitalized interest included in construction in progress at June 30, 2017 and 2016, respectively.

Note 5. Broad and Belvidere Student Apartments

The Broad and Belvidere Student Apartments (the Apartments) were originally constructed by the Foundation in 2003 for the purpose of providing additional student housing to the University. During the year ended June 30, 2013, the Foundation completed an addition to the Apartments, referred to as the Gilmer Street Addition, which was placed in service on August 1, 2012. The Gilmer Street Addition added 77 beds to the Apartments, bringing the total to 488 beds. The Apartments are managed by the University and are considered to be part of the University's student housing system.

The Foundation entered into a management contract with the University, originally dated February 1, 2003. On November 30, 2011, the contract was amended to eliminate the management fee charged by the University. Because of this amendment, there were no management fees related to the Apartments for the years ended June 30, 2017 and 2016. The management contract was amended again on February 1, 2013 to include the management of the Gilmer Street Addition. The management contract renews for successive five-year terms unless terminated by either party with 180 days written notice. The current renewal period ends March 1, 2018.

The Foundation entered into a Financing and Support Agreement dated February 1, 2003 with the University for purposes of constructing the Apartments. Under the terms of this agreement, the Foundation agreed to construct the Apartments using funds advanced from the University's General Revenue Pledge Bonds Series 2003. The Foundation also agreed, as a part of the Financing and Support Agreement, to make semi-annual payments to the University to cover the debt service on the Series 2003 Bonds issued by the University. On February 8, 2013, the University refinanced the 2003 Bonds and issued its General

Note 5. Broad and Belvidere Student Apartments (continued)

Revenue Pledge Bonds Series 2013A. This was done to take advantage of reduced interest rates and provide permanent financing for the Gilmer Street Addition. The Financing and Support Agreement was amended on February 1, 2013 to provide for the debt service on the new bonds.

The Series 2013A Bonds are considered tax-exempt to the bondholders. They have payments due over a 20-year term and carry interest rates ranging from 2.00% to 5.00%, with a true interest cost of approximately 2.69%. Payments are due semi-annually on May 1 and November 1, beginning May 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

These bonds were issued at a premium of $2,184,949. The premium is being amortized over the life of the bonds as a reduction to interest expense. Interest expense was reduced by $109,247 for the years ended June 30, 2017 and 2016.

At June 30, 2017, the outstanding principal balance of the Series 2013A Bonds is $16,760,000 and is included in due to Virginia Commonwealth University – bonds payable on the accompanying consolidated statements of financial position. See Note 7 for other amounts that are due to the University which are included in the consolidated statements of financial position.

As of June 30, 2017, aggregate principal payments required to be made to the University for reimbursement of debt service on the Series 2013A Bonds are as follows:

2018	$ 735,000
2019	770,000
2020	810,000
2021	850,000
2022	890,000
Thereafter	12,705,000
	$ 16,760,000

Note 6. Art Station

The Art Station project is a property located at 814 West Broad Street in Richmond, Virginia that was developed for use by the VCU School of the Arts. Part of the renovation costs associated with this project qualified for a Virginia historic tax credit. In order to utilize the historic tax credit, the Foundation set up Art Station, LLC (the LLC). The LLC was originally a wholly-owned subsidiary of the Foundation. Upon completion of the project, an investor-member contributed capital in the amount of $617,626 in return for a

Note 6. Art Station (continued)

non-controlling interest in the LLC, totaling 1.00%, and use of the tax credits. The Foundation is the managing member of the LLC and holds the remaining 99.00% interest. To provide financing for this project, the University has issued its General Pledge Revenue Bonds Series 2013B and 2013C. See Note 7 for details of the financing on this project.

Note 7. Due to Virginia Commonwealth University – Bonds Payable

As of June 30, 2017, the University has issued four bonds on behalf of the Foundation. The outstanding principal balance of these bonds is included on the Statement of Financial Position as Due to Virginia Commonwealth University – Bonds Payable.

As of June 30, 2017 and 2016, the outstanding principal balance on the following University-issued bonds comprise the balance due to the University for bonds payable:

	2017	2016
Series 2013A Bonds	$ 16,760,000	$ 17,460,000
Series 2013B Bonds	13,494,777	14,145,917
Series 2013C Bonds	2,138,102	2,241,268
Series 2015B Bonds	11,741,788	12,539,088
	44,134,667	46,386,273
Less unamortized debt issuance costs	369,315	391,799
	$ 43,765,352	$ 45,994,474

As of June 30, 2017, aggregate principal payments required on the University-issued bonds are as follows:

	Series 2013A	Series 2013B	Series 2013C	Series 2015B	Total
2018	$ 735,000	$ 670,544	$ 106,241	$ 815,271	$ 2,327,056
2019	770,000	690,527	109,406	833,647	2,403,580
2020	810,000	711,104	112,667	852,438	2,486,209
2021	850,000	732,295	116,024	871,652	2,569,971
2022	890,000	754,117	119,482	891,299	2,654,898
Thereafter	12,705,000	9,936,190	1,574,282	7,477,481	31,692,953
	$ 16,760,000	$ 13,494,777	$ 2,138,102	$ 11,741,788	$ 44,134,667

<u>Series 2013 B & C:</u>

To provide financing for the Grace Street Office Building project and the Art Station project, the University issued its General Revenue Pledge Bonds Series 2013B and 2013C, dated June 6, 2013. These bonds were issued to cover the costs of acquiring and constructing the two projects. In connection with these bond issuances, the Foundation has entered into a

Note 7. Due to Virginia Commonwealth University – Bonds Payable (continued)

Development and Financing Agreement with the University dated June 1, 2013. Under the terms of this agreement, the Foundation has agreed to reimburse the University for the debt service on the Series 2013B and 2013C Bonds.

The Series 2013B Bonds were issued for $15,932,000 and are considered tax-exempt to the bondholder. They have a 20-year term maturing on May 1, 2033. Interest is fixed at a rate of 2.98%. Payments are due semi-annually on May 1 and November 1, beginning November 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

The Series 2013B Bonds provided financing for the Grace Street Office Building project and the component of the Art Station project that did not qualify for historic tax credits.

The Series 2013C Bonds were issued for $2,418,000 and are not considered tax-exempt to the bondholders. They have a 20-year term maturing on May 1, 2033. Interest is fixed at a rate of 4.62%. Payments are due semi-annually on May 1 and November 1, beginning November 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

The Series 2013C Bonds provided financing for the component of the Art Station project that qualified for historic tax credits.

The Series 2013C Bonds have the option to be re-issued at a fixed interest rate of 2.98%. Upon receipt by the bondholder of an opinion of counsel to the effect that interest on the Series 2013C Bonds is excludable from gross income of the holders thereof for federal income tax purposes, the bonds shall be re-issued at an interest rate of 2.98%.

<u>Series 2015B:</u>

On December 18, 2015, the University issued its General Revenue Pledge Bond Series 2015B for a par amount of $12,879,000. These bonds were issued to finance, or refinance, the costs of acquiring and improving six properties, which include 111 N. 4th Street, 813 W. Grace Street, 1109W. Marshall Street, the Cathedral Properties, the VCU Brandcenter, and the Technology Administration Building at 701 W. Broad Street (see note 9).

The Series 2015B Bonds are considered tax-exempt to the bondholder. They have terms from 10 to 20 years maturing on May 1, 2035 and bears interest at a rate of 2.254%. Payments are due semi-annually on May 1 and November 1, beginning May 1, 2016, with principal and interest due on May 1, and interest only due on November 1.

Note 7. Due to Virginia Commonwealth University – Bonds Payable (continued)

Upon issuance of the bonds, the University deposited the bond proceeds with the Virginia State Non-Arbitrage Program (SNAP). At June 30, 2017, the balance is $118,759 in the University SNAP accounts.

Note 8. Notes Payable

Notes payable consist of the following:

	2017	2016
Wells Fargo Bank, N.A., $20,000,000 revolving three-year line of credit, secured by assignment of leases, interest payable at one-month LIBOR plus 0.65% (1.874% at June 30, 2017), maturing on April 1, 2020	$ 12,039,518	$ 9,770,222
	12,039,518	9,770,222
Less unamortized debt issuance costs	32,411	3,450
	$ 12,007,107	$ 9,766,772

Aggregate maturities required on notes payable at June 30, 2017 are as follows:

2020	$ 12,039,518

Note 9. Related-Party Activities

The Foundation's primary source of revenue is rental income, of which 96% is from lease agreements with the University for each of the years ended June 30, 2017 and 2016, respectively.

The following expenses were paid to the University for the years ended June 30:

	2017	2016
Interest expense	$ 1,340,235	$ 1,295,641
Property management	720,000	715,500
Utilities	400,000	395,000
Personnel	366,900	324,600
Parking deck	36,755	40,950
Support to VCU	30,000	30,000
Repairs and maintenance	11,286	12,996
	$ 2,905,176	$ 2,814,687

Note 9. Related-Party Activities (continued)

As of June 30, 2017 and 2016, the Foundation carried the following receivables from the University as due from Virginia Commonwealth University on the statement of financial position:

	2017	2016
Capital project costs paid on behalf of the University	$ -	$ 1,053,757
Bond proceeds held in University SNAP account	118,759	210,241
Parking debt income	-	74,093
	$ 118,759	$ 1,338,091

Note 10. Commitments and Contingencies

As part of its mission to assist and support the University, the Foundation has entered into 15 leases for residential properties located in Doha, Qatar, where the University maintains its Qatar campus for the School of the Arts (known as "VCUQatar"). These residential properties are leased for the purpose of providing housing to the faculty and staff of VCUQatar. The Foundation considers these leases to be on behalf of the University and is a matter of convenience for the University. Pursuant to a Memorandum of Understanding and Operating Agreement (the MOU), the University is responsible for making all rent payments directly to the various landlords, as well as all transaction document preparation, lease administration, invoice processing, and other related services. The leases are for one-year terms, with various commencement and renewal dates, and require payments to be made in Qatari Riyals. The payments required under these leases are approximately $909,000 (US Dollars) annually, based on the exchange rate as of June 30, 2017.

Note 11. Subsequent Events

Management has evaluated subsequent events through September 8, 2017, the date the financial statements were available for issue.

Subsequent to year-end, the Foundation has entered into two purchase agreements for the acquisition of real property totaling $2,150,000. In connection with the renovation of one of its properties, the Foundation has entered into a contract for construction services for a total amount of $53,853.

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Schedule of Consolidating Information - Statements of Financial Position

June 30, 2017 and 2016

Assets	VCU Real Estate Foundation and wholly-owned subsidiaries	Art Station, LLC	Subtotal	Eliminations	Totals 2017	Totals 2016
Cash and cash equivalents	$ 11,078,402	$ 657,437	$ 11,735,839	$ -	$ 11,735,839	$ 9,221,819
Accounts receivable, less allowance for uncollectible receivables 2017 $65,548; 2016 $71,822	183,796	-	183,796	-	183,796	193,877
Due from Virginia Commonwealth University	118,759	-	118,759	-	118,759	1,338,091
Investments - unitized pool held by Virginia Commonwealth University Foundation	7,580,318	-	7,580,318	-	7,580,318	7,047,185
Deposits and other assets	1,000	-	1,000	-	1,000	3,921
Leasing costs, net of accumulated amortization 2017 $42,329; 2016 $17,338	103,210	10,080	113,290	-	113,290	144,381
Construction in progress	134,897	-	134,897	-	134,897	369,689
Property and equipment, net of accumulated depreciation 2017 $20,074,157; 2016 $17,274,401	76,160,068	-	76,160,068	-	76,160,068	75,691,896
Total assets	$ 95,360,450	$ 667,517	$ 96,027,967	$ -	$ 96,027,967	$ 94,010,859

(continued)

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Schedule of Consolidating Information - Statements of Financial Position (continued)

June 30, 2017 and 2016

Liabilities and Net Assets	VCU Real Estate Foundation and wholly-owned subsidiaries	Art Station, LLC	Subtotal	Eliminations	Totals 2017	Totals 2016
Liabilities						
Accounts payable	$ 45,678	$ -	$ 45,678	$ -	$ 45,678	$ 282,976
Accrued interest payable	252,268	-	252,268	-	252,268	254,259
Security deposits	10,791	1,198	11,989	-	11,989	13,991
Deferred revenue	4,980,796	-	4,980,796	-	4,980,796	5,254,620
Due to Virginia Commonwealth University - bonds payable, net of unamortized debt issuance costs	43,765,352	-	43,765,352	-	43,765,352	45,991,024
Bond premium, net of accumulated amortization 2017 $482,509; 2016 $373,262	1,702,440	-	1,702,440	-	1,702,440	1,811,687
Notes payable, net of unamortized debt issuance costs	12,007,107	-	12,007,107	-	12,007,107	9,770,222
Total liabilities	62,764,432	1,198	62,765,630	-	62,765,630	63,378,779
Net Assets, Unrestricted						
Controlling interest in net assets	32,596,018	48,896	32,644,914	-	32,644,914	30,014,773
Non-controlling interest in net assets	-	617,423	617,423	-	617,423	617,307
	32,596,018	666,319	33,262,337	-	33,262,337	30,632,080
Total liabilities and net assets	$ 95,360,450	$ 667,517	$ 96,027,967	$ -	$ 96,027,967	$ 94,010,859

See report of independent auditor.

Virginia Commonwealth University Real Estate Foundation and Subsidiaries

Schedules of Consolidating Information - Statements of Activities and Changes in Net Assets

Years Ended June 30, 2017 and 2016

	VCU Real Estate Foundation and wholly-owned subsidiaries	Art Station, LLC	Subtotal	Eliminations	Totals 2017	Totals 2016
Changes in Unrestricted Net Assets						
Revenues						
Rental income	$ 8,661,683	$ 185,138	$ 8,846,821	$ (169,956)	$ 8,676,865	$ 8,181,401
Unrealized gain (loss) - unitized investment pool	533,133	-	533,133	-	533,133	(233,253)
Grant revenue	-	-	-	-	-	199,930
Interest and other income	53,124	-	53,124	-	53,124	15,146
Total unrestricted revenues	9,247,940	185,138	9,433,078	(169,956)	9,263,122	8,163,224
Expenses						
Depreciation	2,799,756	-	2,799,756	-	2,799,756	2,709,372
Interest expense	1,658,580	-	1,658,580	-	1,658,580	1,647,675
Property management	720,000	-	720,000	-	720,000	715,500
Utilities	409,925	-	409,925	-	409,925	412,623
Personnel expenses	366,900	-	366,900	-	366,900	324,600
Repairs and maintenance	243,635	560	244,195	-	244,195	135,134
Real estate taxes and fees	81,594	-	81,594	-	81,594	70,325
Insurance expense	47,722	-	47,722	-	47,722	69,173
Amortization	34,039	2,074	36,113	-	36,113	14,122
Professional fees	71,691	880	72,571	-	72,571	54,624
Contributions	2,000	-	2,000	-	2,000	53,000
Bad debt expense	41,455	-	41,455	-	41,455	48,639
Interest expense, amortization of debt issuance costs	28,880	-	28,880	-	28,880	50,882
Parking deck expenses	36,755	-	36,755	-	36,755	40,950
Miscellaneous	23,563	110	23,673	-	23,673	31,963

(continued)

Years Ended June 30, 2017 and 2016

	VCU Real Estate Foundation and wholly-owned subsidiaries	Art Station, LLC	Monroe Park Campus Corporation	Subtotal	Eliminations	Totals 2017	Totals 2016
Expenses (continued)							
Support to Virginia Commonwealth University	30,000	-	-	30,000	-	30,000	30,000
Real estate planning and development	32,746	-	-	32,746	-	32,746	12,117
Rental expense	-	169,956	-	169,956	(169,956)	-	-
Total expenses	6,629,241	173,580	-	6,802,821	(169,956)	6,632,865	6,420,699
Change in unrestricted net assets before non-controlling interest in changes in net assets of consolidated subsidiary	2,618,699	11,558	-	2,630,257	-	2,630,257	1,742,525
Non-controlling interest's share of excess of revenues over expenses	-	(116)	-	(116)	-	(116)	9
Changes in unrestricted net assets	2,618,699	11,442	-	2,630,141	-	2,630,141	1,742,534
Changes in Net Assets of Non-Controlling Interest							
Non-controlling interest's share of excess of revenues over expenses		116	-	116	-	116	(9)
Changes in net assets of non-controlling interest	-	116	-	116	-	116	(9)
Total changes in net assets	2,618,699	11,558	-	2,630,257	-	2,630,257	1,742,525
Net assets, beginning	29,977,319	654,761	-	30,632,080	-	30,632,080	28,889,555
Net assets, ending	$ 32,596,018	$ 666,319	$ -	$ 33,262,337	$ -	$ 33,262,337	$ 30,632,080

See report of independent auditor.

MCV Foundation

VCU Health

Financial Statements

June 30, 2017 and 2016

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Table of Contents

	Page
Report of Independent Accountants	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Medical College of Virginia Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Medical College of Virginia Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Keiter

August 28, 2017
Glen Allen, Virginia

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Statements of Financial Position
June 30, 2017 and 2016
(in thousands)

Assets	2017	2016
Operating pooled investments:		
Cash and cash equivalents	$ 5,935	$ 2,951
Long-term investments	68,367	66,669
Total operating pooled investments	74,302	69,620
Managed portfolio pooled investments	421,957	371,412
Agency assets	1,347	1,215
Other assets	27,876	30,092
Total assets	$ 525,482	$ 472,339

Liabilities and Net Assets	2017	2016
Liabilities:		
Debt service obligation	$ 6,675	$ 7,340
Accounts payable and accrued expenses	531	1,148
Obligations under split-interest agreements	1,885	2,042
Agency liabilities	1,347	1,215
Total liabilities	10,438	11,745
Net assets:		
Donor restricted:		
Temporarily	236,205	201,638
Permanently	219,188	208,994
Unrestricted:		
Board designated	33,988	29,483
Other	25,663	20,479
Total net assets	515,044	460,594
Total liabilities and net assets	$ 525,482	$ 472,339

See accompanying notes to financial statements.

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Statement of Activities
Year Ended June 30, 2017
(in thousands)

	Donor Restricted		Unrestricted			2016
	Temporarily Restricted	Permanently Restricted	Board Designated	Unrestricted	2017 Total	Comparative Total
Revenues, gains (losses) and other support:						
Contributions	$ 13,377	$ 7,756	$ 41	$ -	$ 21,174	$ 32,721
Program services and other revenue	1,666	4	-	-	1,670	2,530
Change in split-interest agreements	(16)	-	-	-	(16)	(1,413)
Income on operating pooled investments, net of $122 of management fees	1,159	-	-	-	1,159	1,293
Income on managed portfolio pooled investments, net of $5,112 of management fees	(178)	-	(21)	-	(199)	(463)
Realized and unrealized gains (losses) on investments, net	48,434	-	5,969	2,989	57,392	(21,969)
Total revenues, gains (losses) and other support	64,442	7,760	5,989	2,989	81,180	12,699
Net assets released from restrictions	(22,488)	(308)	-	22,796	-	-
Net assets transferred / reinvested	(7,387)	2,742	(1,484)	6,129	-	-
Expenses:						
Program services	-	-	-	23,571	23,571	27,536
Supporting services:						
General and administrative	-	-	-	3,085	3,085	2,598
Depreciation	-	-	-	74	74	64
Total supporting services	-	-	-	3,159	3,159	2,662
Total expenses	-	-	-	26,730	26,730	30,198
Change in net assets	34,567	10,194	4,505	5,184	54,450	(17,499)
Net assets, beginning of year	201,638	208,994	29,483	20,479	460,594	478,093
Net assets, end of year	$ 236,205	$ 219,188	$ 33,988	$ 25,663	$ 515,044	$ 460,594

See accompanying notes to financial statements.

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Statement of Activities
Year Ended June 30, 2016
(in thousands)

	Donor Restricted		Unrestricted		
	Temporarily Restricted	Permanently Restricted	Board Designated	Unrestricted	Total
Revenues, gains (losses) and other support:					
Contributions	$ 10,946	$ 21,754	$ 21	$ -	$ 32,721
Program services and other revenue	2,401	125	-	4	2,530
Change in split-interest agreements	(1,413)	-	-	-	(1,413)
Income on operating pooled investments, net of $92 of management fees	1,293	-	-	-	1,293
Loss on managed portfolio pooled investments, net of $2,934 of management fees	(413)	-	(50)	-	(463)
Realized and unrealized gains (losses) on investments, net	(15,687)	-	(2,508)	(3,774)	(21,969)
Total revenues, gains (losses) and other support	(2,873)	21,879	(2,537)	(3,770)	12,699
Net assets released from restrictions	(26,186)	(352)	-	26,538	-
Net assets transferred / reinvested	(5,376)	2,712	(1,583)	4,247	-
Expenses:					
Program services	-	-	-	27,536	27,536
Supporting services:					
General and administrative	-	-	-	2,598	2,598
Depreciation	-	-	-	64	64
Total supporting services	-	-	-	2,662	2,662
Total expenses	-	-	-	30,198	30,198
Change in net assets	(34,435)	24,239	(4,120)	(3,183)	(17,499)
Net assets, beginning of year	236,073	184,755	33,603	23,662	478,093
Net assets, end of year	$ 201,638	$ 208,994	$ 29,483	$ 20,479	$ 460,594

See accompanying notes to financial statements.

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 54,450	$ (17,499)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	74	64
Contributions restricted for endowment	(7,756)	(21,754)
Net unrealized and realized (gains) losses on investments	(57,392)	21,969
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	2,246	(6,679)
(Decrease) increase in accounts payable and accrued expenses	(670)	368
Net cash used in operating activities	(9,048)	(23,531)
Cash flows from investing activities:		
Purchase of property and equipment	(51)	(161)
Sale (purchase) of investments, net	5,149	(3,457)
Net cash provided by (used in) investing activities	5,098	(3,618)
Cash flows from financing activities:		
Payments on debt service obligation	(665)	(635)
Contributions restricted for endowment	7,756	21,754
Obligations on split-interest agreements	(157)	(80)
Net cash provided by financing activities	6,934	21,039
Net change in cash and cash equivalents	2,984	(6,110)
Cash and cash equivalents:		
Beginning of year	2,951	9,061
End of year	$ 5,935	$ 2,951
Supplemental disclosures:		
Cash paid for interest	$ 331	$ 364
Software purchase included in accounts payable	$ 53	$ 188

See accompanying notes to financial statements.

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization: The mission of the Medical College of Virginia Foundation (the "Foundation") is to inspire and steward philanthropic resources for our MCV Campus partners at VCU Health: VCU School of Applied Health Professions, VCU School of Dentistry, VCU School of Medicine, VCU School of Nursing, VCU School of Pharmacy, VCU Massey Cancer Center and VCU Medical Center. This mission is achieved by fundraising, 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 MCV and the Foundation.

Basis of Accounting: The financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which include the use of the accrual basis of accounting.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For financial statement purposes, the Foundation considers cash and cash equivalents to include cash in banks and investments in commercial paper and money market funds in the operating pooled investments with an original maturity of three months or less when purchased. The carrying amount approximates fair value because of the short maturity of those investments. Temporary cash investments in the managed portfolio pool are not considered cash equivalents as the pool is not considered by the Foundation to be liquid.

Concentrations of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Foundation places its cash and cash equivalents with financial institutions located in Richmond, Virginia. At times, these balances are in excess of the FDIC insurance limit. Pledges receivable are from individuals, corporations and foundations located primarily in the United States. The Foundation believes its credit risk related to these pledges receivable is limited due to the nature of its donors.

Investments: Assets are maintained in two pools for investment purposes. The equity of individual funds in the pooled investments is determined using the market-value method. Under the market-value method, units of participation are assigned when dollars enter the pool (from gifts, reinvestment of income, etc.) based on the most recently determined unit market value for the existing units of participation. Net adjusted gains or losses, both realized and unrealized, are maintained in a separate classification of accounts with no units of participation assigned thereto. Withdrawals from individual funds are based upon the most recently determined market value of the respective net gains or losses. The market value of the units of participation is calculated monthly.

1. Summary of Significant Accounting Policies, Continued:

Investments, Continued: Due to the nature of certain investments, fair market value information is only available for the periods ended March 31, 2017 and 2016. These assets are invested through Bespoke Private Strategies, LLC and Stonelake Opportunity Partners III, LLC in private placements, real estate funds, and hedge funds which are not actively traded on public markets and therefore a lag exists in the valuation of these assets. The investments are subjected to audit by various accounting firms; however, the audits for the years ended June 30, 2017 and 2016 were not available at the time the Foundation's statements were issued. The fair value of these assets at March 31, 2017 plus contributions, less distributions, for the period from April 1, 2017 to June 30, 2017 was $44,253,666. The fair value of these assets at March 31, 2016 plus contributions, less distributions, for the period from April 1, 2016 through June 30, 2016 was $26,969,031.

Operating Pooled Investments: The operating investment pool consists of temporarily restricted assets that have been derived from contributions for current purposes. During 2016, the Foundation changed the allocation method of income to each individual fund from a quarterly distribution to a yearly distribution based on the previous year's earnings. Gains or losses realized in the pool are offset against or added to net interest income each year.

Managed Portfolio Pooled Investments: The financial objective of the managed portfolio pool, as adopted by the Board of Trustees, is to protect the future purchasing power of the portfolio while providing a stable amount available from the endowment for spending (see Note 10). At year-end, the difference between the spending amounts appropriated and net income from investments is transferred from or added to net adjusted gains and losses. In 2017 and 2016, these transfers approximated $16,560,450 and $18,069,473, respectively, from net adjusted gains or losses to the individual managed portfolio pool funds.

An allocable portion of the administrative costs relating to the pooled investments held by the Foundation is reimbursed from the investment pools. The costs of providing investment and other administrative activities have been reported on a functional basis. Accordingly, certain costs have been allocated among the individual funds, both restricted and unrestricted.

The Foundation records investments in equity securities with a readily determinable fair market value and all investments in debt securities at fair values with gains and losses included in the statements of activities. The Foundation reports investments in securities at published or confirmed market values. Fair values for certain alternative investments, including private equity and real estate, are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and methods that are reviewed by the Foundation's Investment Committee.

1. Summary of Significant Accounting Policies, Continued:

Management Fees: Investment income on the operating pool and managed portfolio pooled investments is reported net of identifiable management fees based on information provided by the investment managers.

Life Income Investments: Gifts in which the Foundation has an irrevocable interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily restricted based on the donor stipulations and reported as life income investments. Upon termination of the life interests in the trust, the remainder will be distributed to the Foundation. The life income investments are valued using present value and actuarial techniques to estimate present value of expected future cash flows.

Property and Equipment: Property and equipment are recorded at cost for purchased items and at fair value for contributed items. Acquisitions of fixed assets with a cost less than $5,000 are expensed as acquired. Management believes that this policy has an immaterial effect on the Foundation's financial statements.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Useful lives range between three and thirty-nine years.

Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate of 2.84 percent and 2.30 percent at June 30, 2017 and 2016, respectively. Amortization of the discount is included in contributions revenue. Net pledges receivable, included in other assets in the accompanying statements of financial position, include the following unconditional promises to give (both temporarily and permanently restricted) as of June 30 (in thousands):

	2017	2016
Amounts due in:		
Less than one year	$ 11,451	$ 9,793
One to five years	12,203	14,789
More than five years	1,110	2,220
Less - allowance for uncollectibles and discount to present value	(2,071)	(1,877)
	$ 22,693	$ 24,925

1. Summary of Significant Accounting Policies, Continued:

Agency Accounts: Agency accounts represent funds received and held by the Foundation as a fiscal agent for others. These funds are entrusted to the Foundation only for the purpose of receiving, holding and disbursing them according to the restriction of the donor. Expenses and investment income, including investment gains and losses, related to these accounts are not included in the statements of activities.

Split-Interest Agreements: Certain donors have contributed assets to the Foundation and in exchange the donor or other beneficiaries will receive a fixed amount or percentage of assets over their lifetime. The present values of these commitments are liabilities and are classified as obligations under split interest agreements in the accompanying statements of financial position. To determine the actuarial liability, discount rates from 1.2 percent to 9.6 percent were used in 2017 and 5.7 percent to 12.9 percent were used in 2016. The related assets were classified in the managed portfolio pooled investments in the accompanying statements of financial position.

Net Assets: The Foundation classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets represent the accumulated expendable net income earned on contributions that have not been restricted by donor stipulations. Unrestricted net assets also include the Foundation's real and personal property, as well as, board designated net assets. Board designated net assets represent contributions with no donor stipulations as to their purpose which the Foundation's Board of Trustees has invested to provide income for a long but unspecified period of time. Income from board designated net assets is used to support the various programs of the Foundation, including the servicing of the bond obligation. Income earned from Board designated net assets and used to pay interest expense on the bond obligation amounted to $297,971 and $351,832 during 2017 and 2016, respectively.

Temporarily restricted net assets are contributions with donor-imposed time or purpose restrictions. Temporarily restricted net assets also include contributions with donor stipulations as to their purposes that the Foundation's Board of Trustees has invested to provide income for a long but unspecified period of time. The income provided from these long-term investments is used in accordance with the donor-specified purposes. Temporarily restricted net assets become unrestricted when the time restrictions expire or when the funds are used for their restricted purposes, and are reported in the statements of activities as net assets released from restrictions.

1. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: Permanently restricted net assets represent endowments to be held in perpetuity. Income from permanently restricted net assets is temporarily restricted until used in accordance with donor stipulations. These donor stipulations generally provide that unexpended temporarily restricted income is managed in accordance with the Foundation's investment policy, which provides that income from endowments in excess of budgetary requirements may be added to the endowment principal. For financial reporting, income in excess of budgetary needs is transferred between temporarily restricted, unrestricted and permanently restricted net assets. These transferred amounts were $2,742,421 and $2,712,226 for the years ended June 30, 2017 and 2016, respectively, and are included in net assets transferred / reinvested in the accompanying statements of activities. Income from perpetual endowments that have no donor stipulations is expended for Foundation purposes at the direction of the Board of Trustees.

Classification by Individual Fund: Foundation accounts are established by donors to support specific purposes, such as scholarships, research, or faculty positions. These accounts are identified as individually named funds. Perpetual endowment and long-term investment funds may bear a commemorative name assigned by the donor(s). Contributions for current purposes will be expended in their entirety over a finite period of time and are generally not assigned a commemorative name.

Revenue Recognition: The Foundation reports contributions as support when they are received or pledged by the donor. The Foundation reports restricted contributions as temporarily restricted support if they are restricted for use in a subsequent year or for a specific program. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Contributed Services: A substantial number of unpaid volunteers make significant contributions of their time to enhance the Foundation's programs. Contributed services received should be recognized if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. The value of this contributed time is not reflected in these financial statements since it is not subject to objective measurement or valuation and does not meet the stated criteria.

Subsequent Events: Management has evaluated subsequent events through August 28, 2017, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

2. Tax Status:

The Foundation has qualified as an exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2017 and 2016. The Foundation is not currently under audit by any tax jurisdiction.

3. Long-Term Investments:

Long-term investments in the managed portfolio are composed of the following as of June 30 (in thousands):

	2017		2016	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 14,860	$ 14,789	$ 6,241	$ 6,241
Equities	50,668	72,619	49,357	61,489
Fixed income	31,750	32,422	33,856	35,424
Alternative investments	246,677	302,127	251,821	268,258
	$ 343,955	$ 421,957	$ 341,275	$ 371,412

Long-term investments in the operating pool are composed of the following as of June 30 (in thousands):

	2017		2016	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 5,935	$ 5,935	$ 2,951	$ 2,951
Equities	9,555	11,699	11,221	12,262
Fixed income	57,120	56,668	54,374	54,407
	$ 72,610	$ 74,302	$ 68,546	$ 69,620

3. Long-Term Investments, Continued:

Realized and unrealized gains (losses) on investments are as follows for the years ended June 30 (in thousands):

	2017	2016
Net realized gain (loss) on sales of investments	$ 5,066	$ (3,881)
Net unrealized gain (loss) on market value of investments	52,326	(18,088)
	$ 57,392	$ (21,969)

4. Other Assets:

Other assets are as follows at June 30 (in thousands):

	2017	2016
Net pledges receivable	$ 22,693	$ 24,925
Life income investments	2,338	2,253
Student loans receivable	13	23
Property and equipment, net of $1,020 and $946, respectively, of accumulated depreciation	1,826	1,796
Life insurance receivables	451	569
Other assets	555	526
	$ 27,876	$ 30,092

The Foundation is a remainder beneficiary of several irrevocable charitable remainder unitrust agreements ("Unitrusts"), which are included as a component of life income investments in the table above. Under the agreements, the assets of the trust are contributed to the Foundation upon the death of the donor and/or donor's spouse. Such Unitrust assets are held and maintained by third-party trustees until such time arises. Unitrusts generally pay an annual benefit to the trust grantors throughout their lives based on a percentage of the fair value of the trust's assets each year as defined by the trust agreement.

5. Fair Value Measurements:

Financial Accounting Standards Board ("FASB") guidance on fair value measurements establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. Investments that are included in this category generally include investments in limited partnerships and limited liability corporations.

5. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017, include the following (in thousands):

	Fair Value Using			Assets / liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
Investments:				
Cash and cash equivalents	$ 20,725	$ -	$ -	$ 20,725
Equities:				
Large cap	36,846	37,996	-	74,842
Preferred	726	-	-	726
Small cap	8,750	-	-	8,750
Fixed income:				
Corporate bonds	-	16,091	-	16,091
U.S. government obligations	10,644	54,147	-	64,791
Mortgage & asset-backed securities	-	8,208	-	8,208
Alternative investments:				
Hedged equity funds:				
Long only equity	-	-	39,426	39,426
Long/Short equity	-	-	69,379	69,379
Multi-strategy	-	-	64,965	64,965
International	-	19,505	52,232	71,737
Private equity	-	-	40,768	40,768
Real estate funds	-	-	15,851	15,851
Total investments	77,691	135,947	282,621	496,259
Pledges receivable	-	-	22,693	22,693
Life income investments	-	-	2,338	2,338
Student loans receivable	-	-	13	13
Total	$ 77,691	$ 135,947	$ 307,665	$ 521,303
Agency assets / liabilities	$ -	$ 1,347	$ -	$ 1,347
Obligations under split-interest agreements	$ -	$ 1,885	$ -	$ 1,885

MEDICAL COLLEGE OF VIRGINIA FOUNDATION

Notes to Financial Statements, Continued

5. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2016, include the following (in thousands):

	Fair Value Using			Assets / liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
Investments:				
Cash and cash equivalents	$ 9,192	$ -	$ -	$ 9,192
Equities:				
Large cap	25,985	36,142	-	62,127
Preferred	639	-	-	639
Small cap	10,985	-	-	10,985
Fixed income:				
Corporate bonds	-	16,871	-	16,871
U.S. government obligations	14,320	57,379	-	71,699
Mortgage & asset-backed securities	-	1,261	-	1,261
Alternative investments:				
Hedged equity funds:				
Long only equity	-	-	31,440	31,440
Long/Short equity	-	-	70,967	70,967
Multi-strategy	-	-	67,758	67,758
International	-	15,603	42,061	57,664
Private equity	-	-	24,713	24,713
Real estate funds	-	-	15,716	15,716
Total investments	61,121	127,256	252,655	441,032
Pledges receivable	-	-	24,925	24,925
Life income investments	-	-	2,253	2,253
Student loans receivable	-	-	23	23
Total	$ 61,121	$ 127,256	$ 279,856	$ 468,233
Agency assets / liabilities	$ -	$ 1,215	$ -	$ 1,215
Obligations under split-interest agreements	$ -	$ 2,042	$ -	$ 2,042

5. Fair Value Measurements, Continued:

The following table provides a reconciliation between the beginning and ending balances of assets measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3) (in thousands):

	Alternative Investments	Pledges Receivable	Student Loans Receivable	Life Income Investments
Balance at June 30, 2015	$ 276,987	$ 17,191	$ 37	$ 3,437
Purchases	39,758	-	-	-
Distributions	(43,339)	-	-	-
Investment loss, net of investment expenses	(1,470)	-	-	-
Net realized and unrealized loss on investments	(19,281)	-	-	-
Change in allowance and discount	-	(163)	-	-
Change in beneficial interest in trusts	-	-	-	(1,184)
New pledges	-	17,823	-	-
Payments on pledges / loans (net)	-	(9,926)	(14)	-
Balance at June 30, 2016	252,655	24,925	23	2,253
Purchases	21,896	-	-	-
Distributions	(33,355)	-	-	-
Investment loss, net of investment expenses	(1,379)	-	-	-
Net realized and unrealized gain on investments	42,804	-	-	-
Change in allowance and discount	-	(194)	-	-
Change in beneficial interest in trusts	-	-	-	85
New pledges	-	5,451	-	-
Payments on pledges / loans (net)	-	(7,489)	(10)	-
Balance at June 30, 2017	$ 282,621	$ 22,693	$ 13	$ 2,338

5. Fair Value Measurements, Continued:

The Foundation's Level 2 and Level 3 investments are subject to restrictions on the frequency of redemptions. At June 30, 2017, the redemption limits and related amounts were as follows (in thousands):

Redemption Limit	
Daily	$ 128,241
Monthly	47,345
Quarterly	103,147
Semi-annually	38,370
Annually	42,208
Upon sale of investment property	59,257
	$ 418,568

At June 30, 2017 and 2016, the Foundation had unfunded commitments to Property Holdings III, LLC, Property Holdings V, LLC, Property Holdings VI, LLC, Elliott Management, Stonelake, Redwood Drawdown, and Bespoke Private Strategies of $51,485,824 and $46,827,146, respectively.

6. Debt Service Obligation:

On September 15, 2003, the Foundation entered into the Massey Cancer Center Development and Financing Agreement (the "Agreement") with Virginia Commonwealth University ("VCU"). The Agreement set forth the plan for the construction of an addition to the Massey Cancer Center and the financing mechanisms to be used to fund the construction. Included in the financing were tax-exempt general revenue pledge bonds in the amount of $13,500,000 that were issued by Virginia College Building Authority. VCU is responsible for fulfilling the debt service requirements of the bonds; however, in the Agreement, the Foundation unconditionally agreed to pay to VCU an amount equal to all debt service on the bonds in semi-annual installments. During 2017 and 2016, total debt service payments, including interest, amounted to $996,084 and $998,672, respectively.

6. Debt Service Obligation, Continued:

The present values of future maturities of the debt service obligation are as follows as of June 30, 2017 (in thousands):

Year	Amount
2018	$ 695
2019	730
2020	770
2021	810
2022	850
Thereafter	2,820
	$ 6,675

7. Restricted Net Assets:

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of June 30 (in thousands):

	2017	2016
Support of current operations in MCV schools and departments	$ 75,178	$ 70,131
Available to be released from donor restrictions by satisfying the restricted purpose	6,226	5,497
Principal designated for investment to support donor-restricted purpose	94,676	84,458
Present value of pledges receivable	9,355	10,426
Unrealized gains on permanently restricted net assets	50,770	31,126
	$ 236,205	$ 201,638

7. Restricted Net Assets, Continued:

Temporarily Restricted, Continued

During 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time releasing time restrictions as follows (in thousands):

	2017	2016
Faculty salaries and support	$ 4,317	$ 3,945
Education, research, and general	15,879	19,440
Scholarships and awards	2,173	2,683
Indigent patient care	117	115
Other program services, net and equipment purchases	2	3
	$ 22,488	$ 26,186

Permanently Restricted

Income from permanently restricted net assets is used to support the various programs of the Foundation (see Note 10). For 2017 and 2016, income released amounted to $308,301 and $351,810, respectively.

8. Other Matters:

Contributions totaling $1,158,630 and $1,483,265 were received during 2017 and 2016, respectively, from certain related-party private practice groups to be used for the benefit of specific departments of MCV with $881,269 and $1,369,916 included in temporarily restricted funds and $277,361 and $113,349 in permanently restricted funds, respectively.

8. Other Matters, Continued:

The Foundation incurred expenses during 2017 and 2016 to support programs as follows:

	2017	2016
Purpose restrictions accomplished:		
Faculty salaries and support	$ 4,638	$ 4,262
Education, research, and general	16,317	20,122
Scholarships and awards	2,199	2,683
Indigent patient care	117	115
Other program services and equipment purchases	300	354
	$ 23,571	$ 27,536

The Foundation incurred fundraising expenses of $520,411 and $539,716 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in general and administrative expense.

The Foundation has an institutional advisory services agreement with an investment advisory firm partially owned by one of its board members. The Foundation paid $662,082 and $664,332 in 2017 and 2016, respectively, under this agreement to the investment advisory firm. A member of the advisory firm is also a Board member of the Foundation, but does not participate in investment decisions on behalf of the Foundation.

9. Retirement Plan:

Effective July 1, 2008, the Foundation established a 401(k) Plan (the “Plan”) to provide retirement benefits to its employees. Employees may contribute up to 100% of their annual compensation to the Plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for a safe harbor non-elective contribution equal to 5% of each employee’s compensation to be made on an annual basis. All safe harbor non-elective contributions, discretionary matching and profit sharing contributions vest immediately. During 2016, the Foundation approved the increase of the safe harbor contribution from 3% to 5% and the Plan was amended to include this change upon the renewal on January 1, 2017. The Foundation made profit sharing contributions of $81,684 for the year ended June 30, 2017 and has $2,834 accrued as of June 30, 2017. The Foundation made profit sharing contributions of $68,212 for the year ended June 30, 2016.

10. Endowment Funds:

At June 30, 2017 and 2016, the Foundation's endowment consists of 973 and 951, respectively, individual named funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the cost basis of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, plus any amounts reinvested into the fund through the Foundation's reinvestment process. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) reinvestment of income earned on the fund, but not spent as of the end of the fiscal year. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

10. Endowment Funds, Continued:

Endowment Investing and Spending Policies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Foundation's spending and investment policies work together to achieve this objective. The Board of Trustees has concluded that payout amounts will equal 70% of the previous year's spending amount, adjusted for inflation by the Higher Education Price Index (HEPI) for the twelve months prior to the start of the fiscal year. In addition, 30% will be equal to 4.5 percent of the trailing three-year average market value of the endowment investment pool. Distributions of this spending amount are based upon the number of units of participation assigned to individual funds in the pool and adjusted for gifts received in the previous fiscal year. Spending on gifts received in the previous fiscal year receive a pro-rated amount based on the number of whole months each gift was included in the fund.

At year-end, the difference between the spending amounts appropriated and net income from investments is transferred from or added to net adjusted gains and losses.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Funds with Deficits: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were ($967,511) and ($3,956,941) as of June 30, 2017 and 2016, respectively. These deficiencies resulted largely from unfavorable market fluctuations that occurred after the establishment of the endowments.

10. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2017 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (968)	$ 50,770	$ 219,188	$ 268,990
Board-designated funds	33,988	-	-	33,988
Total funds	$ 33,020	$ 50,770	$ 219,188	$ 302,978

Changes in endowment net assets were as follows for the year ended June 30, 2017 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,526	$ 31,126	$ 208,994	$ 265,646
Investment return	8,937	19,644	-	28,581
Contributions and other income	41	-	7,760	7,801
Allocated income (payout)	-	15,947	-	15,947
Appropriation of endowment assets for expenditure	(1,484)	(13,205)	(308)	(14,997)
Reinvestments	-	(2,742)	2,742	-
Endowment net assets, end of year	$ 33,020	$ 50,770	$ 219,188	$ 302,978

10. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2016 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,957)	$ 31,126	$ 208,994	$ 236,163
Board-designated funds	29,483	-	-	29,483
Total funds	$ 25,526	$ 31,126	$ 208,994	$ 265,646

Changes in endowment net assets were as follows for the year ended June 30, 2016 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 33,420	$ 54,728	$ 184,755	$ 272,903
Investment loss	(6,331)	(22,889)	-	(29,220)
Contributions and other income	21	-	21,879	21,900
Allocated income (payout)	-	15,339	-	15,339
Appropriation of endowment assets for expenditure	(1,584)	(12,646)	(352)	(14,582)
Transfers	-	(694)	-	(694)
Reinvestments	-	(2,712)	2,712	-
Endowment net assets, end of year	$ 25,526	$ 31,126	$ 208,994	$ 265,646

11. Commitments and Contingencies:

The Foundation entered into a contract on May 6, 2016 for a software package and conversion in the amount of $207,411. As of June 30, 2017, work had been performed and either paid or accrued in the amount of $156,538, leaving a remaining balance on the contract of $50,873.

From time to time, the Foundation is involved in litigation that it considers to be in the normal course of business. The Foundation is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition or results of operations.

12. Indemnification:

The 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.

13. New Accounting Guidance:

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds

- Requires all not-for-profits to provide expenses by nature and function

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Foundation has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

13. New Accounting Guidance, Continued:

In May 2015, FASB issued ASU No. 2015-07, “Disclosure for Investments in Certain Entities that Calculated Net Asset Value per Share (or Its Equivalent)”, which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured using net asset value per share as a practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Foundation has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Virginia Commonwealth University School of Engineering Foundation

Financial Statements

June 30, 2017

Virginia Commonwealth University School of Engineering Foundation

Virginia Commonwealth University
School of Engineering Foundation

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3 - 4
Statement of activities and changes in net assets	5
Statements of cash flows	6 - 7
Notes to financial statements	8 - 22

Independent Auditor's Report

Board of Trustees
Virginia Commonwealth University School of Engineering Foundation
Richmond, Virginia

Report on the Financial Statements
We have audited the accompanying financial statements of Virginia Commonwealth University School of Engineering Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Commonwealth University School of Engineering Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Statements

We have previously audited the Foundation's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Petersburg, Virginia
September 22, 2017

Virginia Commonwealth University School of Engineering Foundation

Statement of Financial Position
June 30, 2017, with Comparative Totals as of June 30, 2016

				Totals	
Assets	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**2017**	2016
Cash and cash equivalents	**$ 2,920,282**	**$ 176,048**	**$ -**	**$ 3,096,330**	$ 3,526,524
Contributions receivable, less allowance for uncollectible receivable 2017 $62,710; 2016 $8,052	**513,057**	**4,029,300**	**1,666,011**	**6,208,368**	805,312
Investments	**47,895,231**	**12,865,321**	**13,067,464**	**73,828,016**	70,272,876
Interfund obligations	**(140,399)**	**124,710**	**15,689**	**-**	-
Cash surrender value of life insurance	**397,093**	**-**	**-**	**397,093**	413,941
Prepaid expenses and other assets	**14,389**	**-**	**-**	**14,389**	11,016
Real estate, net of accumulated depreciation 2017 $30,027,593; 2016 $27,731,003	**38,970,089**	**-**	**-**	**38,970,089**	41,266,679
Fixed assets, net of accumulated depreciation 2017 $14,426; 2016 $9,792	**19,405**	**-**	**-**	**19,405**	21,645
Land	**1,057,317**	**-**	**-**	**1,057,317**	3,112,659
Land held for university purposes	**2,800,000**	**-**	**-**	**2,800,000**	2,800,000
Total assets	**$ 94,446,464**	**$ 17,195,379**	**$ 14,749,164**	**$ 126,391,007**	$ 122,230,652

(continued)

Virginia Commonwealth University School of Engineering Foundation

Statement of Financial Position (continued)
June 30, 2017, with Comparative Totals as of June 30, 2016

Liabilities and Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
Liabilities					
Accounts payable and other liabilities	**$ 246,902**	**$ 121,634**	**$ 14,717**	**$ 383,253**	$ 39,468
Accrued interest payable	**134,585**	**-**	**-**	**134,585**	159,712
Notes payable, line of credit	**1,723,354**	**-**	**-**	**1,723,354**	4,216,530
Due to Virginia Commonwealth University, net of unamortized debt issuance costs	**44,930,568**	**-**	**-**	**44,930,568**	50,730,929
Deposits held for Virginia Commonwealth University	**-**	**6,625,431**	**-**	**6,625,431**	6,221,158
Accrued contributions to Virginia Commonwealth University	**22,436,248**	**-**	**-**	**22,436,248**	24,441,386
Total liabilities	**69,471,657**	**6,747,065**	**14,717**	**76,233,439**	85,809,183
Net Assets	**24,974,807**	**10,448,314**	**14,734,447**	**50,157,568**	36,421,469
Total liabilities and net assets	**$ 94,446,464**	**$ 17,195,379**	**$ 14,749,164**	**$ 126,391,007**	$ 122,230,652

See Notes to Financial Statements

Virginia Commonwealth University School of Engineering Foundation

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
Operating Revenue					
Contributions	**$ 181,157**	**$ 7,404,292**	**$ 2,141,080**	**$ 9,726,529**	$ 960,965
Rental income	**3,203,533**	**-**	**-**	**3,203,533**	3,188,564
Miscellaneous	**17,360**	**-**	**-**	**17,360**	17,153
Net assets released from restrictions	**2,182,978**	**(2,182,978)**	**-**	**-**	-
Total operating revenue	**5,585,028**	**5,221,314**	**2,141,080**	**12,947,422**	4,166,682
Operating Expenses					
Distributions to and in support of Virginia Commonwealth University	**2,076,333**	**-**	**-**	**2,076,333**	1,240,193
Contribution to Virginia Commonwealth University	**1,151,257**	**-**	**-**	**1,151,257**	1,244,960
Depreciation and amortization	**2,301,223**	**-**	**-**	**2,301,223**	2,300,994
Interest expense	**1,615,148**	**-**	**-**	**1,615,148**	1,722,383
Interest expense, amortization of debt issuance costs	**87,456**	**-**	**-**	**87,456**	88,123
Life insurance expense, net	**44,740**	**-**	**-**	**44,740**	36,084
Professional fees	**95,719**	**-**	**-**	**95,719**	21,177
Other expenses	**560,938**	**-**	**-**	**560,938**	287,362
Bad debt expense	**38,815**	**-**	**-**	**38,815**	693
Total operating expenses	**7,971,629**	**-**	**-**	**7,971,629**	6,941,969
Operating changes in net assets	**(2,386,601)**	**5,221,314**	**2,141,080**	**4,975,793**	(2,775,287)
Other Changes In Net Assets					
Investment return (loss)	**6,392,234**	**2,005,597**	**-**	**8,397,831**	(4,578,568)
Contribution of real estate to Virginia Commonwealth University	**(2,055,342)**	**-**	**-**	**(2,055,342)**	-
Gain on sale of life insurance policy	**-**	**-**	**-**	**-**	2,230,539
Unrealized gain (loss) on interest rate swap agreement	**2,417,817**	**-**	**-**	**2,417,817**	(1,452,403)
Changes in net assets	**4,368,108**	**7,226,911**	**2,141,080**	**13,736,099**	(6,575,719)
Net assets, beginning	**20,606,699**	**3,221,403**	**12,593,367**	**36,421,469**	42,997,188
Net assets, ending	**$ 24,974,807**	**$ 10,448,314**	**$ 14,734,447**	**$ 50,157,568**	$ 36,421,469

See Notes to Financial Statements

Virginia Commonwealth University School of Engineering Foundation

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	**$ 13,736,099**	$ (6,575,719)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	**2,301,223**	2,300,994
Interest expense, amortization of debt issuance costs	**87,456**	88,123
Provision for bad debt expense	**38,815**	693
Unrealized (gain) loss on interest rate swap agreement	**(2,417,817)**	1,452,403
Net realized gains on investment transactions	**(894,173)**	(1,213,173)
Net unrealized (gains) losses on investments	**(7,493,415)**	5,806,662
Gain on sale of life insurance policy	**-**	(2,230,539)
Contribution of real estate to Virginia Commonwealth University	**2,055,342**	-
Permanently restricted contributions	**(2,141,080)**	(5,819)
Donated securities	**(996,224)**	(6,493)
Changes in operating assets		
Contributions receivable	**(3,939,974)**	128,644
Prepaid expenses and other assets	**(3,373)**	(346)
Cash value of life insurance	**16,848**	8,193
Changes in operating liabilities		
Accounts payable	**343,785**	(35,307)
Accrued interest payable	**(25,127)**	337
Accrued contributions to Virginia Commonwealth University	**(2,005,138)**	(1,911,434)
Net cash (used in) operating activities	**(1,336,754)**	(2,192,781)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**6,594,445**	3,631,599
Proceeds from sale of life insurance policy	**-**	2,760,000
Purchase of property and equipment	**(2,393)**	(5,000)
Proceeds remitted to Virginia Commonwealth University on deposits held	**(361,499)**	(358,754)
Net cash provided by investing activities	**6,230,553**	6,027,845
Cash Flows from Financing Activities		
Receipt of permanently restricted contributions	**639,183**	34,582
Net advances (repayment) on line of credit	**(2,493,176)**	1,505,000
Payments to Virginia Commonwealth University under financing agreements	**(3,470,000)**	(3,380,000)
Increase in loan costs	**-**	(2,000)
Net cash (used in) financing activities	**(5,323,993)**	(1,842,418)
Net change in cash and cash equivalents	**(430,194)**	1,992,646
Cash and cash equivalents, beginning	**3,526,524**	1,533,878
Cash and cash equivalents, ending	**$ 3,096,330**	$ 3,526,524
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	**$ 1,640,275**	$ 1,722,046

(continued)

Virginia Commonwealth University School of Engineering Foundation

Statements of Cash Flows (continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Supplemental Schedule of Noncash Operating Activities		
Increase (decrease) in deposits held for Virginia Commonwealth University		
Increase (decrease) in deposits held for Virginia Commonwealth University	**$ 404,273**	$ (805,754)
Net unrealized (gains) losses on investments held for Virginia Commonwealth University	**(683,396)**	565,043
Net realized gains on investments held for Virginia Commonwealth University	**(82,376)**	(118,043)
Cash remitted to Virginia Commonwealth University	**$ (361,499)**	$ (358,754)
Decrease in amounts due to Virginia Commonwealth University		
Decrease in amounts due to Virginia Commonwealth University	**$ (5,800,361)**	$ (1,839,474)
Amortization of debt issuance costs	**(87,456)**	(88,123)
Net unrealized gain (loss) on interest rate swap agreement	**2,417,817**	(1,452,403)
Cash remitted to Virginia Commonwealth University	**$ (3,470,000)**	$ (3,380,000)

See Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization
Virginia Commonwealth University School of Engineering Foundation (the Foundation), organized May 16, 1995, is a Virginia corporation which functions as a nonprofit charitable foundation solely to assist and support Virginia Commonwealth University.

The sole purpose of the Foundation is to provide financial and other support to the School of Engineering for the benefit of Virginia Commonwealth University. All expenses incurred by the Foundation support this activity and are, therefore, deemed to be program service expenses.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting
The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Comparative financial statements
These financial statements include summarized comparative prior-year information in the statement of financial position and statement of activities and changes in net assets. Prior-year information is not presented by net class and does not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016.

Cash and cash equivalents
For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Foundation, at times, may have cash in excess of insured limits. The Foundation's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2017, the Foundation had cash balances and cash investments that exceeded insurance limits. The Foundation has not experienced any losses on such accounts.

Contributions receivable
Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promises are received or paid. Amortization of the discounts is included in contribution revenue or expense. Conditional promises to give are not included in support or expenses until the conditions are substantially met. The

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

Investments

Investments in all debt securities and equity securities with readily determinable market values are recorded at fair value based on quoted market prices. Alternative investments include investments in limited partnerships and limited liability corporations (hedge funds, private equity, and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost, or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2017. However, alternative investments are not marketable and some of the alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed for these alternative investments. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements as unrealized gain (loss) on investments. Actual gains or losses are dependent upon the general partners' distributions during the life of each partnership.

Net Asset Value (NAV) is used as a practical expedient for certain commingled funds, privately held investments, and securities held in partnership format for which a readily determinable fair value is not available, unless the Foundation believes such NAV calculation is not measured in accordance with fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of the Foundation.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).* The guidance removes the requirement to make certain disclosures and categorize with the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The Foundation elected to early adopt the provision of Update No. 2015-07 and applied the provisions beginning with fiscal year 2016.

Debt issuance costs

Debt issuance costs are being amortized over the corresponding lives of the bonds which are 7 - 24 years. Accumulated amortization was $818,394 at June 30, 2017.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Fixed assets
Acquisitions of fixed assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The estimated useful lives of these assets are between five and seven years.

Real estate
Acquisitions of real estate are recorded at cost or, if donated, at fair market value at the time of the donation. 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 useful lives of these properties are between 10 to 30 years.

Land held for university purposes
The Foundation periodically receives donated land and property. Real estate is valued at the fair value at the time of the donation.

Hedging derivatives
The November 2005 financing agreement between the Foundation and Virginia Commonwealth University, to fund the School of Engineering Project – Phase II, contains an interest rate swap agreement. Under the agreement, the University is the counterparty to the swap agreement. The Foundation recorded a liability for the debt service due to the University that includes principal and interest on the Bonds and payments due under the swap agreement attributable to the Bonds. The Foundation records changes in fair value of the swap derivative in current-period changes in net assets and an adjustment to the liability due to the University.

Revenue recognition
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received and investment income earned, that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily or permanently restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Reclassifications
Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

In-kind contributions
In-kind contributions, when received or pledged, are recorded as revenue and expense in the accompanying financial statements. These contributions could consist of land, buildings, equipment, investment securities, and gifts-in-kind.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Unrestricted net assets

The Foundation reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Trustees to support the Foundation's purpose and operations. As of June 30, 2017, the Board of Trustees designated a portion of unrestricted net assets to support the goals of the VCU School of Engineering.

Temporarily restricted net assets

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement. Temporarily restricted net assets at June 30, 2017 consist of contributions restricted by donor designation to support individual departments and specific initiatives with the VCU School of Engineering.

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. At June 30, 2017, the income from these permanently restricted net assets may be used in support of the VCU School of Engineering including scholarships, endowed chairs, and other school-related programs.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Measure of operations

The Foundation reports as change in net assets from operations all activities, except for investment income or loss and the change in value of the interest rate swap agreement.

Deposits held for Virginia Commonwealth University

Deposits held for Virginia Commonwealth University are transactions in which the Foundation accepts assets that are held for investment purposes and in which all income earned net of expenses are owned by Virginia Commonwealth University.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes

The Foundation is exempt from Federal income taxes as an organization rather than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as a foundation rather than a private foundation under Section 509(a)(1).

Management has concluded that the Foundation had no significant financial exposure to uncertain tax positions as of June 30, 2017. The tax years of 2014 to 2016 remain subject to examination by the taxing authorities.

The Foundation includes penalties and interest assessed by income taxing authorities in operating expenses. The Foundation did not have penalties and interest expenses for the year ended June 30, 2017.

New accounting pronouncement

During the current year, the Organization retrospectively adopted the requirements of Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs,* to present debt issuance costs as a reduction of the carrying amount of debt rather than as an asset. Amounts due to Virginia Commonwealth University as of June 30, 2016 was previously reported on the statement of financial position as $51,331,634, with the associated $600,705 unamortized debt issuance costs included in bond issuance costs. Amortization of debt issuance costs is now reported as interest expense in the accompanying statement of activities.

Note 2. Contributions Receivable

Contributions receivable as of June 30, 2017 are expected to be received as follows:

Receivable in less than one year	**$2,156,672**
Receivable in one to seven years	**4,383,388**
	6,540,060
Less discount	**(268,982)**
Less allowance for uncollectible receivables	**(62,710)**
	$6,208,368

Discount rates of between 0.10% to 1.89% were used in determining the present value of the contributions receivable.

Note 3. Investments

Assets of various funds are pooled for investment purposes. Equity of individual funds in the pooled investments is maintained using the "market value method". Under the market value method, units of participation are assigned when dollars enter the pool based upon the most recently determined market value of units. The market value of units of participation is calculated monthly.

The investments as of June 30, 2017 are held as follows:

	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Alternative investments	$ 32,670,252	$ 73,828,016	$ -	$ 41,157,764

The investments as of June 30, 2017 are held as follows:

Pooled investments	$ 73,828,016

The number of units of participation in the pooled investments at June 30, 2017 was 1,127,187.7524, with a $65.497532 value per unit.

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest income	$ 8,364	$ 1,879	$ -	$ 10,243
Net realized gains	678,169	216,004	-	894,173
Net unrealized gains	5,705,701	1,787,714	-	7,493,415
Total investment return	$ 6,392,234	$ 2,005,597	$ -	$ 8,397,831

Note 4. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Note 4. Fair Value Measurements (Continued)

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The classification of investments by level within the valuation hierarchy as of June 30, 2017 is as follows:

	Fair Value Measurements at Reporting Date Using				
	June 30, 2017	Level 1	Level 2	Level 3	Measured at NAV
Assets					
Alternative investments:					
International fund	$ 24,186,417	$ -	$ -	$ -	$ 24,186,417
Hedged equity funds:					
Long/short equity	49,641,599	-	-	41,959,584	7,682,015
	$ 73,828,016	$ -	$ -	$ 41,959,584	$ 31,868,432
Liabilities					
Interest rate swap	$ 4,718,817	$ -	$ 4,718,817	$ -	$ -

The reconciliation of activity for Level 3 investments for fiscal year 2017 is as follows:

Level 3 Assets	Hedged Equity Long/Short Equity
Beginning balance at July 1, 2016	$ 41,635,061
Change in unrealized gains	2,824,523
Sales and other dispositions	(2,500,000)
Ending balance at June 30, 2017	$ 41,959,584

The amount of total unrealized gains for the period included in the statement of activities attributable to the Level 3 assets still held at June 30, 2017 is $2,824,523.

Note 4. Fair Value Measurements (Continued)

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments, unless noted. Management is not aware of any factors that would impact net asset value as of June 30, 2017.

The following table sets forth a summary of the Foundation's assets valued at net asset value per share, or its equivalent, as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International fund	**$ 24,186,417**	**$ -**	**Monthly**	**60 days**
Long/short equity	**7,682,015**	**-**	**N/A**	**N/A**
	$ 31,868,432	**$ -**		

International fund
Investments include managers who invest exclusively in long/short equity hedge funds. Those fund managers hold widely diversified portfolios and employ a multi-strategy approach to choosing investments. The fair value of these investments has been estimated using the net asset value per share of the investments.

Hedged equity long/short funds
Multi-manager investments which focus primarily on long and short equity positions and other U. S. and non-U. S. equity-related and debt-related investments. The fair value of this investment has been estimated using the net asset value per share of the investment.

The Foundation's other financial instruments not measured at fair value on a recurring basis include contributions receivable, accounts payable, accrued liabilities, deposits held for Virginia Commonwealth University, and amounts due to Virginia Commonwealth University for debt service and are reflected in the financial statements at cost. Cost approximates fair value for these items.

Note 5. School of Engineering Project – Phase I

The Foundation entered into a project development and financing agreement with Virginia Commonwealth University for purposes of constructing a facility to house the School of Engineering. Under the terms of this agreement, the Foundation was to construct the facility using funds advanced from a Virginia Commonwealth University bond issue. Upon completion of the facility, the two parties entered into a lease whereby the Foundation

Note 5. School of Engineering Project – Phase I (Continued)

would lease the property to Virginia Commonwealth University for $1 annually with Virginia Commonwealth University being responsible for all operating costs. The original lease term began August 1998 and terminates on May 1, 2021. The lessee has the option to renew this lease for three additional consecutive terms of ten, five and five years, respectively. Upon the expiration of the initial lease term or any exercised renewal options, Virginia Commonwealth University may purchase the property from the Foundation at a price equal to the greater of the Foundation's original cost or the Foundation's share of the property's fair market value.

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made,* the Foundation has recorded, as a liability, an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the $1 annual rent payments due under the lease. A discount rate of 5.22% was used in determining the present value of the promise to give. Rental income in the amount of $1,333,289 for the year ended June 30, 2017, with the corresponding reduction in the present value of the accrued contributions is included in the caption, "Support to Virginia Commonwealth University." At June 30, 2017, the estimated present value of the future rental value of the facility was $4,522,423 and is included in the caption, "Accrued Contributions to Virginia Commonwealth University."

The Foundation also agreed, as a part of the project development and financing agreement, to make annual payments to Virginia Commonwealth University to cover the debt service on the bonds issued by Virginia Commonwealth University. The original bonds issued carried interest rates from 4.60% to 5.75% and matured from 2000-2021. During the year ended June 30, 2004, Virginia Commonwealth University initiated a refunding plan to retire the remaining original bonds. Since the bonds were not callable until May 1, 2006, the bond proceeds were deposited into an escrow account and invested in government securities until such time as the original bonds could be called. These bonds carried interest rates ranging from 1.50% to 5.00% and matured from 2005-2021. During the year ended June 30, 2014, Virginia Commonwealth University reissued the bond relating to the Foundation's financing agreement, resulting in a modification of the total debt service amount. The Foundation's related liability increased by $200,000 and will be paid to the University over the remaining period of the financing agreement. This liability is included on the accompanying statement of financial position under the caption, "Due to Virginia Commonwealth University." During the year ended June 30, 2017, principal and interest payments in the amount of $1,720,000 and $142,807, respectively, were made to Virginia Commonwealth University under this agreement.

Aggregate principal payments required under the debt service agreement at June 30, 2017 are as follows:

Note 5. School of Engineering Project – Phase I (Continued)

Fiscal Year Ending June 30,	
2018	$1,750,000
2019	1,775,000
2020	1,805,000
2021	1,820,000
Less unamortized debt issuance costs	(264,463)
	$6,885,537

Note 6. School of Engineering Project – Phase II

The Foundation entered into a project development and financing agreement with Virginia Commonwealth University for purposes of constructing an additional facility to house the School of Engineering. Under the terms of this agreement, the Foundation constructed the facility using funds advanced from a Virginia Commonwealth University bond issue. Upon completion of the facility, the two parties entered into a lease whereby the Foundation would lease the property to Virginia Commonwealth University for $1 annually with Virginia Commonwealth University being responsible for all operating costs. The original lease term began January 2008, and terminates on November 1, 2030. The lessee has the option to renew this lease for three additional consecutive terms of ten, five and five years, respectively. Upon the expiration of the initial lease term or any exercised renewal options, Virginia Commonwealth University may purchase the property from the Foundation at a price equal to the greater of the Foundation's original cost or the Foundation's share of the property's fair market value.

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made,* the Foundation has recorded, as a liability, an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the $1 annual rent payments due under the lease. A discount rate of 4.56% was used in determining the present value of the promise to give. Rental income in the amount of $1,823,106 was recorded for the year ended June 30, 2017, with the corresponding reduction in the present value of the accrued contributions included in the caption, "Contribution to Virginia Commonwealth University." At June 30, 2017, the estimated present value of the future rental value of the facility was $17,913,825 and is included in the caption, "Accrued Contributions to Virginia Commonwealth University."

The Foundation agreed, as a part of the project development and financing agreement, to make annual payments to Virginia Commonwealth University to cover the debt service on the bonds issued by Virginia Commonwealth University. During the year ended June 30, 2013, Virginia Commonwealth University reissued the bond relating to the Foundation's financing agreement, resulting in a modification of the total debt service amount. The Foundation's related liability increased by $120,000 and will be paid to the University over

Note 6. School of Engineering Project – Phase II (Continued)

the remaining period of the financing agreement. The debt service due to the bond issue is included on the accompanying statement of financial position under the caption, "Due to Virginia Commonwealth University." During the year ended June 30, 2017, principal and interest payments in the amount of $1,750,000 and $1,440,839, respectively, were made to Virginia Commonwealth University under this agreement.

In conjunction with the issuance of debt, the University entered into a 25-year swap agreement, maturing in 2030. Under the swap, the University is obligated to pay a fixed rate of 3.436% to the swap counterparty in exchange for 67% of the one-month London Interbank Offering Rate. The differential paid or received on the swap agreement is recognized as an adjustment to this liability.

The valuation of the interest rate swap is calculated based on the outstanding notional amount, which is decreasing as amounts under this bond issuance mature. The swap liability presented in the financial statements is based upon the current notional amount outstanding, and it also reflects the market value of the swap which increases or decreases as interest rates change. It is anticipated that the maturity of the bonds under this issuance will not be earlier than November 1, 2030. The interest rate swap is scheduled to mature on November 1, 2030 as well, and at maturity there would be no amounts owed or due back in connection with the swap agreement.

The Foundation reflects the valuation of its financial position in the swap at fair value, with unrealized gains and losses reflected in the statement of activities and changes in net assets.

Aggregate principal payments required under the debt service agreement at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	
2018	$ 1,830,000
2019	1,905,000
2020	1,985,000
2021	2,065,000
2022	2,155,000
Thereafter	23,635,000
Less unamortized debt issuance costs	(248,786)
Swap value, 6/30/2017	4,718,817
	$38,045,031

Note 7. Endowment

The Foundation's endowment consists of approximately 49 individual funds established for purposes which support the Foundation. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant state law

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent from explicit donor stipulations, to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ 3,973,340**	**$ 14,734,447**	**$ 18,707,787**
Board-designated endowment funds	**48,285,936**	**-**	**-**	**48,285,936**
Total endowment funds	**$ 48,285,936**	**$ 3,973,340**	**$ 14,734,447**	**$ 66,993,723**

The following schedule summarizes the net asset composition by type of funds as of June 30, 2017:

Note 7. Endowment (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,973,340	$ 14,734,447	$ 18,707,787
Board-designated endowment funds	48,285,936	-	-	48,285,936
Unrestricted (deficit) funds	(23,311,129)	-	-	(23,311,129)
Temporarily restricted funds	-	6,474,974	-	6,474,974
Total net assets	$ 24,974,807	$ 10,448,314	$ 14,734,447	$ 50,157,568

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 51,670,664	$ 2,912,970	$ 12,593,367	$ 67,177,001
Investment return:				
Investment income	6,126	2,067	-	8,193
Net appreciation, realized and unrealized	6,393,459	1,897,833	-	8,291,292
Total investment return	6,399,585	1,899,900	-	8,299,485
Contributions	-	-	2,141,080	2,141,080
Appropriation of endowment assets for expenditure	(10,065,403)	(839,530)	-	(10,904,933)
Other changes:				
Transfers to board designated endowment funds	281,090	-	-	281,090
	(3,384,728)	1,060,370	2,141,080	(183,278)
Endowment net assets, end of year	$ 48,285,936	$ 3,973,340	$ 14,734,447	$ 66,993,723

A description of the amounts classified as permanently restricted net assets and temporarily restricted nets assets (endowment only) as of June 30, 2017 is as follows:

Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 14,734,447
Total endowment funds classified as permanently restricted net assets	$ 14,734,447
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	$ 3,973,340
Total endowment funds classified as temporarily restricted net assets	$ 3,973,340

Note 7. Endowment (Continued)

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2017.

Return objectives and risk parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to maximize total return over a multi-year period, with a strong emphasis on preservation of capital. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives
To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through a portfolio that provides diversification from traditional "long equity" holdings. These asset classes include, but are not limited to, hedge funds and hedge "fund of funds" that invest in long and short equity holdings, high yield equities and distressed debt. The managers selected for these asset classes must undergo more rigorous due diligence as the accounts are not subject to the same regulatory oversight as traditional securities.

Spending policy
The Foundation has a policy of appropriating for distribution each year up to five (5) percent of the eight-quarter average market value of endowment fund units as of December 31 of the preceding calendar year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Note 8. Note Payable, Line of Credit

At June 30, 2017, the unused balance of the line of credit was $5,276,646, the outstanding balance was $1,723,354, and the interest rate was 2.5603% on the outstanding balance. Interest accrues at the 30-day LIBOR rate, plus 1.50%, and is payable monthly. Principal is payable in full at the maturity date.

Note 9. Concentration of Support

For the year ended June 30, 2017, approximately 92% of the total gross contributions receivable represents promises to give from two donors, which amounted to $5,687,500.

For the year ended June 30, 2017, approximately 71% of total contributions revenue for the year came from three donors.

Note 10. Contribution of Real Estate to Virginia Commonwealth University

In December 2016, the Virginia Commonwealth University Board of Visitors (BOV) approved a resolution whereby the University authorized the purchase of land from the VCU School of Engineering Foundation and the VCU School of Business Foundation, as owners in common, in order to facilitate the design and construction of the ERB. The respective Foundation Boards approved the terms of the land transfer in separate meetings of their Executive Committees, and the land transfer was closed on January 11, 2017 and was recorded in the City of Richmond, Virginia. The VCU School of Business Foundation received $3.5 million and the VCU School of Engineering obtains primary use of the new 133,000 Square Foot facility that will be constructed as an integral structure to the existing East Hall.

The parties (Engineering and Business Foundations, and the University) understand that a related Ground Lease and amendments to the existing Snead Hall and East Hall Lease and Service Agreement must be negotiated and executed as part of the comprehensive transaction. The parties anticipate finalizing these documents once the final design and layout of the ERB is approved by the Engineering School, the University and the Commonwealth of Virginia.

Note 11. Subsequent Events

On April 27, 2017, the Executive Committee of the VCU School of Engineering Foundation approved a resolution to engage the Virginia Commonwealth Investment Management Company (VCIMCO) as the investment advisor for the Foundation. VCIMCO is a non-profit corporation established by the University to provide investment advisory services exclusively to VCU and affiliated organizations.

On June 6, 2017 an advisory agreement was executed between the Foundation and VCIMCO, and effective July 1, 2017 investments valued at $73,828,016 were transferred to VCIMCO advisory oversight. Immediately prior to this transfer, the Foundation transferred $2.5 million of cash from investments to liquid accounts to provide adequate funds for the next fiscal year.

Management has evaluated subsequent events through September 22, 2017, the date which the financial statements were available for issue.

MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Virginia Commonwealth University School of Business Foundation

Financial Statements

June 30, 2017

Virginia Commonwealth University School of Business Foundation

Officers

Trustees

Ex Officio Trustees

Emeritus Trustees

Virginia Commonwealth University
School of Business Foundation

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3 - 4
Statement of activities and changes in net assets	5
Statements of cash flows	6 - 7
Notes to financial statements	8 - 23

Independent Auditor's Report

Board of Trustees
Virginia Commonwealth University School of Business Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Commonwealth University School of Business Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Commonwealth University School of Business Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Statements

We have previously audited the Foundation's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Petersburg, Virginia
October 30, 2017

Virginia Commonwealth University School of Business Foundation

Statement of Financial Position
June 30, 2017, with Comparative Totals as of June 30, 2016

				Totals	
Assets	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**2017**	2016
Cash and cash equivalents	**$ 4,083,652**	**$ 2,611,060**	**$ -**	**$ 6,694,712**	$ 6,449,032
Accounts receivable	**32,178**	**3,743**	**-**	**35,921**	64,787
Contributions receivable, less allowance for uncollectible receivables 2017 $57,515; 2016 $37,563	**75,658**	**137,267**	**622,865**	**835,790**	579,757
Investments	**21,882,219**	**11,142,910**	**10,662,534**	**43,687,663**	38,532,261
Interfund obligations	**(931,249)**	**906,791**	**24,458**	**-**	-
Other assets, net of accumulated amortization 2017 $9,724; 2016 $8,644	**57,186**	**-**	**82,789**	**139,975**	142,006
Real estate, net of accumulated depreciation 2017 $12,673,571; 2016 $11,333,634	**27,524,553**	**-**	**-**	**27,524,553**	28,864,490
Land	**-**	**-**	**-**	**-**	3,503,036
Total assets	**$ 52,724,197**	**$ 14,801,771**	**$ 11,392,646**	**$ 78,918,614**	$ 78,135,369

(continued)

Virginia Commonwealth University School of Business Foundation

Statement of Financial Position (continued)
June 30, 2017, with Comparative Totals as of June 30, 2016

				Totals	
Liabilities and Net Assets	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**2017**	2016
Liabilities					
Accounts payable and accrued expenses	**$ 113,322**	**$ 370,274**	**$ -**	**$ 483,596**	$ 373,344
Deferred revenue	**253,992**	**55,930**	**-**	**309,922**	91,830
Due to Virginia Commonwealth University affiliated foundations	**14,800**	**308,379**	**-**	**323,179**	375,790
Deposits held for Virginia Commonwealth University	**-**	**1,165,722**	**-**	**1,165,722**	1,070,209
Due to Virginia Commonwealth University, net of unamortized debt issuance costs	**24,136,113**	**-**	**-**	**24,136,113**	26,746,364
Accrued contributions to Virginia Commonwealth University	**19,832,880**	**-**	**-**	**19,832,880**	20,898,331
Total liabilities	**44,351,107**	**1,900,305**	**-**	**46,251,412**	49,555,868
Net Assets	**8,373,090**	**12,901,466**	**11,392,646**	**32,667,202**	28,579,501
Total liabilities and net assets	**$ 52,724,197**	**$ 14,801,771**	**$ 11,392,646**	**$ 78,918,614**	$ 78,135,369

See Notes to Financial Statements

Virginia Commonwealth University School of Business Foundation

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

				Totals	
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**2017**	2016
Operating Revenue					
Contributions	**$ 379,522**	**$ 672,840**	**$ 519,225**	**$ 1,571,587**	$ 1,692,070
Rental income	**2,018,414**	**-**	**-**	**2,018,414**	2,018,414
Course revenue	**699,019**	**348,588**	**-**	**1,047,607**	1,047,888
Miscellaneous	**10,721**	**-**	**-**	**10,721**	19,193
Net assets released from restrictions	**1,995,514**	**(1,995,514)**	**-**	**-**	-
Total operating revenue	**5,103,190**	**(974,086)**	**519,225**	**4,648,329**	4,777,565
Operating Expenses					
Distributions to and in support of Virginia Commonwealth University	**2,146,112**	**-**	**-**	**2,146,112**	1,601,130
Contribution to Virginia Commonwealth University	**952,963**	**-**	**-**	**952,963**	999,430
Course related expenses	**759,789**	**-**	**-**	**759,789**	818,829
Other expenses	**210,826**	**-**	**-**	**210,826**	197,506
Interest expense	**891,392**	**-**	**-**	**891,392**	931,198
Interest expense, amortization of debt issuance costs	**10,629**	**-**	**-**	**10,629**	10,629
Depreciation and amortization	**1,341,017**	**-**	**-**	**1,341,017**	1,341,017
Bad debt expense	**75**	**50,000**	**-**	**50,075**	15,176
Total operating expenses	**6,312,803**	**50,000**	**-**	**6,362,803**	5,914,915
Changes in net assets from operations	**(1,209,613)**	**(1,024,086)**	**519,225**	**(1,714,474)**	(1,137,350)
Other Changes in Net Assets					
Investment return (loss)	**2,195,720**	**2,097,112**	**-**	**4,292,832**	(954,964)
Realized loss on sale of land to Virginia Commonwealth University	**(6,536)**	**-**	**-**	**(6,536)**	-
Unrealized gain (loss) on interest rate swap agreement	**1,515,879**	**-**	**-**	**1,515,879**	(909,756)
Changes in net assets	**2,495,450**	**1,073,026**	**519,225**	**4,087,701**	(3,002,070)
Net assets, beginning	**5,877,640**	**11,828,440**	**10,873,421**	**28,579,501**	31,581,571
Net assets, ending	**$ 8,373,090**	**$ 12,901,466**	**$ 11,392,646**	**$ 32,667,202**	$ 28,579,501

See Notes to Financial Statements

Virginia Commonwealth University School of Business Foundation

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	**$ 4,087,701**	$ (3,002,070)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	**1,341,017**	1,341,017
Interest expense, amortization of debt issuance costs	**10,629**	10,629
Net realized (gains) losses on investments	**(908,346)**	280,885
Net unrealized (gains) losses on investments	**(2,731,982)**	1,386,410
Unrealized (gain) loss on interest rate swap agreement	**(1,515,879)**	909,756
Permanently restricted contributions	**(519,225)**	(685,676)
Donated securities	**(36,628)**	(178,179)
Realized loss on sale of land to Virginia Commonwealth University	**6,536**	-
Changes in operating assets		
Accounts receivable	**28,866**	63,904
Contributions receivable	**(114,174)**	(53,992)
Other assets	**951**	(24,815)
Changes in operating liabilities		
Accounts payable and accrued expenses	**110,252**	45,943
Deferred revenue	**218,092**	18,098
Amounts due to Virginia Commonwealth University affiliated foundations	**(52,611)**	(107,738)
Accrued contributions to Virginia Commonwealth University	**(1,065,451)**	(1,018,984)
Net cash (used in) operating activities	**(1,140,252)**	(1,014,812)
Cash Flows from Investing Activities		
Purchase of investment securities	**(17,797,945)**	(14,436,970)
Proceeds from sale of investments	**16,465,165**	16,186,485
Proceeds from sale of land to Virginia Commonwealth University	**3,496,500**	-
Net cash provided by investing activities	**2,163,720**	1,749,515
Cash Flows from Financing Activities		
Receipt of permanently restricted contributions	**327,212**	429,213
Payments to Virginia Commonwealth University under financing agreement	**(1,105,000)**	(1,055,000)
Net cash (used in) financing activities	**(777,788)**	(625,787)
Net change in cash and cash equivalents	**245,680**	108,916
Cash and cash equivalents, beginning	**6,449,032**	6,340,116
Cash and cash equivalents, ending	**$ 6,694,712**	$ 6,449,032
Supplemental Schedule of Cash Flow Information		
Cash payments for interest	**$ 895,301**	$ 934,231
Gifts of noncash investments in satisfaction of prior year contributions receivable balances	**$ 50,154**	$ -

(continued)

Virginia Commonwealth University School of Business Foundation

Statements of Cash Flows (continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Supplemental Schedule of Noncash Investing and Financing Activities		
Increase (decrease) in deposits held liability for Virginia Commonwealth University offset by increase (decrease) in investment assets	**$ 95,513**	$ (74,601)
Decrease in amounts due to Virginia Commonwealth University		
Decrease in amounts due to Virginia Commonwealth University	**$ (2,610,251)**	$ (134,615)
Amortization of debt issuance costs	**(10,629)**	(10,629)
Net unrealized gain (loss) on interest rate swap agreement	**1,515,879**	(909,756)
Cash remitted to Virginia Commonwealth University	**$ (1,105,000)**	$ (1,055,000)

See Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization
Virginia Commonwealth University School of Business Foundation (the "Foundation"), organized March 23, 2005, is a Virginia corporation which functions as a nonprofit charitable foundation solely to assist and support Virginia Commonwealth University.

The sole purpose of the Foundation is to provide financial and other support to the School of Business for the benefit of Virginia Commonwealth University. All expenses incurred by the Foundation support this activity and are, therefore, deemed to be program service expenses.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting
The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Comparative financial statements
These financial statements include summarized comparative prior-year information in the statement of financial position and the statement of activities and changes in net assets that are not presented by net asset class and do not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016.

Cash, cash equivalents and cash investments
For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Foundation, at times, may have cash in excess of insured limits. The Foundation's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2017, the Foundation had cash balances and cash investments that exceeded insurance limits.

Accounts receivable
The Foundation extends unsecured credit in the ordinary course of its activities but mitigates the associated credit risk by actively pursuing past due accounts. Accounts receivable are considered past due if nonpayment exceeds forty-five days from the due date. If necessary, an allowance for uncollectible receivables is recorded 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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions receivable

Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received or paid. Amortization of the discounts is included in contribution revenue or expense. Conditional promises to give are not included in support or expenses until the conditions are substantially met. The Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

Investments

Investments in all debt securities and equity securities are stated at fair value based on quoted market prices. Alternative investments include investments in limited partnerships and limited liability corporations (hedge funds, private equity and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2017. However, alternative investments are not marketable and some of the alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed for these alternative investments. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements as unrealized gain (loss) on investments. Actual gains or losses are dependent upon the general partners' distributions during the life of each partnership.

Net Asset Value (NAV) is used as a practical expedient for certain commingled funds, privately held investments, and securities held in partnership format for which a readily determinable fair value is not available, unless the Foundation believes such NAV calculation is not measured in accordance with fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of the Foundation.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).* The guidance removes the requirement to make certain disclosures and categorize with the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The Foundation elected to early adopt the provision of Update No. 2015-07 and applied the provisions of the update beginning with fiscal year 2016.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Debt issuance costs
Debt issuance costs are being amortized over the life of the bonds, which is 24 years, using the straight-line method. Accumulated amortization was $118,686 at June 30, 2017.

Real estate
Acquisitions of real estate are recorded at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided for property that is actively rented using the straight-line method at rates adequate to amortize the cost of the property over its estimated useful life. The estimated useful life of the property is 30 years.

Revenue recognition
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received and investment income earned that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

In-kind contributions
In-kind contributions, when received or pledged, are recorded as revenue and expense in the accompanying financial statements.

Unrestricted net assets
The Foundation reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Trustees to support the Foundation's purpose and operations. As of June 30, 2017, the Board of Trustees has designated a portion of unrestricted net assets to support the goals of the Campaign for the VCU School of Business.

Temporarily restricted net assets
The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement. Temporarily restricted net assets at June 30, 2017 consist of contributions restricted by donor designation to support individual departments and specific initiatives within the VCU School of Business.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Permanently restricted net assets
Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that the income only be utilized for purposes specified by the donor. At June 30, 2017, the income from these permanently restricted net assets may be used in support of the VCU School of Business, including scholarships, endowed chairs and other school-related programs.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measure of operations
The Foundation reports all activities as changes in net assets from operations, except for investment return, the change in value of the interest rate swap agreement, and the sale of assets which are not held for investment.

Income taxes
The Organization is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the year ended June 30, 2017. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management has concluded that the Foundation had no significant financial exposure to uncertain tax positions as of June 30, 2017. The tax years of 2014 to 2016 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the year ended June 30, 2017.

New accounting pronouncement
During the current year, the Organization retrospectively adopted the requirements of Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs,* to present debt issuance costs as a reduction of the carrying amount of debt rather than as an asset. Amounts due to Virginia Commonwealth University as of June 30, 2016 was previously reported on the statement

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

of financial position as $26,898,709, with the associated $152,345 unamortized debt issuance costs included in bond issuance costs. Amortization of debt issuance costs is now reported as interest expense in the accompanying statement of activities.

Reclassifications
Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

Note 2. Contributions Receivable

Contributions receivable as of June 30, 2017 are expected to be received as follows:

Receivable in less than one year	$ 372,699
Receivable in one to five years	535,043
	907,742
Less discount	(14,437)
Less allowance for uncollectible receivables	(57,515)
	$ 835,790

Discount rates between 1.01% and 1.89% were used in determining the present value of the contributions receivable.

Note 3. Investments

Assets of various funds are pooled for investment purposes. Equity of individual funds in the pooled investments is maintained using the "market value method". Under the market value method, units of participation are assigned when dollars enter the pool based upon the most recently determined market value of units. The market value of units of participation is calculated monthly.

The Foundation's investment portfolio as of June 30, 2017 consists of the following:

	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Cash and cash equivalents	**$ 4,410,037**	**$ 4,410,037**	**$ -**	**$ -**
Equities	**20,558,514**	**23,854,890**	**(265,365)**	**3,561,741**
Fixed income	**7,031,124**	**6,917,009**	**(114,115)**	**-**
Alternative investments	**7,049,725**	**8,505,727**	**(107,286)**	**1,563,288**
	$ 39,049,400	**$ 43,687,663**	**$ (486,766)**	**$ 5,125,029**

Note 3. Investments (Continued)

The investments as of June 30, 2017 are held as follows:

Pooled investments	$ 43,503,165
Other investments	184,498
	$ 43,687,663

The number of units of participation in the pooled investments at June 30, 2017 was 482,150.4834, with a $90.227360 value per unit.

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income	$ 394,358	$ 374,175	$ -	$ 768,533
Realized gains	473,155	435,191	-	908,346
Net unrealized gains	1,385,878	1,346,104	-	2,731,982
Investment expense	(57,671)	(58,358)	-	(116,029)
	$ 2,195,720	$ 2,097,112	$ -	$ 4,292,832

Pursuant to its limited partnership agreements as of June 30, 2017, the Foundation had commitments of approximately $57,375.

The Foundation maintains investments in various money market funds, fixed income instruments, equity securities and other investments that are at risk to loss of principal. The Foundation holds these investments in various custodial accounts with its primary custodian, SunTrust Bank. The custodial accounts are monitored; however, there is no guarantee that the custodian will not become insolvent. The Foundation believes that in the event of insolvency of its custodian, some of the Foundation's assets may be unavailable for a period of time, but that it would ultimately have a full recovery of its assets.

Note 4. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Note 4. Fair Value Measurements (Continued)

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The classification of investments by level within the valuation hierarchy as of June 30, 2017 is as follows:

	Fair Value Measurements at Reporting Date Using				
	June 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**
Assets					
Cash and cash equivalents	$ 4,410,037	$ 4,410,037	$ -	$ -	$ -
Equities:					
US Large Cap	12,651,535	12,651,535	-	-	-
Mid Cap	1,099,345	1,099,345	-	-	-
International	10,104,010	10,104,010	-	-	-
Fixed Income:					
US Taxable Core	6,066,675	6,066,675	-	-	-
Extended Credit/High Yield	850,334	850,334	-	-	-
Alternative Investments:					
Relative Value	1,917,396	-	-	-	1,917,396
Diversified Strategies	823,548	-	-	-	823,548
Opportunistic/Macro	1,049,326	-	-	-	1,049,326
Long/Short Equities	1,531,005	-	-	-	1,531,005
Merger Arbitrage/Event Driven	485,769	-	-	-	485,769
Credit	1,107,014	-	-	-	1,107,014
Real Estate Funds	$ 1,591,669	-	-	1,591,669	-
	$ 43,687,663	$ 35,181,936	$ -	$ 1,591,669	$ 6,914,058
Liabilities					
Interest Rate Swap	$ 2,957,829	$ -	$ 2,957,829	$ -	$ -
	$ 2,957,829	$ -	$ 2,957,829	$ -	$ -

Note 4. Fair Value Measurements (Continued)

The reconciliation of activity for Level 3 investments for fiscal year 2017 is as follows:

Level 3 Assets	**Real Estate Funds**
Beginning balance at July 1, 2016	**$ 1,800,442**
Sales & Other Dispositions	**(176,084)**
Change in Unrealized Losses	**(32,689)**
Ending Balance at June 30, 2017	**$ 1,591,669**

The amount of total losses for the period included in the statement of activities and changes in net assets attributable to the change in unrealized losses relating to level 3 assets still held at the reporting date is $32,689.

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments, unless noted. Management is not aware of any factors that would impact net asset value as of June 30, 2017.

Note 4. Fair Value Measurements (Continued)

The following table sets forth a summary of the Foundation's assets valued at net asset value per share, or its equivalent, as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Relative Value	$ 110,214	$ -	N/A	N/A
Relative Value	58,373	-	Other	30 days
Relative Value	171,500	-	Monthly	30 days
Relative Value	164,489	-	Monthly	60 days
Relative Value	448,244	-	Quarterly	45 days
Relative Value	418,219	-	Quarterly	60 days
Relative Value	326,213	-	Quarterly	65 days
Relative Value	220,144	-	Quarterly	75 days
Diversified Strategies	178,780	-	Monthly	60 days
Diversified Strategies	152,656	-	Quarterly	45 days
Diversified Strategies	237,214	-	Quarterly	65 days
Diversified Strategies	254,899	-	Quarterly	90 days
Opportunistic/Macro	407,446	-	Quarterly	45 days
Opportunistic/Macro	391,021	-	Quarterly	65 days
Opportunistic/Macro	250,858	-	Annually	65 days
Long/Short Equities	280,715	-	Monthly	90 days
Long/Short Equities	53,930	-	Quarterly	30 days
Long/Short Equities	358,040	-	Quarterly	45 days
Long/Short Equities	432,095	-	Quarterly	60 days
Long/Short Equities	205,960	-	Quarterly	61 days
Long/Short Equities	14,454	-	Quarterly	65 days
Long/Short Equities	185,811	-	Annually	90 days
Merger Arbitrage/Event Driven	355,766	-	Quarterly	45 days
Merger Arbitrage/Event Driven	130,003	-	Semi-Annually	60 days
Credit	167,739	-	Quarterly	90 days
Credit	194,342	-	Quarterly	120 days
Credit	264,458	-	Annually	60 days
Credit	480,475	-	Annually	95 days
Real Estate Funds	1,591,669	57,375	N/A	N/A
	$ 8,505,727	$ 57,375		

Note 4. Fair Value Measurements (Continued)

Relative Value Funds
Investment strategies that use quantitative and/or fundamental analysis designed to exploit the relative imbalances and dislocations in the pricing relationships of two securities. Relative value strategies are expected to have very limited correlation with equities and fixed income markets, as managers generally hedge out the systemic risk of the markets in which they invest.

Diversified Strategies
Investment strategies that invest in each of several sub-strategies (Event Driven, Equity Long/Short, Relative Value, Macro) within the context of a single hedge fund vehicle. Diversified strategy managers use multiple strategies in order to allow these funds to opportunistically shift capital allocations depending upon their view of the relative attractiveness of each strategy in the prevailing market environment.

Opportunistic/Macro Funds
These investment strategies have the broadest mandate of all hedge funds and are designed to be the least correlated to broader stock and fixed income capital markets. This category includes systematic and discretionary macro managers, but also contains managers with idiosyncratic mandates that do not fit into any of the other categories.

Long/Short Equity Funds
Investment strategies that employ fundamental and technical assessments on the equities in their investable universe, and that create portfolios of long positions in securities deemed undervalued and short positions in securities deemed overvalued. These strategies are generally subdivided by the degree to which each manager maintains market exposure (i.e., low net exposure, low-to-mid net exposure, aggressive net exposure) and defines its focus (i.e., by regions, sectors, or market caps).

Merger Arbitrage/Event Driven
Investment strategies that attempt to profit as a result of stocks and bonds changing in response to certain corporate actions including mergers, shareholder activism, restructurings, share buybacks, spinoffs, etc. Event driven managers typically look to isolate the expected event itself and assess investment opportunities based on their assessment of each event's ability to create additional value in a security.

Distressed/Credit
Investment strategies that invest in the assets and liabilities of financially troubled companies, usually at a significant discount to par value. Distressed credit managers often initially invest in the debt of companies that have undergone bankruptcy and later receive an equity stake in the post reorganized company.

Note 5. Real Estate

The Foundation entered into a project development and financing agreement with Virginia Commonwealth University for purposes of constructing a facility to house the School of Business. Under the terms of this agreement, the Foundation constructed the facility using funds advanced from a Virginia Commonwealth University bond issue. Upon completion of the facility, the two parties entered into a lease whereby the Foundation would lease the property to Virginia Commonwealth University for $1 annually with Virginia Commonwealth University being responsible for all operating costs. The original lease term began January 2008 and terminates on November 1, 2030. The lessee has the option to renew this lease for three additional consecutive terms of ten, five and five years, respectively. Upon the expiration of the initial lease term or any exercised renewal options, Virginia Commonwealth University may purchase the property from the Foundation at a price equal to the greater of the Foundation's original cost or the Foundation's share of the property's fair market value.

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made*, the Foundation has recorded as a liability an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the $1 annual rent payments due under the lease. A discount rate of 4.56% was used in determining the present value of the promise to give. Rental income in the amount of $2,018,414 was recorded for the year ended June 30, 2017, with the corresponding reduction in the present value of the accrued contributions included in the caption, Contribution to Virginia Commonwealth University. At June 30, 2017, the estimated present value of the future rental value of the facility was $19,832,880 and is included in the caption, Accrued contributions to Virginia Commonwealth University.

The Foundation agreed, as a part of the project development and financing agreement, to make annual payments to Virginia Commonwealth University to cover the debt service on the bonds issued by Virginia Commonwealth University. The debt service due to the bond issue is included on the accompanying statement of financial position under the caption, due to Virginia Commonwealth University.

In conjunction with the issuance of debt, the University entered into a 25-year swap agreement, maturing in 2030. Under the swap, the University is obligated to pay a fixed rate of 3.436% to the swap counterparty in exchange for 67% of the one-month London Interbank Offering Rate. The differential paid or received on the swap agreement is recognized as an adjustment to this liability. The Foundation reflects the valuation of its financial position in the swap at fair value, with unrealized gains and losses reflected in the statement of activities.

In January 2017, the Foundation entered into an agreement to sell land owned jointly with the Virginia Commonwealth University School of Engineering Foundation to Virginia Commonwealth University for purposes of university expansion. The Foundation received

Note 5. Real Estate (Continued)

net proceeds of $3,496,500 related to the sale. The revisions to legal documents related to continued use of the land and the tenants in common agreement are currently under review.

Aggregate principal payments required under the debt service agreement at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	
2018	1,150,000
2019	1,200,000
2020	1,250,000
2021	1,300,000
2022	1,355,000
Thereafter	15,065,000
Less unamortized debt issuance costs	(141,716)
Swap value, 6/30/2017	2,957,829
	$24,136,113

Note 6. Endowment

The Foundation's endowment consists of approximately 120 individual funds established for purposes which support the Foundation. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant State Law

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence

Note 6. Endowment (Continued)

prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,871,805	$ 11,392,646	$ 18,264,451
Board-designated endowment funds	22,959,570	3,105,383	-	26,064,953
Total endowment funds	**$ 22,959,570**	**$ 9,977,188**	**$ 11,392,646**	**$ 44,329,404**

The following schedule summarizes the net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,871,805	$ 11,392,646	$ 18,264,451
Board-designated endowment funds	22,959,570	3,105,383	-	26,064,953
Unrestricted (deficit) funds	(14,586,480)	-	-	(14,586,480)
Temporarily restricted funds	-	2,924,278	-	2,924,278
Total net assets	**$ 8,373,090**	**$ 12,901,466**	**$ 11,392,646**	**$ 32,667,202**

Note 6. Endowment (Continued)

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 19,466,653**	**$ 8,619,013**	**$ 10,873,421**	**$ 38,959,087**
Investment return:				
Investment income, net of investment expense	**316,277**	**315,817**	**-**	**632,094**
Net appreciation, realized and unrealized	**1,859,032**	**1,781,295**	**-**	**3,640,327**
Total investment return	**2,175,309**	**2,097,112**	**-**	**4,272,421**
Contributions	**-**	**-**	**519,225**	**519,225**
Addition of board designated endowment funds	**3,496,500**	**-**	**-**	**3,496,500**
Appropriation of endowment assets for expenditure	**(2,178,892)**	**(738,937)**	**-**	**(2,917,829)**
	3,492,917	**1,358,175**	**519,225**	**5,370,317**
Endowment net assets, end of year	**$ 22,959,570**	**$ 9,977,188**	**$ 11,392,646**	**$ 44,329,404**

Note 6. Endowment (Continued)

A description of the amounts classified as permanently restricted net assets and temporarily restricted nets assets (endowment only) as of June 30, 2017 is as follows:

Permanently Restricted Net Assets	
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 11,392,646
Total endowment funds classified as permanently restricted net assets	**$ 11,392,646**
Temporarily Restricted Net Assets	
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	$ 6,871,805
Total endowment funds classified as temporarily restricted net assets	**$ 6,871,805**

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2017.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Higher Education Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

Note 6. Endowment (Continued)

Strategies employed for achieving objectives
To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes equity funds, fixed income instruments, hedge funds and limited liability partnerships, in order to minimize risks while achieving total return objectives.

Spending policy and how the investment objectives relate to the spending policy
The objective of the Foundation's spending policy is to preserve the long-term value of the endowment by balancing spending and reinvestment, while providing a predictable and sustainable level of income to support the current operations of the VCU School of Business. 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, and (ii) 30% of the trailing twelve quarter average market value of the endowment multiplied by the spending rate of 4%. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

In May 2017, the Foundation revised the endowment spending policy. Under the revised policy, spending for a given year will equal the trailing twelve quarter average market value of the endowment multiplied by the spending rate of 4%. This change will impact distributions from endowed funds occurring after July 1, 2017.

Note 7. Contingency

On June 17, 2017, the bankruptcy trustee for a local business filed a complaint in bankruptcy court seeking recovery of certain past transfers made to the Foundation during the applicable time period under current bankruptcy law. The case is ongoing. An adverse result is not probable and no estimate of loss, if any, can be determined at the date of the financial statements.

Note 8. Subsequent Events

Management has evaluated subsequent events through October 30, 2017, the date which the financial statements were available for issue.

Virginia Commonwealth University Intellectual Property Foundation

Statements of Financial Position
June 30, 2017 and 2016

Assets	**2017**	2016
Cash	**$ 1,078,348**	$ 608,585
Royalties, license fees, patent cost reimbursement, and accrued interest receivable (net)	**585,549**	557,928
Prepaid expenses	**21,225**	898
Notes receivable	**2,761,084**	165,407
Prepayment to Virginia Commonwealth University	**1,452,230**	648,302
Investments - Virginia Commonwealth University Foundation	**1,087,812**	1,011,305
Investments - pass-through entities	**29,646**	93,681
Total assets	**$ 7,015,894**	$3,086,106
Liabilities and Net Assets		
Royalty distributions and accounts payable (net)	**$ 1,977,651**	$ 439,547
Total liabilities	**1,977,651**	439,547
Net Assets		
Unrestricted	**5,038,243**	2,646,559
Total liabilities and net assets	**$ 7,015,894**	$3,086,106

See Notes to Financial Statements

Virginia Commonwealth University Intellectual Property Foundation

Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Royalty and license fee income	**$ 1,521,995**	$ 1,219,707
Transfer fee for license rights	**3,500,000**	-
Patent development cost reimbursed	**462,211**	589,668
Noncash royalty and other income	**1,164,280**	432,665
Donated support - Virginia Commonwealth University	**46,068**	46,068
Income (loss) from pass-through entities	**(35,535)**	10,102
Investment income	**17,989**	39,016
Gross revenues	**6,677,008**	2,337,226
Realized investment gains (losses)	**26,773**	(7,345)
Unrealized investment gains (losses)	**62,238**	(34,382)
Revenues after realized and unrealized gains and	**6,766,019**	2,295,499
Operating Expenses		
Royalty distributions	**3,033,247**	751,470
Patent development costs	**822,998**	803,515
Support to Virginia Commonwealth University	**360,352**	311,721
Building occupancy - Virginia Commonwealth University	**46,068**	46,068
Salaries	**44,376**	57,459
Professional fees	**21,621**	37,568
Investment expenses	**13,749**	13,278
Office expenses	**11,189**	12,261
Marketing and advertising	**8,300**	11,405
Professional development, conferences, and travel	**6,296**	6,152
Payroll taxes	**3,271**	4,396
Insurance	**2,374**	2,374
Miscellaneous expense	**494**	2,071
Uncollectible royalties and license fees (net of distributions)	**-**	33,078
Contributions	**-**	1,000
Total operating expenses	**4,374,335**	2,093,816
Change in unrestricted net assets	**2,391,684**	201,683
Net assets, beginning of year	**2,646,559**	2,444,876
Net assets, end of year	**$ 5,038,243**	$ 2,646,559

See Notes to Financial Statements

Virginia Commonwealth University Intellectual Property Foundation

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in unrestricted net assets	$ 2,391,684	$ 201,683
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating		
Transfer fee for license rights	(3,500,000)	-
Realized losses (gains)	(26,773)	7,345
Unrealized losses (gains)	(62,238)	34,382
Partnership (income) losses	35,535	(10,102)
Uncollectible royalties (net of distributions)	-	33,078
Changes in operating assets		
Royalties and license fees receivable	(27,621)	(296,693)
Prepaid expenses	(20,327)	(517)
Prepayment to Virginia Commonwealth University	(803,928)	(120,944)
Changes in operating liabilities		
Royalty distributions payable	1,538,104	159,047
Net cash provided by (used in) operating activities	(475,564)	7,279
Cash Flows from Investing Activities		
Purchase of investments	(1,245)	(21,532)
Proceeds from sale of investments	13,749	13,278
Distributions from limited liability companies	28,500	36,000
Payments received on notes receivable	904,323	36,798
Net cash provided by investing activities	945,327	64,544
Net change in cash	469,763	71,823
Cash, beginning	608,585	536,762
Cash, ending	$ 1,078,348	$ 608,585
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activity		
Issuance of note receivable on assignment of license rights	$ 3,500,000	$ -

See Notes to Financial Statements

Note 1. Nature of Organization

Virginia Commonwealth University Intellectual Property Foundation (the Foundation) was incorporated on April 18, 1994 as a non-stock corporation under applicable Virginia statutes. The Foundation functions as a nonprofit charitable foundation solely to assist investors, mainly from Virginia Commonwealth University, in licensing and patenting technologies.

The sole purpose of the Foundation is to promote, encourage, and aid scientific investigation and research, and to manage intellectual property development at Virginia Commonwealth University for the benefit of Virginia Commonwealth University. All expenses incurred by the Foundation support this activity and are, therefore, deemed to be program service expenses.

Note 2. Summary of Significant Accounting Policies

Basis of accounting
The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and cash equivalents
The Foundation considers all cash amounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. The Foundation, at times, may have cash in excess of insured limits. The Foundation's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk.

Royalties, license, and patent cost reimbursement fees receivable
These receivables represent amounts due the Foundation under various technology license agreements. These receivables are generally on a short-term basis. These receivables are considered to be past due when the balance is outstanding for more than 30 days. Interest is charged on past due accounts based on the terms of the respective license agreements and is recognized as charged. The total amount of these receivables greater than 90 days old was $33,105 and $5,443 for the years ended June 30, 2017 and 2016, respectively. Receivables are evaluated for collectability based on past credit history and current financial condition.

Receivable balances, that management deems to be uncollectible, are included in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Recoveries of receivables previously written off are recorded when received. For both the years ended June 30, 2017 and 2016,

Note 2. Summary of Significant Accounting Policies (continued)

estimated allowances for uncollectible amounts have been established at $16,667. The estimated allowance is determined by a detailed account review by management.

Investments

Investments with readily-determinable market values are reported at fair value in the statement of financial position with gains and losses included in the statement of activities. Other investments, such as ownership interest in pass-through entities or equity securities without readily determinable fair market values, are recorded at cost adjusted for pass-through entity earnings and distributions. Investments received as part of a license agreement are recorded at fair market value at the date of the license agreement. The amounts the Foundation will ultimately realize could differ materially from the reported amounts, and significant fluctuations could occur from year to year. These investments are not insured by the Federal Deposit Insurance Corporation (FDIC) and as such are subject to credit or investment risk. Changes in market value are recognized as unrealized gains or losses or as realized gains or losses upon disposition of the investment.

Net assets under Generally Accepted Accounting Principles in the United States of America (U.S. GAAP)

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with donor restrictions placed on the donated assets. Separate accounts are maintained for each category of donor-restricted assets and unrestricted assets.

The assets, liabilities, and net assets of the Foundation are reported in the following self-balancing net assets groups:

- Unrestricted net assets represent the portion of net assets, which can be utilized to support current and future Foundation operations.
- Temporarily restricted net assets represent Foundation contributions expendable only for specified purposes or after the satisfaction of time restrictions imposed by the donors.
- Permanently restricted net assets represent Foundation contributions that are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and the income only be used for current operating purposes.

For the years presented in these financial statements, there were no restricted net assets.

Income recognition

Although some licensing agreements include provisions for minimum royalties in specified future years, most such agreements are based on contingencies such as marking success, production capabilities, and other financial factors of the licensee that preclude these

Note 2. Summary of Significant Accounting Policies (continued)

amounts from being fixed and determinable. Accordingly, license fees and royalties are normally recorded as income when conditions fix the amount to be received.

Advertising
Advertising costs are expensed as incurred. Advertising expenses amounted to $8,300 and $11,405 during the years ended June 30, 2017 and 2016, respectively.

Patent development costs
Patent development costs are expensed as incurred, since ultimate revenue recognition is not predictable at the time the costs are incurred. The patent prosecution process usually takes several years to complete and the outcome is uncertain. Many license agreements state that the licensee will reimburse the Foundation for all or a portion of the patent costs incurred. These costs are included in revenue and invoiced to the licensees.

Income taxes
The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to income tax on any unrelated business income that it may generate.

The Foundation includes penalties and interest assessed by income taxing authorities in operating expenses. The Foundation did not have penalties and interest relating to income taxes for the years ended June 30, 2017 and 2016.

Uncertain tax positions
The Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the Financial Accounting Standards Board (FASB) and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation. With few exceptions, the Foundation is no longer subject to income tax examinations by the taxing authorities for years ending before June 30, 2014.

Accounting estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. The Foundation's significant estimates include the estimate of the collectability of royalties and license fees receivable and the estimated fair value of investments.

Note 3. Investments – VCU Foundation

During the year ended June 30, 2008, the Foundation entered into an agreement under which the Foundation invested amounts in the investment pool maintained by the Virginia Commonwealth University (VCU) Foundation. VCU Foundation is a university-related foundation that provides investment management services to Virginia Commonwealth University and other entities affiliated with VCU operating in support of VCU's mission. The Foundation has no unfunded commitments and may redeem its investment at the net asset value within 45 days' written notice. For financial statement purposes, this pool has been classified as Level 2 under U. S. GAAP standards.

Beginning in July 2016, VCU Foundation transitioned its investment portfolio to the VCU Investment Management Company (VCIMCO) as its new investment advisor. VCIMCO is a nonprofit, nonstock corporation organized under Virginia law for exclusive charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. VCIMCO was set up to advise the University and its affiliated foundations on the management of its investments. As of June 30, 2017, VCU Foundation was invested in The Ram Fund, LP and The Ram Private Assets Fund, LP.

U.S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Foundation's pooled investments are categorized as Level 3 assets.

Note 3. Investments – VCU Foundation (continued)

The following outlines the activities for the year ended June 30, 2017:

	Total
Balance July, 1, 2016	$ 1,011,305
Interest/dividends reinvested	1,245
Realized gains	26,773
Unrealized gains	62,238
Investment fees paid	(13,749)
Balance June 30, 2017	$ 1,087,812

The following outlines the activities for the year ended June 30, 2016:

	Total
Balance July 1, 2015	$ 1,044,778
Interest/dividends reinvested	21,532
Realized losses	(7,345)
Unrealized losses	(34,382)
Investment fees paid	(13,278)
Balance June 30, 2016	$ 1,011,305

It is not practicable for the Foundation to estimate the fair value of its investments in pass through entities reported at $29,646 and $93,681 as of June 30, 2017 and 2016, respectively, under the equity method of accounting; and thus, those investments are not included in the table above.

A summary of the market value and cost of the Foundation's investments at June 30, 2017 is as follows:

Market value	$ 1,087,812
Cost	919,370
Unrealized gains at June 30, 2017	$ 168,442

For the year ended June 30, 2016:

Market value	$ 1,011,305
Cost	931,874
Unrealized gains at June 30, 2016	$ 79,431

Note 3. Investments – VCU Foundation (continued)

The investment objectives of the Foundation's investment in the VCU Foundation are outlined below:

Equity Fund

The Equity Fund is designed to provide long-term capital appreciation. Investment objectives for the Equity Fund require investment managers (excluding managers of index funds) to outperform the appropriate market index, net of fees, over a market cycle. Domestic equity managers, excluding small cap-style managers, will be measured against the S&P 500 index. Small cap-domestic equity managers will be compared to the Russell 2000 index. International equity manager performance will be judged versus the EAFE index, and the MSCI World Ex USA index. Equity managers are encouraged to be fully invested in common stocks. Should a manager's style or philosophy dictate the need for cash reserves to be held, the manager(s) many do so with the understanding that performance will be measured against the market indices listed above. Where index funds are used, the manager(s) will be measured against the respective indices they represent.

Fixed Income Fund

The Fixed Income Fund is designed to provide a hedge against deflation and to increase current return relative to all equity funds. Equities are excluded from use in the fixed income portion of the investment pool. The portfolio is to be composed of investment-grade (Baa or better) issues. Investment objectives are to outperform the Barclays Aggregate Bond Index, net of fees. Where index funds are used, the manager(s) will be measured against the respective indices they represent.

Alternative Investments Fund

The Alternative Investments Fund (the Alternative Fund) is to provide, in exchange for illiquidity and higher risk, lower volatility and diversification of the investment pool. The Alternative Fund may include investments in leverage buy-outs, limited partnerships, real estate holdings, hedge funds, private equities, and other similar investments. Alternative Fund managers will be measured against the respective indices they represent.

The Ram Fund, LP

The Ram Fund, LP (the Ram Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Ram Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Ram Fund. The investment manager of the Ram Fund is VCIMCO.

The Ram Fund invests via a mix of active and passive investment managers and strategies across a diversified group of asset classes including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities.

Note 3. Investments – VCU Foundation (continued)

The Ram Private Assets Fund, LP:

The Ram Private Assets Fund, LP (the Private Assets Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Private Assets Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Private Assets Fund. The investment manager of the Private Assets Fund is VCIMCO.

The Private Assets Fund invests in active investment managers employing strategies primarily in the illiquid asset classes, including private equity, venture capital, private debt, real estate, infrastructure and natural resources. Due to the illiquid nature of these strategies, the contracted investment period for these investments is typically greater than 5 years.

The pooled investment funds held at VCU Foundation are valued based upon net values per share invested. The VCU Foundation values investments in all debt securities and equity securities with readily determinable market values based upon fair market values and alternative investments are valued at estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost, or other estimates including appraisals. The alternative investments are valued using considerable judgement by the VCU Foundation and its investment advisors, including recognition of market risk.

At June 30, 2017, the Foundation's investment in the long-term pool of the VCU Foundation consists of the following:

Cash and cash equivalents	4.0%
Alternative investments	96.0%
	100.00%

At June 30, 2016:

Cash and cash equivalents	7.9%
Equities	43.4%
Fixed income	23.2%
Alternative investments	25.5%
	100.00%

Note 4. Investments – Pass-Through Entities

Membership interest ranging from 5% to 15% in various limited liability companies have been received by the Foundation in lieu of license or royalty payments. Because of the lack of marketability and inability to determine values for the start-up entities, the Foundation has not recorded amounts for the original receipt of the membership interests. The Foundation determined that recording the value of these investments under the equity method was more representative of the Foundation's ownership than recording them at cost.

The Foundation has recorded earnings in these unaudited entities since receipt of the membership interest but has not recorded losses below the original investment since the Foundation is not required to contribute additional amounts to the limited liability companies for liabilities, etc. For the years ended June 30, 2017 and 2016, the Foundation recorded ($35,535) and $10,102, respectively, in losses and income from the pass-through entities. For the years ended June 30, 2017 and 2016, the Foundation received $28,500 and $36,000 in distributions from the pass-through entities.

Percentage owned and year-end values of pass-through entities at June 30, 2017 and 2016 are as follows:

	Percentage Owned		Year-End Values	
	2017	2016	2017	2016
Institute for Data Research, Inc.	15.0%	15.0%	$ -	$ 60,000
RDD Online, LLC	15.0%	15.0%	29,076	33,111
Nanofoundry, LLC	5.0%	5.0%	569	569
Ischemalert, LLC	10.0%	10.0%	1	1
Total equity in earnings for pass-through entities			$ 29,646	$ 93,681

Note 5. Functional Allocation of Expenses

The expenditures of the Foundation have been presented in the statements of activities based on their natural classification. The Foundation has only one program service, which is to support, evaluate, patent, and license technologies and inventions of faculty, staff, and students of Virginia Commonwealth University. Currently, the Foundation conducts no fund-raising activities and does not solicit or receive contributions. The cost of providing the program and supporting services are as follows for the fiscal years ended June 30, 2017 and 2016:

	2017	2016
Patenting, licensing activities, and distributions	$ 4,248,583	$ 1,923,597
Management and general expenses	125,752	170,219
	$ 4,374,335	$ 2,093,816

Note 6. Concentrations

For the year ended June 30, 2017, the Foundation received approximately 82% of the royalty and license fee income from two licensees. As of June 30, 2017, approximately 70% of the outstanding balance of the royalties and license fees receivable were due from two licensees.

For the year ended June 30, 2016, the Foundation received approximately 57% of the royalty and license fee income from three licensees. As of June 30, 2016, approximately 59% of the outstanding balance of the royalties and license fees receivable were due from two licensees.

Note 7. Donated Facilities and Operating Expenses

Virginia Commonwealth University donates office space and donated operating expenses in the previous fiscal year to the Foundation. The use of this space and operating expenses have been recorded as support in the Foundation's financial statements. The total estimated value of this donated support for the years ended June 30, 2017 and 2016 was $46,068, respectively.

Note 8. Related-Party Transactions

The Foundation receives administrative support and use of facilities from, and provides services for, the VCU Innovation Gateway. Effective July 1, 1999, the Foundation became responsible for all costs associated with the commercialization of intellectual property at Virginia Commonwealth University. Under the amended agreement with Virginia Commonwealth University, the Foundation remitted to VCU 60% of the salaries and fringe benefits of the employees of VCU Innovation Gateway for the services and facilities they provide to the Foundation for the years ended June 30, 2017 and 2016. The Foundation reduces this cost of offsets for the non-cash Blackboard software royalty, any revenue distributions to VCU schools and departments and by an annual remittance from VCU. (The Blackboard software royalty relates to a license agreement between Blackboard, Inc. and VCU, which has not been assigned to the Foundation.) The Foundation may use the cumulative effect of prior-year receivables and payables under this agreement to determine the amount due to VCU. However, to the extent the offsets exceed the costs incurred, VCU will not be responsible for transferring any funds to the Foundation.

For the year ended June 30, 2017 and 2016, the Foundation has recorded as non-cash royalty and other income $1,164,280 and $432,665, respectively, comprised of a site license received for the benefit of VCU in the amount of $200,000 per year, distributions to various VCU schools and departments totaling $895,076 and $165,465, respectively, and the annual remittance due from VCU in the amount of $69,204 and $67,200, respectively.

Under the terms of the latest agreement, the Foundation is allowed to carry forward excess credits to offset future support owed to VCU. At June 30, 2017 and 2016, the Foundation had an excess credit of $1,452,230 and $648,302, respectively.

The following outline summarizes the transactions regarding the agreement between the Foundation and Virginia Commonwealth University for the years ended June 30, 2017 and 2016:

	2017	2016
Prepaid balance at beginning of period	$ 648,302	$ 527,358
Salaries and fringe benefits to be reimbursed to Virginia Commonwealth University	(360,352)	(311,721)
Non-cash Blackboard software royalty	200,000	200,000
Virginia Commonwealth University annual remittance	69,204	67,200
Revenue distributions to Virginia Commonwealth University and departments	895,076	165,465
Prepaid balance at end of period	$ 1,452,230	$ 648,302

Note 9. Notes Receivable

In April 2015, the Foundation sold their stock in Centriva, LLC. The sales price of $211,012 consisted of a term note of $211,012. The term note bears interest at 1.75%. Interest and principal payments on the note are due monthly until maturity at December 31, 2018. The note receivable is secured by the assets of the purchaser. As of June 30, 2017, all required principal and interest payments have been collected. Management does not feel an allowance is necessary. At June 30, 2017, the remaining receivable balance was $136,084.

In June 2017, the Foundation entered into an exclusive license agreement with Z-Medica, LLC. As consideration for the rights granted under the agreement, Z-Medica, LLC entered into a term note for $3,500,000. The term note bears interest at 6%. Interest and principal payments on the note are due annually until maturity at June 20, 2020. The note receivable is secured by licensed patent rights. As of June 30, 2017, all required principal and interest payments have been collected. Management does not feel an allowance is necessary. At June 30, 2017, the remaining receivable balance was $2,625,000.

Principal contractual maturities on the notes receivable are as follows:

Year Ended June 30,	
2018	$ 927,395
2019	958,689
2020	875,000
	$ 2,761,084

Note 10. Royalty Distributions Payable

According to the VCU Intellectual Property policy, the Foundation calculates the royalty income share with VCU and the inventor of the licensed intellectual property. The Foundation records the payable at the time the related receivable is recorded and makes the distribution once the receivable is collected. During the year ended June 30, 2017 and 2016, the Foundation incurred distributions of $3,033,247 and $751,470, respectively. As of June 30, 2017, estimated royalty distributions payable are as follows:

Year Ended June 30,	
2018	$ 862,400
2019	575,233
2020	525,000
	$ 1,962,633

Note 11. Subsequent Events

Management has evaluated subsequent events through September 11, 2017, which is the date the financial statements were available to be issued.

MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidated Financial Statements

June 30, 2017 and 2016

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Consolidated statements of financial position	3
Consolidated statement of activities - June 30, 2017	4
Consolidated statement of activities - June 30, 2016	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7 - 21
Supplementary Information	
Consolidating statement of financial position - June 30, 2017	22
Consolidating statement of financial position - June 30, 2016	23
Consolidating statement of activities - June 30, 2017	24
Consolidating statement of activities - June 30, 2016	25

Mitchell Wiggins

Certified Public Accountants

Independent Auditor's Report

Board of Directors
Virginia Commonwealth University Alumni
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Virginia Commonwealth University Alumni, and its affiliate, Medical College of Virginia Alumni Association of Virginia Commonwealth University, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virginia Commonwealth University Alumni, and its affiliate, Medical College of Virginia Alumni Association of Virginia Commonwealth University, as of June 30, 2017 and 2016, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mitchell Wiggins

Petersburg, Virginia
December 13, 2017

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidated Statements of Financial Position
June 30, 2017 and 2016

Assets	**2017**	2016
Assets		
Cash and cash equivalents	**$ 534,613**	$ 633,941
Cash held for others	**2,366**	13,018
Accounts receivable	**9,834**	22,071
Due from VCU affiliated foundations	**7,842**	17,728
Lifetime membership dues receivable, net of discounts and allowances of $17,330 in 2017; $16,906 in 2016	**33,917**	27,753
Inventories	**3,149**	7,372
Prepaid expenses	**28,294**	22,618
Investments	**2,146,340**	1,958,964
Total assets	**$ 2,766,355**	$ 2,703,465
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 25,160**	$ 35,734
Deferred revenue	**21,167**	26,875
Promises to give to VCU Foundation	**58,762**	97,294
Funds held for others	**2,366**	13,018
Total liabilities	**107,455**	172,921
Net Assets		
Unrestricted		
Operations	**2,422,388**	2,256,767
Board designated	**60,000**	100,000
Temporarily restricted	**86,245**	85,752
Permanently restricted	**90,267**	88,025
Total net assets	**2,658,900**	2,530,544
Total liabilities and net assets	**$ 2,766,355**	$ 2,703,465

See Notes to Consolidated Financial Statements

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Alumni dues	$ 201,935	$ -	$ -	$ 201,935
Affinity programs	119,499	-	-	119,499
Support from Virginia Commonwealth University, including benefits	1,063,409	-	-	1,063,409
Support from MCV Foundation	20,000	-	-	20,000
Program revenue	37,058	-	-	37,058
Sponsorships	71,667	3,500	-	75,167
Merchandise income	4,379	-	-	4,379
Alumni house rental income	11,375	-	-	11,375
Other revenue	6,531	-	-	6,531
Total operating revenues	1,535,853	3,500	-	1,539,353
Operating Expenses				
Program services	1,125,995	-	-	1,125,995
Management and general	595,672	-	-	595,672
Cost of merchandise sold	3,442	-	-	3,442
Bad debt expense (recoveries)	(326)	-	-	(326)
Total operating expenses	1,724,783	-	-	1,724,783
Operating income (loss)	(188,930)	3,500	-	(185,430)
Nonoperating Revenues (Expenses)				
Contributions	6,126	34,530	2,242	42,898
Contributions to Virginia Commonwealth University	(1,468)	-	-	(1,468)
Investment income, net of expenses of $10,076	4,005	122	-	4,127
Realized and unrealized gains on investments	259,450	8,779	-	268,229
Net assets released from restrictions	46,438	(46,438)	-	-
Total nonoperating revenues (expenses)	314,551	(3,007)	2,242	313,786
Changes in net assets	125,621	493	2,242	128,356
Net assets, beginning	2,356,767	85,752	88,025	2,530,544
Net assets, ending	$ 2,482,388	$ 86,245	$ 90,267	$ 2,658,900

See Notes to Consolidated Financial Statements

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Alumni dues	$ 172,352	$ -	$ -	$ 172,352
Affinity programs	125,974	-	-	125,974
Support from Virginia Commonwealth University, including benefits	1,131,527	-	-	1,131,527
Support from MCV Foundation	20,000	-	-	20,000
Program revenue	55,553	-	-	55,553
Sponsorships	72,000	-	-	72,000
Merchandise income	7,465	-	-	7,465
Alumni house rental income	63,640	-	-	63,640
Other revenue	8,700	-	-	8,700
Total operating revenues	1,657,211	-	-	1,657,211
Operating Expenses				
Program services	1,224,715	-	-	1,224,715
Management and general	722,837	-	-	722,837
Cost of merchandise sold	5,285	-	-	5,285
Bad debt expense (recoveries)	8,427	(619)	-	7,808
Total operating expenses	1,961,264	(619)	-	1,960,645
Operating income (loss)	(304,053)	619	-	(303,434)
Nonoperating Revenues (Expenses)				
Contributions	675	54,898	825	56,398
Contributions to Virginia Commonwealth University	(2,041)	-	-	(2,041)
Investment income, net of expense of $9,760	20,484	2,161	-	22,645
Realized and unrealized losses on investments	(68,261)	(3,798)	-	(72,059)
Net assets released from restrictions	40,383	(40,383)	-	-
Total nonoperating revenues (expenses)	(8,760)	12,878	825	4,943
Changes in net assets	(312,813)	13,497	825	(298,491)
Net assets, beginning	2,669,580	72,255	87,200	2,829,035
Net assets, ending	$ 2,356,767	$ 85,752	$ 88,025	$ 2,530,544

See Notes to Consolidated Financial Statements

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	**$ 128,356**	$ (298,491)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Realized and unrealized (gains) losses on investments	**(268,229)**	72,059
Changes in operating assets		
Accounts receivable	**12,237**	43,344
Due from VCU affiliated foundations	**9,886**	10,181
Lifetime membership dues receivable	**(6,164)**	29,149
Inventories	**4,223**	(2,464)
Prepaid expenses	**(5,676)**	(3,113)
Changes in operating liabilities		
Accounts payable and accrued expenses	**(10,574)**	14,883
Deferred revenue	**(5,708)**	18,275
Promises to give to VCU Foundation	**(38,532)**	(37,959)
Net cash (used in) operating activities	**(180,181)**	(154,136)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**91,824**	61,911
Purchases of investments	**(10,971)**	(31,809)
Net cash provided by investing activities	**80,853**	30,102
Net change in cash and cash equivalents	**(99,328)**	(124,034)
Cash and cash equivalents, beginning of year	**633,941**	757,975
Cash and cash equivalents, end of year	**$ 534,613**	$ 633,941

See Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization

Virginia Commonwealth University Alumni ("VCUA"), a Virginia non-stock corporation, was formed to promote the best interests of Virginia Commonwealth University ("VCU"), its alumni and its students, and to assist in the furtherance of the University's educational efforts.

The Medical College of Virginia Alumni Association of Virginia Commonwealth University ("MCVAA") seeks to bring the alumni of the various schools of Medical College of Virginia together, to provide them with services, including the alumni magazine, "*Scarab";* to encourage alumni support of higher education, support of the goals and mission of Virginia Commonwealth University and its various schools; and to offer direct support to students, faculty and staff of Virginia Commonwealth University.

Effective August 1, 2013, VCUA and MCVAA amended its articles of incorporation and by-laws. As such, in connection with the amendments, Virginia Commonwealth University Alumni became the sole corporate member of Medical College of Virginia Alumni Association of Virginia Commonwealth University. Thus, beginning in fiscal year 2014, the financial statements for VCUA will be consolidated with the financial statements for MCVAA.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation

The consolidated financial statements include the accounts of Virginia Commonwealth University Alumni ("VCUA") and Medical College of Virginia Alumni Association of Virginia Commonwealth University ("MCVAA") (collectively the "Organization"), which are related by virtue of common control. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Basis of presentation

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting. The Organization first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Cash equivalents

For purposes of reporting the consolidated statements of cash flows, the Organization includes all cash accounts and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying consolidated

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

statements of financial position. At times, the Organization may have cash in excess of insured limits. The Organization's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2017, the Organization had cash balances and cash investments that exceeded insurance limits.

Cash held for others
The Organization receives funds for the Humera Surgical Society of Medical College of Virginia (the "Society"). These funds are deposited in a bank account maintained by the Organization. The Organization manages the money and pays bills for the Society. Any amounts that are not disbursed for the Society are reflected as an asset and liability for the Organization because it is the property of the Society.

Accounts receivable
The Organization is routinely involved in programs that result in unsecured receivables, similar to those associated with commercial businesses. Receivables are deemed past due if payments are not received by the due date stated on the billing statement. Past due accounts are not charged a monthly finance charge on the past due balance. Uncollectible receivables resulting from this type of transaction are charged to expense in the year an account is determined to be uncollectible. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Lifetime membership dues receivable
Lifetime membership dues receivable represent commitments made by alumni to become life members of the Organization. The Organization has recorded a valuation allowance for these receivables. The receivables are recorded at discounted present values based on the annual commitment of the alumni using a discount factor, net of the allowance.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out method. Inventories consist of Medical College of Virginia campus merchandise.

Investments
The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in unrestricted net assets.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Deferred revenue
Deferred revenue relates to revenue that will be earned in periods after the date of the consolidated financial statements. Revenues related to rental income for conferences, etc., are recognized when substantially earned and, as such, amounts collected in advance are recognized as deferred revenue. Also, affinity payments collected in advance for future periods are recorded as deferred revenue.

Promises to give to others
Promises to give to others consist of unconditional commitments to give cash or other assets. Promises to give to others are recorded when the Organization approves a specific award to an organization. Long-term promises to give to others are discounted to present value based on the estimated future cash outflows.

Unrestricted net assets
The Organization reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

Temporarily restricted net assets
The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets at June 30, 2017 and 2016 consist of contributions restricted by donor designation to support specific initiatives within the Organization.

Permanently restricted net assets
Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. At June 30, 2017 and 2016, the income from these permanently restricted net assets may be used in support of the Organization, including scholarships and other school-related programs.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Revenue recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported in the consolidated statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions and related gains and investments that are met in the same year as received are reported as unrestricted revenues.

Income taxes

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University (collectively the “Organization”) are not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code. They are subject to income tax on any unrelated business income that they may generate.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the taxing authorities for years ending before June 30, 2014.

The Organization includes penalties and interest assessed by income taxing authorities in administrative and general expenses. The Organization did not have penalties and interest relating to income taxes for the years ended June 30, 2017 and 2016.

Use of estimates

The preparation of the consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Funding of Operations

Under an agreement with Virginia Commonwealth University ("VCU"), VCU agrees to provide substantially all personnel support, including fringe benefit costs, for the Organization. The amounts, which are included in both consolidated operating revenues and operating expenses, totaled $1,063,409 and $1,131,527 for the years ending June 30, 2017 and 2016.

In 1998, MCVAA gifted a building and agreed to a 30-year commitment to continue providing alumni services at the alumni house to VCU in exchange for VCU's commitment to provide MCVAA with office and storage space, maintenance and parking for 30 years. The contract novation dated August 3, 2016 nullifies the obligations and rights of this agreement.

Note 3. Affinity Programs

Effective January 1, 2015, VCUA amended the joint affinity agreement with Nationwide Mutual Insurance Company ("Nationwide"). In addition to various other one time fees, Nationwide guaranteed a minimum marketing allowance of $80,000 per year for the first six years of the agreement to be paid quarterly. An additional marketing allowance may be earned based on reaching a certain threshold of members who have purchased a policy. The marketing allowance did not exceed the guaranteed minimum allowance as of June 30, 2017 and 2016. The agreement included a bank compensation product with guaranteed royalty of $16,500 for the first three contract years.

The Organization has several other royalty programs, none of which are individually significant to the consolidated financial statements. For fiscal years ending June 30, 2017 and 2016, the Organization received $119,499 and $125,974 in affinity royalties under these contracts, which is included in the consolidated statements of activities.

Note 4. Lifetime Membership Dues Receivables

Lifetime membership dues receivables represent the commitments made by alumni to become life members of the Organization.

Note 4. Lifetime Membership Dues Receivables (Continued)

The following shows the expected collection periods of lifetime membership dues receivables and the related allowance for uncollectible amounts and discount to present value amounts at June 30, 2017 and 2016:

	2017			
	Collections expected in			
	Less than 1 year	**1 - 5 years**	**Greater than**	**Total**
Memberships	**$ 46,406**	**$ 4,841**	**$ -**	**$ 51,247**
Less:				
Allowance for uncollectible accounts				**(17,197)**
Discount to present value (rates from 1.89% to 2.53%)				**(133)**
Membership receivable, net				**$ 33,917**

	2016			
	Collections expected in			
	Less than 1 year	1 - 5 years	Greater than 5 years	Total
Memberships	$ 38,307	$ 6,352	$ -	$ 44,659
Less:				
Allowance for uncollectible accounts				(16,769)
Discount to present value (rates from 1.12% to 2.53%)				(137)
Membership receivable, net				$ 27,753

Note 5. Investments

VCU Foundation (the "Foundation") holds and manages investments for VCUA and other entities affiliated with VCU. The Foundation solicits, holds and manages investments for the benefit of schools, departments and programs throughout VCU. Unitized pooled investments held by the Foundation include cash and cash equivalents, fixed income instruments, equities and alternative investments. VCUA can request funds at any time and will receive the funds within a seven-day period. The investments are at risk to loss of principal.

Note 5. Investments (Continued)

Beginning in July 2016, VCU Foundation transitioned its investment portfolio to the VCU Investment Management Company (VCIMCO) as its new investment advisor. VCIMCO is a nonprofit, nonstock corporation organized under Virginia law for exclusive charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. VCIMCO was set up to advise the University and its affiliated foundations on the management of its investments. As of June 30, 2017, VCU Foundation was invested in The Ram Fund, LP and The Ram Private Assets Fund, LP.

MCV Foundation holds as agent all investments for MCVAA. MCVAA's investments consist of commingled investment funds invested with the Commonfund Asset Management Company. The investments are at risk to loss of principal.

Investments consist of the following at June 30, 2017 and 2016:

	June 30,	
	2017	2016
Investments Held by VCU Foundation:		
Unitized pooled investment funds	**$ 799,371**	$ 744,013
Investments Held by MCV Foundation:		
Commingled investment funds - Bond Fund	**68,709**	67,532
Commingled investment funds - Equity Fund	**1,278,260**	1,147,419
	$ 2,146,340	$ 1,958,964

Note 6. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation

Note 6. Fair Value Measurements (Continued)

methodologies. The unitized pooled investment funds held by VCU Foundation are maintained using the "market value method". Under the market value method, units of participation are assigned when dollars enter the pool based upon the most recently determined market value of units. The market value of units of participation is calculated monthly. The commingled investment funds held by MCV Foundation are valued at the net asset value of underlying shares held at year end.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The classification of investments by level within the valuation hierarchy as of June 30, 2017 and 2016 is as follows:

	Fair Value Measurements at Reporting Date Using			
	June 30, 2017	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments Held by VCU Foundation:				
Unitized pooled investment funds	**$ 799,371**	**$ -**	**$ -**	**$ 799,371**
Investments Held by MCV Foundation:				
Commingled investment funds - Bond Fund	**68,709**	**-**	**68,709**	**-**
Commingled investment funds - Equity Fund	**1,278,260**	**-**	**1,278,260**	**-**
	$ 2,146,340	**$ -**	**$ 1,346,969**	**$ 799,371**

	Fair Value Measurements at Reporting Date Using			
	June 30, 2016	Level 1	Level 2	Level 3
Assets				
Investments Held by VCU Foundation:				
Unitized pooled investment funds	$ 744,013	$ -	$ 744,013	$ -
Investments Held by MCV Foundation:				
Commingled investment funds - Bond Fund	67,532	-	67,532	-
Commingled investment funds - Equity Fund	1,147,419	-	1,147,419	-
	$ 1,958,964	$ -	$ 1,958,964	$ -

Note 6. Fair Value Measurements (Continued)

The following outlines the activities of Level 3 investments for the year ended June 30, 2017:

	Total
Balance July, 1, 2016	$ -
Reclassification from Level 2	**744,013**
Interest/dividends reinvested	**165**
Realized and unrealized gains	**65,269**
Investment expense	**(10,076)**
Balance June 30, 2017	**$ 799,371**

The Ram Fund, LP

The Ram Fund, LP (the Ram Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Ram Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Ram Fund. The investment manager of the Ram Fund is VCIMCO.

The Ram Fund invests via a mix of active and passive investment managers and strategies across a diversified group of asset classes including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities.

The Ram Private Assets Fund, LP

The Ram Private Assets Fund, LP (the Private Assets Fund) is a limited partnership organized under the laws of the Commonwealth of Virginia. The Private Assets Fund was organized as a pooled investment vehicle for the purpose of investing the assets of the University and its affiliated organizations in the investment strategies pursued by the Private Assets Fund. The investment manager of the Private Assets Fund is VCIMCO.

The Private Assets Fund invests in active investment managers employing strategies primarily in the illiquid asset classes, including private equity, venture capital, private debt, real estate, infrastructure and natural resources. Due to the illiquid nature of these strategies, the contracted investment period for these investments is typically greater than 5 years.

The pooled investment funds held at VCU Foundation are valued based upon net values per share invested. The VCU Foundation values investments in all debt securities and equity securities with readily determinable market values based upon fair market values and

Note 6. Fair Value Measurements (Continued)

alternative investments are valued at estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost, or other estimates including appraisals. The alternative investments are valued using considerable judgement by the VCU Foundation and its investment advisors, including recognition of market risk.

Note 7. Promises to Give to VCU Foundation

Promises to give to others represent commitments made by VCUA for future contributions to VCU Foundation.

The following shows the expected payments periods of promises to give to VCU Foundation and the related discount amount to present value at June 30, 2017 and 2016:

	2017			
	Payments expected in			
	Less than 1 year	**1-5 years**	**Greater than 5 years**	**Total**
Commitments	**$ 40,000**	**$ 20,000**	**$ -**	**$ 60,000**
Less:				
Discount to present value using a discount rate of 1.52%				**(1,238)**
Promises to give to VCU Foundation, net				**$ 58,762**

	2016			
	Payments expected in			
	Less than 1 year	1-5 years	Greater than 5 years	Total
Commitments	$ 40,000	$ 60,000	$ -	$ 100,000
Less:				
Discount to present value using a discount rate of 1.52%				(2,706)
Promises to give to VCU Foundation, net				$ 97,294

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2017	2016
Alumni Service Award	**$ 2,784**	$ 2,784
Endowment Earnings and Appreciation	**18,714**	14,177
House Preservation	**1,886**	1,886
Monroe Park Book Award	**20,429**	15,576
Other	**4,938**	5,309
RPI Heritage	**-**	742
RPI History	**3,531**	10,464
RPI Sculpture	**96**	96
RVA Gold	**16,969**	17,067
VCUA Legacy Scholarship	**16,898**	17,651
	$86,245	$ 85,752

Note 9. Endowment

The VCUA's endowment consists of three individual funds established for purposes that support the VCUA. The endowment is comprised only of donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant State Law

The Board of Directors of the VCUA has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the VCUA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of a donor-restricted endowment fund not classified as a permanently restricted net asset is classified as a temporarily restricted net asset until appropriated for expenditure by the VCUA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the VCUA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 9. Endowment (Continued)

- The duration and preservation of the fund.
- The purposes of the VCUA and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the VCUA.
- The investment policies of the VCUA.

The following schedules summarize the endowment net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 18,714**	**$ 90,267**	**$ 108,981**
Total endowment funds	**$ -**	**$ 18,714**	**$ 90,267**	**$ 108,981**

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,177	$ 88,025	$ 102,202
Total endowment funds	$ -	$ 14,177	$ 88,025	$ 102,202

The following schedules summarize the net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 18,714**	**$ 90,267**	**$ 108,981**
Unrestricted funds	**2,482,388**	**-**	**-**	**2,482,388**
Temporarily restricted funds	**-**	**67,531**	**-**	**67,531**
Total net assets	**$ 2,482,388**	**$ 86,245**	**$ 90,267**	**$ 2,658,900**

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,177	$ 88,025	$ 102,202
Unrestricted funds	2,356,767	-	-	2,356,767
Temporarily restricted funds	-	71,575	-	71,575
Total net assets	$ 2,356,767	$ 85,752	$ 88,025	$ 2,530,544

Note 9. Endowment (Continued)

The following schedules summarize the changes in endowment net assets for the years ended June 30, 2017 and 2016:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ -**	**$ 14,177**	**$ 88,025**	**$ 102,202**
Investment return:				
Investment income	**-**	**122**	**-**	**122**
Net appreciation, realized and unrealized	**-**	**8,779**	**-**	**8,779**
Total investment return	**-**	**8,901**	**-**	**8,901**
Contributions	**-**	**-**	**2,242**	**2,242**
Appropriation of endowment assets for expenditure	**-**	**(4,364)**	**-**	**(4,364)**
	-	**4,537**	**2,242**	**6,779**
Endowment net assets, end of year	**$ -**	**$ 18,714**	**$ 90,267**	**$ 108,981**

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 19,253	$ 87,200	$ 106,453
Investment loss:				
Investment income	-	2,161	-	2,161
Net depreciation, realized and unrealized	-	(3,798)	-	(3,798)
Total investment loss	-	(1,637)	-	(1,637)
Contributions	-	-	825	825
Appropriation of endowment assets for expenditure	-	(3,439)	-	(3,439)
	-	(5,076)	825	(4,251)
Endowment net assets, end of year	$ -	$ 14,177	$ 88,025	$ 102,202

A description of the amounts classified as permanently restricted net assets and temporarily restricted nets assets (endowment only) as of June 30, 2017 and 2016 is as follows:

Note 9. Endowment (Continued)

	2017	2016
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	**$ 90,267**	$ 88,025
Total endowment funds classified as permanently restricted net assets	**$ 90,167**	$ 88,025
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	**$ 18,714**	$ 14,177
Total endowment funds classified as temporarily restricted net assets	**$ 18,714**	$ 14,177

Return objectives and risk parameters

The VCUA endowed funds are invested in VCU Foundation's unitized pooled investment funds and as such the VCUA utilizes VCU Foundation's investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the VCUA must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long term rate of return objectives, the VCUA's endowed assets that are invested in the VCU Foundation's unitized investment pool rely on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized). The VCUA's endowed assets that are invested in VCU Foundation's unitized investment pool include The Ram Fund which are invested in a mix of active and passive investment managers and strategies across a diversified group of asset classes including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities. The Ram Private Assets Fund invests in active management employing strategies primarily in the illiquid asset classes, including private equity, venture capital, private debt, real estate, infrastructure and natural resources.

Note 10. Board Designated Net Assets

Excess funds have been designated by the Board of Directors. These funds are to be used to support the VCUA in funding the promises to give to VCU Foundation liability in future years.

Note 11. Commitments

VCUA and MCVAA have committed to reimburse Virginia Commonwealth University for certain personnel costs for the fiscal years ending June 30, 2017 and 2016. The consolidated amount of these costs is $174,040 and $181,849, respectively.

Note 12. Subsequent Events

Management has evaluated subsequent events through December 13, 2017, the date which the consolidated financial statements were available for issue.

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidating Statement of Financial Position
June 30, 2017

Assets	VCU Alumni	Medical College of Virginia Alumni Association	Eliminations	Total
Assets				
Cash and cash equivalents	$ 488,326	$ 46,287	$ -	$ 534,613
Cash held for others	2,366	-	-	2,366
Accounts receivable	8,077	1,757	-	9,834
Due from VCU affiliated foundations	7,842	-	-	7,842
Due from VCU Alumni	-	6,383	(6,383)	-
Lifetime membership dues receivable, net of discounts and allowances of $17,330	30,207	3,710	-	33,917
Inventories	2,247	902	-	3,149
Prepaid expenses	24,949	3,345	-	28,294
Investments	799,371	1,346,969	-	2,146,340
Total assets	$ 1,363,385	$ 1,409,353	$ (6,383)	$ 2,766,355
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 14,497	$ 10,663	$ -	$ 25,160
Due to MCV Alumni	6,383	-	(6,383)	-
Deferred revenue	21,167	-	-	21,167
Promises to give to VCU Foundation	58,762	-	-	58,762
Funds held for others	2,366	-	-	2,366
Total liabilities	103,175	10,663	(6,383)	107,455
Net Assets				
Unrestricted				
Operations	1,023,698	1,398,690	-	2,422,388
Board designated	60,000	-	-	60,000
Temporarily restricted	86,245	-	-	86,245
Permanently restricted	90,267	-	-	90,267
Total net assets	1,260,210	1,398,690	-	2,658,900
Total liabilities and net assets	$ 1,363,385	$ 1,409,353	$ (6,383)	$ 2,766,355

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidating Statement of Financial Position
June 30, 2016

Assets	VCU Alumni	Medical College of Virginia Alumni Association	Eliminations	Total
Assets				
Cash and cash equivalents	$ 577,811	$ 56,130	$ -	$ 633,941
Cash held for others	13,018	-	-	13,018
Accounts receivable	9,071	13,000	-	22,071
Due from VCU affiliated foundations	17,258	470	-	17,728
Due from MCV Alumni	-	18,192	(18,192)	-
Lifetime membership dues receivable, net of discounts and allowances of $16,907	23,587	4,166	-	27,753
Inventories	4,399	2,973	-	7,372
Prepaid expenses	20,560	2,058	-	22,618
Investments	744,013	1,214,951	-	1,958,964
Total assets	$ 1,409,717	$ 1,311,940	$ (18,192)	$ 2,703,465
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 23,136	$ 12,598	$ -	$ 35,734
Due to MCV Alumni	18,192	-	(18,192)	-
Deferred revenue	18,175	8,700	-	26,875
Promises to give to VCU Foundation	97,294	-	-	97,294
Funds held for others	13,018	-	-	13,018
Total liabilities	169,815	21,298	(18,192)	172,921
Net Assets				
Unrestricted				
Operations	966,125	1,290,642	-	2,256,767
Board designated	100,000	-	-	100,000
Temporarily restricted	85,752	-	-	85,752
Permanently restricted	88,025	-	-	88,025
Total net assets	1,239,902	1,290,642	-	2,530,544
Total liabilities and net assets	$ 1,409,717	$ 1,311,940	$ (18,192)	$ 2,703,465

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidating Statement of Activities
June 30, 2017

	VCU Alumni				Medical College of Virginia Alumni Association					
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Subtotal**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Subtotal**	**Eliminations**	**Total**
Operating Revenues										
Alumni dues	$ 164,721	$ -	$ -	$ 164,721	$ 37,214	$ -	$ -	$ 37,214	$ -	$ 201,935
Affinity programs	116,747	-	-	116,747	2,752	-	-	2,752	-	119,499
Support from Virginia Commonwealth University, including benefits	729,060	-	-	729,060	334,349	-	-	334,349	-	1,063,409
Support from MCV Foundation	-	-	-	-	20,000	-	-	20,000	-	20,000
Program revenue	30,905	-	-	30,905	6,153	-	-	6,153	-	37,058
Sponsorships	43,667	3,500	-	47,167	28,000	-	-	28,000	-	75,167
Merchandise income	1,788	-	-	1,788	2,591	-	-	2,591	-	4,379
Alumni house rental income	-	-	-	-	11,375	-	-	11,375	-	11,375
Other revenue	6,073	-	-	6,073	458	-	-	458	-	6,531
Total operating revenues	1,092,961	3,500	-	1,096,461	442,892	-	-	442,892	-	1,539,353
Operating Expenses										
Program services	802,028	-	-	802,028	323,967	-	-	323,967	-	1,125,995
Management and general	371,112	-	-	371,112	224,560	-	-	224,560	-	595,672
Cost of merchandise sold	1,432	-	-	1,432	2,010	-	-	2,010	-	3,442
Bad debt expense (recoveries)	544	-	-	544	(870)	-	-	(870)	-	(326)
Total operating expenses	1,175,116	-	-	1,175,116	549,667	-	-	549,667	-	1,724,783
Operating income (loss)	(82,155)	3,500	-	(78,655)	(106,775)	-	-	(106,775)	-	(185,430)
Nonoperating Revenues (Expenses)										
Contributions	4,321	34,530	2,242	41,093	1,805	-	-	1,805	-	42,898
Contributions to Virginia Commonwealth University	(1,468)	-	-	(1,468)	-	-	-	-	-	(1,468)
Investment income, net of expenses of $10,076	(6,053)	122	-	(5,931)	10,058	-	-	10,058	-	4,127
Realized and unrealized gains on investments	56,490	8,779	-	65,269	202,960	-	-	202,960	-	268,229
Net assets released from restrictions	46,438	(46,438)	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	99,728	(3,007)	2,242	98,963	214,823	-	-	214,823	-	313,786
Changes in net assets	17,573	493	2,242	20,308	108,048	-	-	108,048	-	128,356
Net assets, beginning	1,066,125	85,752	88,025	1,239,902	1,290,642	-	-	1,290,642	-	2,530,544
Net assets, ending	$ 1,083,698	$ 86,245	$ 90,267	$ 1,260,210	$ 1,398,690	$ -	$ -	$ 1,398,690	$ -	$ 2,658,900

Virginia Commonwealth University Alumni and Medical College of Virginia Alumni Association of Virginia Commonwealth University

Consolidating Statement of Activities
June 30, 2016

	VCU Alumni				Medical College of Virginia Alumni Association					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotal	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotal	Eliminations	Total
Operating Revenues										
Alumni dues	$ 142,419	$ -	$ -	$ 142,419	$ 29,933	$ -	$ -	$ 29,933	$ -	$ 172,352
Affinity programs	121,900	-	-	121,900	4,074	-	-	4,074	-	125,974
Support from Virginia Commonwealth University, including benefits	745,105	-	-	745,105	386,422	-	-	386,422	-	1,131,527
Support from MCV Foundation	-	-	-	-	20,000	-	-	20,000	-	20,000
Support from VCU Alumni	-	-	-	-	50,000	-	-	50,000	(50,000)	-
Program revenue	48,436	-	-	48,436	7,117	-	-	7,117	-	55,553
Sponsorships	47,000	-	-	47,000	25,000	-	-	25,000	-	72,000
Merchandise income	2,350	-	-	2,350	5,115	-	-	5,115	-	7,465
Alumni house rental income	-	-	-	-	63,640	-	-	63,640	-	63,640
Other revenue	8,663	-	-	8,663	37	-	-	37	-	8,700
Total operating revenues	1,115,873	-	-	1,115,873	591,338	-	-	591,338	(50,000)	1,657,211
Operating Expenses										
Program services	926,379	-	-	926,379	348,336	-	-	348,336	(50,000)	1,224,715
Management and general	405,734	-	-	405,734	317,103	-	-	317,103	-	722,837
Cost of merchandise sold	1,645	-	-	1,645	3,640	-	-	3,640	-	5,285
Bad debt expense (recoveries)	6,946	(619)	-	6,327	1,481	-	-	1,481	-	7,808
Total operating expenses	1,340,704	(619)	-	1,340,085	670,560	-	-	670,560	(50,000)	1,960,645
Operating income (loss)	(224,831)	619	-	(224,212)	(79,222)	-	-	(79,222)	-	(303,434)
Nonoperating Revenues (Expenses)										
Contributions	675	54,898	825	56,398	-	-	-	-	-	56,398
Contributions to Virginia Commonwealth University	(2,041)	-	-	(2,041)	-	-	-	-	-	(2,041)
Investment income, net of expenses of $9,760	5,590	2,161	-	7,751	14,894	-	-	14,894	-	22,645
Realized and unrealized losses on investments	(24,208)	(3,798)	-	(28,006)	(44,053)	-	-	(44,053)	-	(72,059)
Net assets released from restrictions	40,383	(40,383)	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	20,399	12,878	825	34,102	(29,159)	-	-	(29,159)	-	4,943
Change in net assets	(204,432)	13,497	825	(190,110)	(108,381)	-	-	(108,381)	-	(298,491)
Net assets, beginning	1,270,557	72,255	87,200	1,430,012	1,399,023	-	-	1,399,023	-	2,829,035
Net assets, ending	$ 1,066,125	$ 85,752	$ 88,025	$ 1,239,902	$ 1,290,642	$ -	$ -	$ 1,290,642	$ -	$ 2,530,544

FY 17 Foundation Financial Statements

Karol Kain Gray, VP for Finance and Budget

March 22, 2018

Financial Statement Summary

VCU Foundations
As of June 30, 2017
(In millions)

	MCVF	VCUF	VCUREF	VCUSOBF	VCUSOEF	Total
Assets:						
Cash	$ 9.2	$ 33.9	$ 9.2	$ 8.4	$ 3.5	$ 64.2
Investments and Endowments	434.1	71.2	-	36.6	70.2	612.1
PPE	2.0		76.1	32.4	47.2	157.7
Receivables and Other	27.0	15.3	9.1	0.9	1.9	54.2
Total Assets	**472.3**	**120.4**	**94.4**	**78.3**	**122.8**	**888.2**
Liabilities	**11.7**	**36.4**	**63.8**	**45.2**	**79.3**	**236.4**
Net Position	**460.6**	**84.0**	**30.6**	**33.1**	**43.5**	**651.8**
Total Liabilities and Net Position	**$ 472.3**	**$ 120.4**	**$ 94.4**	**$ 78.3**	**$ 122.8**	**$ 888.2**
Revenues	**12.7**	**14.6**	**8.1**	**4.0**	**1.8**	**41.2**
Expenses	**30.2**	**16.9**	**6.4**	**6.1**	**7.0**	**66.6**
Change in Net Position	**$ (17.5)**	**$ (2.3)**	**$ 1.7**	**$ (2.1)**	**$ (5.2)**	**$ (25.4)**

Intellectual Properties and Alumni Associations are omitted due to immateriality

VCU

Financial Statement Summary

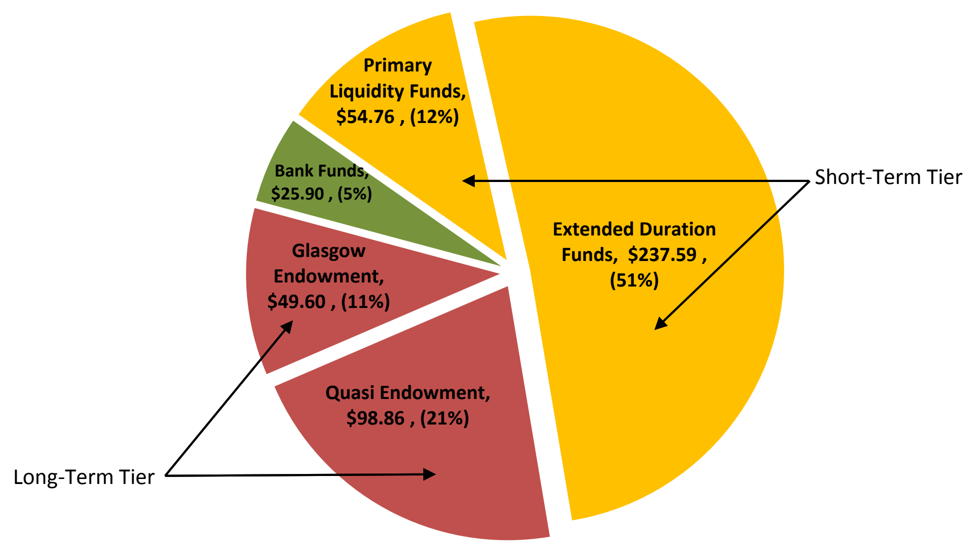
- All foundations received unmodified audit opinions
- No material adjustments to financial statements
- No management letter comments

Treasurer's Report
As of December 31, 2017

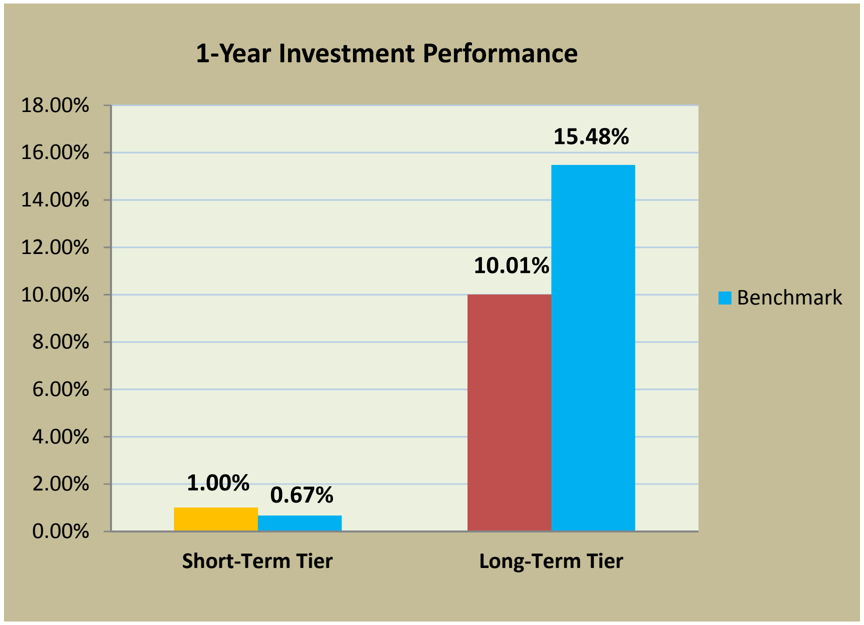
Finance and Budget, Karol Kain Gray, March 22, 2018

Total University Funds Overview for the Period Ending December 31, 2017

University Funds
Market Value (Millions)



Total University Funds
$466.71M



Short-Term & Long-Term Tier Performance and Asset Allocation as of December 31, 2017

Short-Term Tier	Market Value	Current Allocation		Qtr Return	1 Yr Return	3 Yrs Return	5 Yrs Return	Since June-09 Return
Primary Liquidity Funds (Payden & Rygel)	**$ 54,759,556**	**18.7%**		**0.18%**	**0.88%**	**0.46%**	**0.30%**	**0.27%**
iMoneyNet MM All Taxable				*0.17%*	*0.51%*	*0.21%*	*0.13%*	*0.09%*
Extended Duration Funds (Merganser)	**$ 237,592,057**	**81.3%**		**-0.04%**	**1.15%**	**1.06%**	**0.91%**	**1.39%**
Blended Index				*-0.18%*	*0.83%*	*0.68%*	*0.66%*	*0.92%*
BofA Merrill Lynch US Corp & Govt 1-3 year				*-0.18%*	*0.86%*	*0.94%*	*0.86%*	*1.41%*
Total Short-Term Tier	**$ 292,351,613**	**100.0%**		**0.02%**	**1.00%**	**0.83%**	**0.72%**	**0.96%**
Short-Term Tier Composite				*-0.09%*	*0.67%*	*0.87%*	*0.49%*	
Long-Term Tier Asset Class	**Market Value**	**Current Allocation**	**VCU Strategic Allocation**	**Qtr Return**	**1 Yr Return**	**3 Yrs Return**	**5 Yrs Return**	**Since April-12 Return**
Equity								
VCIMCO Equity	$ 103,131,488	69.4%						
JP Morgan Equity	$ 381,460	0.3%						
Subtotal	**$ 103,512,948**	**69.7%**	**65.0%**	**4.37%**	**18.83%**	**7.32%**	**9.62%**	**9.13%**
MSCI All Country World Index				*5.84%*	*24.62%*	*9.90%*	*11.40%*	*11.01%*
Real Assets								
VCIMCO Real Assets	$ 729,749	0.5%						
JP Morgan Real Assets	$ 1,010,356	0.7%						
Subtotal	**$ 1,740,105**	**1.2%**	**10.0%**	**0.64%**	**-3.55%**	**2.67%**	**2.95%**	**2.36%**
MSCI ACWI Real Estate Index				*4.43%*	*18.45%*	*6.98%*	*7.15%*	*8.66%*
Fixed Income and Cash								
VCIMCO Fixed Income and Cash	$ 42,875,441	28.9%						
JP Morgan Fixed Income and Cash	$ 404,301	0.3%						
Subtotal	**$ 43,279,742**	**29.1%**	**25.0%**	**-0.54%**	**-3.47%**	**-0.05%**	**0.24%**	**0.91%**
Barclays US Aggregate Index				*0.39%*	*3.54%*	*2.24%*	*2.10%*	*2.34%*
Total Long Term Tier								
VCIMCO - Total	$ 146,736,678	98.8%						
JP Morgan - Total	$ 1,796,118	1.2%						
	$ 148,532,796	**100.0%**	**100.0%**	**2.75%**	**10.01%**	**4.41%**	**4.74%**	**5.25%**
Composite Benchmark				*4.02%*	*15.48%*	*5.51%*	*5.32%*	*5.13%*
Net Liabilities - VCIMCO Funds	$ (70,764)							
Net Asset Value - Long-Term Tier	**$ 148,462,032**							
Total Short-Term Tier and Long-Term Tier	**$ 440,813,645**							

Cash, Investments & Debt
Weekly Monitoring Report
As of March 16, 2018

To be distributed

Virginia Commonwealth University - Revenue & Expenses

FY2018 Q2 Report - DRAFT

		FY 2018 Adopted Budget	FY 2017 Q2 Actuals	FY 2018 Q2 Actuals	Actuals $ Variance	Actuals % Variance	FY 2017 Year-End Actuals
1	**Revenues**						
2	State General Funds	$ 218,113	$ 107,340	$ 113,906	$ 6,566	6.12%	$ 220,146
3	Nongeneral Funds:						
4	Educational and General Tuition and Fees	476,851	415,015	424,569	$ 9,554	2.30%	463,148
5	Grants and Contracts:						
6	Sponsored Programs	210,662	111,655	110,581	$ (1,074)	-0.96%	230,309
7	Financial Aid	31,740	15,320	16,722	$ 1,402	9.15%	30,968
8	Auxiliary Enterprises:	84,724	67,675	70,285	$ 2,611	3.86%	89,394
9	VCUQ	40,069	14,128	16,589	$ 2,461	17.42%	39,918
10	Gifts and Investment Income	44,046	21,174	24,655	$ 3,480	16.44%	48,862
11	Sales and Services, Other Revenues	48,043	20,490	24,182	$ 3,691	18.02%	51,725
	Total Revenues	**$ 1,154,248**	**$ 772,797**	**$ 801,488**	**$ 28,691**	**3.71%**	**$ 1,174,469**
12	**Expenses**						
13	Educational and General Expenses	$ 617,770	$ 281,926	$ 291,762	$ 9,836	3.49%	$ 591,456
14	VCUQ	40,069	19,439	18,802	$ (637)	-3.28%	39,498
15	Sponsored Programs	184,675	98,202	99,759	$ 1,557	1.59%	201,388
16	FACR	31,778	17,396	14,727	$ (2,670)	-15.35%	28,153
17	Auxiliary Enterprises	142,207	67,936	86,430	$ 18,493	27.22%	137,695
18	University Funds	42,659	25,624	25,097	$ (528)	-2.06%	51,726
19	Student Financial Assistance	61,803	40,943	48,508	$ 7,565	18.48%	86,999
20	Hospital Services	26,927	11,207	12,477	$ 1,270	11.33%	23,388
	Total Expenses	**$ 1,147,888**	**$ 562,675**	**$ 597,560**	**$ 34,886**	**6.20%**	**$ 1,160,303**

Virginia Commonwealth University
March 2018 Summary of Major Capital Projects

Project	Funding Amount	Funding Source	Completion	Comments
Completed Projects:				
Raleigh Building Renovation	$8,056,947	General Funds	Dec 2017	Total renovation of the building to house the Wilder School.
	$750,000	State-supported Debt		
	$119,168	University Funds		
	$8,926,115	Total		
Construction Underway:				
Institute for Contemporary Art	$33,805,718	Private Funding	Apr 2018	A 40,890 SF facility located at the corner of Broad and Belvidere Streets. Project behind schedule but continues to track an opening in Spring 2018. Cert. of occupancy issued in Dec 2017.
	$7,392,810	University Reserves		
	$41,198,528	Total		
Sanger Hall Phase II Renovations	$17,214,620	General Funds	Oct 2015 (Part A only) Jan 2019 (all remaining phases)	The second phase of the floor by floor wet lab renovation of Sanger Hall. This phase will complete an additional 2 floors to the 4 already completed.
	$7,040,600	University-supported debt		
	$1,366,919	University Funds		
	$1,795,000	State-supported Debt		
	$27,417,139	Total		
Health Professions Building	$69,256,000	State Appropriation request	Aug 2019	Consolidation of eleven Health Programs in one building.
	$275,549	Auxiliary Enterprise		
	$80,331,549	Total		
Planning Underway:				
Engineering Research Expansion	$41,341,000	State-supported Debt	Fall 2020	Planning proceeding on schedule.
	$42,459,000	University-Supported Debt		
	$10,300,000	General Funds		
	$94,100,000	Total		
Other Projects of Interest:				
Virginia Treatment Center for Children	$58,495,717	State Appropriation	Mar 2018	Replacement facility for the current VTCC located on the MCV Campus. Location on Brook Road campus. Contractor driven delays due to redesigned roofing system. The current substantial completion date is March 23, 2018.
	$7,489,998	VCU Health Funds		
	$65,985,715	Total		
Perioperative Suite Renovation	$94,000,000	VCU Health Debt	May 2018	Renovation of 5th floor of Main Hospital and portions of adjacent buildings to provide 18 state of the art operating rooms and support areas. Phased for continuous operation.
On Schedule	Delay			

VIRGINIA COMMONWEALTH UNIVERSITY **Finance and Budget**

Key Performance Measures and Projects

Report of VCU Finance and Budget Performance Indicators – Fiscal Year-to-Date as of December 31, 2017

Measure	Metrics/Performance as of December 31, 2017	Comments
Investments	Investment Balances	▪ See 12/31/17 Treasurer's Report
	Investment Returns	▪ See 12/31/17 Treasurer's Report
Debt	Bond ratings	▪ AA-/Aa2 (within Tier III requirement)
	Debt Ratio (FY18 Estimated Unaudited)	▪ 4.53% (below 6.0% debt policy requirement and 7.0% Tier III requirement)
Revenues and Expenses	Performance vs. Budget	▪ Budgeted annual revenue $1,154 million ▪ Actual Q2 Results: $801 million - 3.7% over last year Q2; ▪ Budgeted annual expense: $1,148 million ▪ Actual Q2 Results: $598 million – 6.2% over last year Q2.
Major Projects/Initiatives		**Next Steps/Comments**
VCIMCO		▪ None
University Budget Redesign		▪ FY2019 budget development underway with new model incorporating multi-year planning ▪ On schedule for inclusion of Auxiliary and FACR funds by July 1

VIRGINIA COMMONWEALTH UNIVERSITY

Administration

Dashboard Measures: Reporting for the Second Quarter FY18

Report of VCU Administration Performance Indicators for the Quarter Ended December 31, 2017.

Target Key	
Green	Meets or exceeds expectations
Yellow	Challenge(s) encountered; corrective action is planned or underway
Red	Significant challenge(s) encountered
Blank	N/A

Facilities

1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD	Measure	Note
Green	Green			Green	Utility Costs	FY 2018 utilities budgets are $15.8M for E&G facilities and $5.8M for Auxiliary facilities. Utilities expenditures for the second quarter were within expected levels.
Yellow	Yellow			Yellow	Deferred Maintenance	Sightlines Consultant has completed is assessment of the University's deferred maintenance needs. The University is validating the project's identified and identifying funding needs and priority assignments.

Make It Real Campaign Pledges with payment schedule

Category	Total Pledges Received	Remaining Pledge Balance	Past Due	FY2018 Remaining	FY2019	FY2020	FY2021	FY2022	FY2023	FY2023 and Beyond
Endowment										
Faculty	$31,889,812	$8,218,392	$342,852	$16,244	$3,794,549	$2,024,590	$786,565	$444,350	$428,867	$380,375
Other	$487,389	$137,300	$16,300	$6,750	$33,250	$30,750	$28,250	$17,000	$5,000	$0
Programmatic	$2,903,859	$808,266	$114,147	$1,620	$237,151	$228,681	$98,750	$85,650	$42,267	$0
Research	$4,033,580	$341,488	$36,475	$20,882	$124,197	$119,934	$40,000	$0	$0	$0
Student Support	$11,970,647	$6,465,909	$377,253	$96,814	$672,710	$2,646,511	$2,408,719	$173,581	$78,238	$12,083
Total	$51,285,288	$15,971,356	$887,028	$142,309	$4,861,858	$5,050,466	$3,362,285	$720,581	$554,371	$392,458
Expendable										
Faculty	$24,889,291	$21,293,178	$7,531,825	$1,069	$2,584,324	$2,307,550	$2,222,370	$2,222,040	$2,212,000	$2,212,000
Programmatic	$32,290,176	$14,271,586	$3,948,111	$416,757	$2,725,212	$2,862,045	$1,290,708	$1,085,070	$967,311	$976,373
Research	$5,052,410	$1,037,089	$285,451	$35,343	$252,840	$329,973	$57,660	$45,822	$15,000	$15,000
Student Support	$13,158,553	$6,693,049	$228,825	$2,047,422	$3,305,617	$535,943	$330,657	$219,005	$22,580	$3,000
Unrestricted	$130,086	$34,747	$4,389	$2,909	$12,848	$12,200	$2,200	$200	$0	$0
Total	$75,520,517	$43,329,648	$11,998,602	$2,503,500	$8,880,842	$6,047,710	$3,903,595	$3,572,137	$3,216,891	$3,206,373
Facilities										
Facilities	$52,940,702	$13,797,516	$787,689	$418,059	$3,489,881	$2,623,527	$2,099,864	$1,891,521	$1,311,670	$1,175,305
Total	$52,940,702	$13,797,516	$787,689	$418,059	$3,489,881	$2,623,527	$2,099,864	$1,891,521	$1,311,670	$1,175,305
Grand Total	$179,746,506	$73,098,519	$13,673,318	$3,063,868	$17,232,580	$13,721,703	$9,365,744	$6,184,238	$5,082,932	$4,774,137

RESOLUTION OF CERTIFICATION

The Chair of the Finance, Budget, and Investment Committee of the Board of Visitors of Virginia Commonwealth University will entertain a motion of certification that Virginia Commonwealth University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session meeting were heard, discussed or considered by the Finance, Budget and Investment Committee of the Board of Visitors of Virginia Commonwealth University.