COMMITTEE MEMBERS PRESENT:
Mr. Stuart C. Seigel, chair
Mr. Todd P. Haymore, vice chair
Ms. Pamela El
Mr. Peter Farrell
Mr. Andrew Florance
Ms. Alexis Swann

COMMITTEE MEMBERS ABSENT:
Mr. Edward L. McCoy

OTHERS PRESENT:
Dr. Michael Rao, President
Ms. Karol Kain Gray, Senior Vice President for Finance and Budget and CFO
Dr. Meredith Weiss, Vice President of Administration
Staff and students from VCU and VCUHS
Members of the Press

CALL TO ORDER:
Mr. Stuart Seigel, Chair of the Finance, Budget and Investment Committee, called the meeting to order at 11:16 a.m.

APPROVAL OF MINUTES:
Mr. Siegel asked for a motion to approve the minutes of September 17, 2021 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded, the minutes for the Finance, Budget and Investment Committee meeting of September 17, 2021 were approved.

OPEN SESSION ACTION ITEMS:
Mr. Siegel began at by asking Ms. Gray to present the Tax-Exempt Debt Compliance Policy. Ms. Gray presented the proposed changes to policy to update references to IRS guidelines and revenue procedures and other related university policies.

Mr. Siegel asked Ms. Gray to present the VCU Investment and Liquidity Policy. Ms. Gray discussed the need to update the policy to include liquidity management, edit references to state
statutes, and add 144A securities. This revision will also allow for adjusted ranges for improved management of investment allocation.

Mr. Siegel asked Dr. Weiss to present the request for approval of demolition of property at 708 West Grace Street. Dr. Weiss reviewed to request to approve demolition of 708 West Grace Street (formerly Sally Bell’s) to make way for future student housing as outlined in the ONE VCU Master Plan.

On motion duly made and seconded, the three action items were approved for recommendation to the full board.

The Tax-Exempt Debt Compliance Policy is attached hereto as Attachment A and is made a part hereof.

The VCU Investment and Liquidity Policy is attached hereto as Attachment B and is made a part hereof.

The request for approval of demolition of property at 708 West Grace Street is attached hereto as Attachment C and is made a part hereof.

**SENIOR VICE PRESIDENT’S REPORT FOR INFORMATION:**

Mr. Siegel asked Ms. Gray to present her report on the following:

University’s Cash Position – Ms. Gray presented a three-year history of the University’s cash position ranging from $519 million in 2019 to $637 million in 2021. The noticeable increase in 2021 reflects delayed spending in travel and other categories related to the pandemic.

Related Entities Financial Statement Summary – Ms. Gray provided a summary of the six related foundations financial statements totaling over $1 billion in assets. All related entities received unmodified opinions.

VCU Budget Update – Ms. Gray presented the University’s budget information related to the enrollment numbers by each program for Fall 2021.

SWAM Update – Ms. Gray reviewed the proposed plan to increase spending in the SWAM categories from 7% currently to 15% by FY25. Ms. Gray also reported the dollars spent on diversity suppliers as well as the number of diversity supplies doing business with VCU.

**VICE PRESIDENT FOR ADMINISTRATION’S REPORT FOR INFORMATION:**

Mr. Siegel asked Dr. Weiss to provide her report on the new Arts and Innovation Academic Building.
Dr. Weiss provided an update on the planning underway for the new facility located across the street from the ICA building on Broad Street on the Monroe Park Campus. Dr. Weiss displayed a brief video outlining the unique design features of the building which will consolidate space for the various Art departments currently spread across the campus.

It will be home to new hybrid classroom-laboratories, interdisciplinary performance and makerspaces, and creative incubators for rapidly growing partnerships across arts, business, medicine, and engineering.

Along with the Institute for Contemporary Arts Markel Center, the building will anchor the east side of the Monroe Park Campus and act as a "front door," highlighting the university's status as a premier arts institution and providing a link to the downtown Richmond Arts District.

REPORTS FOR INFORMATIONAL PURPOSES:

Mr. Siegel noted that there were several reports for informational purposes, specifically, the Sources and Uses of Funding, Revenue and Expense Summary, VCU Health System and Financial Operations, Treasurer’s Report, Capital Projects Update, and the Related Entities Annual Reports.

A copy of Ms. Gray and Dr. Weiss’ presentation is attached hereto as Attachment D and is made a part hereof.

ADJOURNMENT:
There being no further business, Mr. Siegel adjourned the meeting at 11:53 a.m.
Policy Statement and Purpose

This policy provides a framework for complying with federal laws and regulations relating to the issuance and post-issuance monitoring of tax-advantage or tax-exempt bonds (collectively, “tax-exempt”). The purpose of this policy is to identify the compliance areas of tax-exempt bond financing and define the university’s policy to fulfill all requirements in these areas during both pre- and post-issuance processes. This policy provides guidance to university employees involved in tax-exempt financings or active in the facilities so financed in order to understand and carry out their roles in this compliance.

The university relies heavily on the tax-exempt bond market to finance a portion of the university’s capital projects. The consequences of non-compliance can be severe and can include the retroactive loss of tax-exempt status, significant liability to the IRS or bondholders, reputational damage, and the inability to access the tax-exempt bond market in the future.

Accordingly, this policy addresses the following areas:

- Identification of applicable Internal Revenue Code provisions and Treasury rules and regulations relating to tax-exempt debt compliance (collectively, the “Tax Rules”);
- Definition of the university’s policy for complying with applicable rules and regulations to safeguard against violations that may result in penalty or the loss of the tax-exempt status of its bonds;
- Assignment of responsibility for tax-exempt bond compliance to specific departments to maintain continuity and ensure that sufficient information is routinely identified, maintained and shared as appropriate between departments; and,
- Identification of the university’s continuing disclosure requirements and establish procedures for providing annual disclosure, ”event disclosure” and voluntary disclosure through the Electronic Municipal Market Access (“EMMA”) system.

Compliance with the policy ensures that (1) the proceeds of tax-exempt bonds are spent as required by
both the bond documents and the Tax Rules and (2) the buildings and equipment financed by tax-exempt bonds do not have impermissible amounts of third-party use. The bond documents and tax rules detail the requirements requiring the timely expenditure of bond proceeds the evaluation of investment "arbitrage" arising from the investment of bond proceeds prior to their expenditure and the limitations on third-party use.

The university recognizes compliance with Tax Rules is fluid. Accordingly, the policy requires on-going monitoring and will be reviewed periodically and modified as necessary by the Treasurer.

**Oversight**

VCU’s Treasurer is responsible for administering and overseeing the day-to-day aspects of the program as well as supporting the Bond Compliance Community which consists of individuals from the following departments: Treasury Services, Facilities Management Division (FMD), the Controller’s Office, Development and Alumni Relations, Contracts Team in Procurement Services, Capital Assets and Real Estate, University Relations and the Office of Research and Innovation. Additionally, individuals from any university department which occupies space financed with tax-exempt bonds will provide required compliance data. For pre- and post-issuance compliance requirements, this Bond Compliance Community shall provide information concerning any space currently or prospectively financed with tax-exempt bonds to ensure compliance with the applicable Tax Rules.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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**Who Should Know This Policy**

- Vice Presidents and other Senior Executives
  - Vice Provosts, Deans, Directors, and Department Heads
  - The Bond Compliance Community
Definitions

501(c)3 Bonds - federally tax-exempt bonds issued on behalf of a nonprofit organization, such as the Virginia Commonwealth University Real Estate Foundation, to finance a capital project or for other purposes permitted by the Internal Revenue Code.

Arbitrage - the investment gain made by investing the proceeds of tax-exempt bonds in higher yielding investments, often taxable investments.

Arbitrage Rebate Consultant – professional firm engaged to measure and verify arbitrage earned and rebate obligations under IRS Treasury rules in compliance with a specific tax-exempt debt issue.

Bad Use - use of tax-advantage financed facility by or for benefit of third-party entities which may include non-profit or for-profit entities, or the Federal Government. There are special rules relating to use for sponsored research. Management and development contracts with private parties also can create bad use.

Bond Compliance Community – VCU staff engaged in oversight and reporting of various aspects of tax-exempt bond compliance including, but not limited to, contracts with third parties, authorizations, validation and approval of expenditures, measurement of tax compliance, evaluation and reporting of third-party use.

Electronic Municipal Market Access System ("EMMA") – electronic repository of municipal bond data maintained by the Municipal Securities Rulemaking Board. EMMA serves as the official source for municipal securities disclosures and related market data in the United States. EMMA provides free on-line access to centralized new issue municipal securities disclosure documents (known as official statements), on-going continuing disclosures for all municipal securities and other required information for the benefit of and disclosure to investors.

Good Use also known as Government Use – use of tax-advantage financed facility exclusively by the university, a state or local governmental unit or the general public, or in the case of 501(c)(3) bonds, by a private charitable organization in connection with its charitable activities.

Governmental Unit or Person – State or municipal government or agency, including certain related entities, but excluding the federal government.

Government Bonds - bonds issued by a governmental entity, such as Virginia Commonwealth University, to support spending and obligations. These bonds can be taxable or tax-exempt.

Private Business Use – See “Bad Use”.

Tax-Advantage Bonds - Debt obligations which carry some form of tax “advantage” for the issuer or investor of the security. This policy will refer to Tax-Advantage Bonds as “Tax-Exempt Bonds”, which is most commonly used in financing markets. See “Tax-Exempt Bonds.”

Tax-Credit Bonds - Debt obligations where the bondholder may receive, in lieu of interest payments, a credit against federal income tax or the issuer can receive a subsidy towards the interest payment. This
policy will refer to Tax-Advantage Bonds as “Tax-Exempt Bonds”, which is most commonly used in financing markets. See “Tax-Exempt Bonds.”

Tax-Exempt Bonds - Debt obligations which carry a tax advantage for the investor as interest is excluded from gross income for federal income tax purposes. Such interest may or may not be exempt from state income or personal property taxation in the jurisdiction where issued or in other jurisdictions. Tax-Exempt Bonds may also include Tax-Advantage and Tax-Credit Bonds.

Tax Rules - applicable Internal Revenue Code provisions and Treasury rules and regulations relating to tax-exempt debt compliance.

Third-Party– any party other than a related governmental unit; The Commonwealth of Virginia and its agencies, including other institutions of higher education, are not third-party to Virginia Commonwealth University.

Contacts

The Office of Treasury Services within the Office of the Senior Vice President and Chief Financial Officer officially interprets this policy and is responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the appropriate governance structures. Please direct policy questions to Treasury Services. Treasury Services is responsible for responding to inquiries by investors, rating agencies and other outside parties relating to the status of projects, the financial condition of the University and any other events that may affect investors. All such inquiries should be referred to the Treasurer.

Policy Specifics and Procedures

Pre-Issuance:

Tax-Exempt Bond compliance begins with the proper planning for debt issuances. While capital projects can be proposed and approved at any time, it is expected that the majority will be identified during the biennial updates to the University’s six-year capital plan which is approved by the Board of Visitors. Once senior management has recommended the project for debt issuance, the following authorizations are generally required to be in place prior to any debt issuance:

Authorization of Debt — All indebtedness incurred by the university, whether tax-exempt or taxable, must be authorized by the Board of Visitors.

Declaration of Intent to Borrow and Reimbursement Resolution — While the Tax Rules restrict the ability of the University to use bond proceeds to reimburse itself for costs incurred prior to the issuance of the Bonds, the university can in many circumstances preserve the right to reimburse itself for current expenditures with the proceeds of future bonds by passing a qualifying “reimbursement resolution” or adopting a qualifying expression of intent to reimburse. The Board of Visitors has authorized the Senior Vice President and CFO to take such action. In general, bond proceeds can be used for reimbursement for prior costs within 18 months after the project is "placed in service" but in no event later than three years after the date of the expenditures. The reimbursement clause applies to expenditures made up to 60 days...
prior to the reimbursement resolution. There are exceptions for certain preliminary costs, such as architects' and engineering fees.

**State Authorization** – Legislative approval is required as well as approval by the Treasury Board in accordance with § 2.2-2416 of the Code of Virginia for any debt issued through a State authority. However, under the Management Agreement dated March 12, 2008 (as amended and renewed from time to time) between the Commonwealth of Virginia and the Board of Visitors of the Virginia Commonwealth University, the university has the authority to issue bonds, notes or other obligations that do not constitute state tax-supported debt with only the Board of Visitors’ approval.

**Legal Opinions** – Legal counsel is required to provide a legal opinion on debt authorizations and the effect on the tax-exempt status of the debt being issued. For new bond issues, bond counsel opines on the validity and tax-exempt status of the bonds, while University counsel opines on due authorization of the bonds and compliance with existing bond documents and similar restrictions.

**Tax Certificate** – A Tax Certificate, also known as an Arbitrage Certificate, is required to properly document the validity and tax-exempt status of the financing and to identify compliance requirements with applicable laws and regulations during the time of issuance. This Certificate sets forth the university's expectations as to the use of bond proceeds and will be reviewed by an official familiar with the project being financed, the cost components and the schedule. For bonds issued by another entity for the benefit of the university (such as The Treasury Board for 9(c) Bonds or the Virginia College Building Authority for certain 9(d) Bonds), similar certificates are required. Review of the proposed use of the facility will also engage the future occupants as well as FMD to estimate bad use in consideration of issuing taxable bonds.

Treasury Services will manage the pre-issuance process including the drafting, review, and development of any needed resolutions, write-ups, financial feasibility studies or other materials.

**Post Issuance:**

For bonds to continue to qualify for tax-exempt status, the applicable detailed provisions in the Tax Rules must be satisfied. Accordingly, post-issuance debt compliance generally falls into the following categories:

- Expenditure and allocation of bond proceeds
- Investment of bond proceeds and payment of rebate, if any, to the U.S. Government
- Use of bond financed project (private use) and compliance with remedial action in case of a "change in use"
- Disclosure and other filing requirements
- Record retention, and
- Training.

If the potential to fail to comply with post issuance compliance activities is identified, the Treasurer will seek the advice of qualified bond counsel in order to assess the need to take remedial actions described under section 1.141-12 or 1.148 of the Income Tax Regulations or enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31.

**Expenditure and Allocation of Bond Proceeds**

Bond proceeds can only be used for eligible related project costs in accordance with applicable federal law and the restrictions of the bond documents. The spending of bond proceeds and related investment...
earnings toward eligible project costs must be tracked to ensure they are used for qualified purposes. Bond proceeds are intended to be disbursed for the following expenditures:

- Project Costs
- Capitalized Interest
- Bond Issuance Costs

Under bond counsel direction, in certain circumstances bond proceeds may also be used for principal payments on the bonds.

FMD is responsible for verifying that bond proceeds are spent on qualified expenditures and maintaining related payment records. FMD will have the accounting documentation be made part of the permanent records for the particular bond transaction. At the conclusion of a project, Treasury Services will compile a final accounting, documenting the use of all bond proceeds, related investment earnings and equity by project. There are rules that permit a reallocation of use of bond proceeds if action is taken not later than 18 months after the later of the date of the expenditure or the date the project is placed in service. Bond counsel will be consulted regarding any planned reallocations. Treasury will maintain the final allocation records.

**Spending Requirements and Arbitrage Rebate**

There also are restrictions on the timing of the expenditure of bond proceeds. With few exceptions, proceeds must be spent within three years of bond issuance. If it appears that all proceeds will not be spent within a three-year period, bond counsel will be consulted.

The Tax Rules also require borrowers to calculate and pay or "rebate" to the U.S. Government any "excess arbitrage" earned on the investment of bond proceeds. Arbitrage compliance is governed by specific provisions of the Tax Rules in section 1.148. There are several "rebate exceptions" if bond proceeds are spent in accordance with the bond documents.

Excess arbitrage (as defined by the IRS) must be rebated to the federal government if certain spending benchmarks are not achieved in the two years after issuance of the bonds. As a general rule, the university will seek to finance projects when proceeds will be spent within two years, and attempt to meet the two-year spending rebate exception. The two-year spending exception requires that proceeds be spent as follows:

- 10% within 6 months of issue date;
- 45% within 12 months of issue date;
- 75% within 18 months of issue date;
- 100% (less "reasonable retainage") within 24 months of issue date.

Expenditures are to be reviewed between Treasury Services and FMD 30 days prior to the end of each six-month period to minimize the chance of forfeiting the rebate exception. The two-year exception applies only to transactions primarily to fund construction. Financings for non-construction typically have an 18-month exception with the following spending thresholds:

- 15% within 6 months of issue
- 60% within 12 months of issue
- 100% within 18 months of issue
**Investment Proceeds**

All tax-exempt bond proceeds will be invested in the Virginia State Non-Arbitrage Program ("SNAP"), unless approved in writing by the university’s Senior Vice President and CFO. The Virginia Treasury Board sponsors the SNAP to provide comprehensive investment management, accounting and arbitrage calculation services for the proceeds of tax-exempt financings of Virginia governments.

Periodically, SNAP advises the University of the amount required to be spent to achieve the spenddown benchmark by each semi-annual deadline. The Treasurer will monitor the compliance with periodic spending exceptions and the investment of bond proceeds. In cases when a rebate is owed (as calculated by the Arbitrage Rebate Consultant), any resulting liability will be paid and properly reported on the applicable IRS form(s).

**Private Business Use**

Section 1.141 of the Tax Rules limit the amount of Private Business Use or the amount of private payment or "security." The university complies with these provisions by limiting Private Business Use rather than private payment or security.

Private Business Use is the direct or indirect use of a tax-exempt financed facility in a trade or business carried on by any person other than a governmental unit. Pursuant to the Private Business Use test, the tax-exempt status of a governmental-issued bond is jeopardized if more than 10% of the proceeds are used for Private Business Use.\(^1\) Improper use of the bond financed facility is considered “bad use” of the proceeds of the bonds that financed the facility. Generally, most Private Business Use in a tax-exempt financed facility arises from the following types of arrangements:

- **Ownership:** A sale or transfer of ownership to a Non-Governmental Person (as defined by applicable tax law) of tax-exempt financed property. For 501(c) (3) bonds, no portion of the bond financed property can be owned by a private, for-profit entity.

- **Leases:** Any arrangement where the University leases a tax-exempt financed property to a Non-Governmental Person. Transactions that are not called lease transactions may be treated as a lease based on the level of control given to the Non-Governmental Person and whether the Non-Governmental Person bears the risk of loss.

- **Management Contracts:** A management contract is any arrangement whereby a Non-Governmental Person actively manages the operations of a facility. Management contracts include, for example, contracts for dining services (food courts), retail services, and facility management, or vivarium services (management of an animal facility). The basic rules for permitted management contracts are set forth in IRS Revenue Procedure 2017-13. As a general principle, the contract should not give the private party any of kind of profit sharing or "investment" in the undertaking, and the term of the contract is limited based on the type of compensation to the Non-Governmental Entity. All management contracts for bond-financed space should be reviewed by bond counsel.

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\(^1\) In the case of bonds that are "501(c)(3) bonds" rather than "governmental bonds," the maximum amount is 5% rather than 10%. While most bonds issued by the University are governmental bonds, bonds involving related foundations may be 501(c)(3) bonds.
- **Sponsored Research Agreements**: Certain research that is sponsored by a Non-Governmental Person (including the federal government and its agencies). The basic rules for determining when sponsored research is not considered "bad use" are set forth in IRS Revenue Procedure 2007-47. Generally, qualifying research agreements must be for "basic research" and the rights of the sponsor to the results of the research must comply with the stated rules.

- **Other Actual or Beneficial Use**: Any other arrangement that conveys special legal entitlements to a Non-Governmental Person for beneficial use of tax-exempt financed property, such as an arrangement that conveys priority rights to use a tax-exempt financed facility, will result in Private Business Use. Examples of such "special legal entitlements" include summer camps having the exclusive right to use an athletic facility, specially designed courses open only to one company, certain naming rights or use of a parking garage for a private event.

With the assistance of the Bond Compliance Community, Treasury Services will be responsible for ongoing private use monitoring.

Any contemplated change in a project’s use that includes Private Business Use must be reported to the Treasurer prior to the implementation of the proposed change in use to ensure compliance with applicable regulations.

**Tax and State Filings**
The University is required to provide the following filings:

- **Tax Forms**: Tax-exempt debt obligation issuers are required to file the appropriate 8038 IRS forms (8038, 8038-G, 8038-T, and 8038-R) in accordance with applicable federal law and as needed.
- **Statistics and filings required to be sent to the State for any debt issued through a State authority for the benefit of the University.**
- **Arbitrage Certificates**: At the earlier of full expenditure of bond proceeds or within 60 days after each fifth anniversary of the debt issue with unspent bond proceeds, the University must calculate any arbitrage on the debt and make any required rebate payment until full expenditure of the bond proceeds is completed.

The Treasurer is responsible for ensuring that such filings are made.

**Continuing Disclosure**
In connection with the issuance of the Bonds the university has signed several, substantially identical Continuing Disclosure Agreements ("CDAs"). These disclosures are not required by the Tax Rules, but rather by a rule of the United States Securities and Exchange Commission ("SEC Rule 15c2-12") that mandates the University's bond underwriters obtain a CDA from the university in connection with sale of bonds to the public. The CDAs require the university to file certain annual financial and operating information with the Electronic Municipal Market Access System ("EMMA.") maintained by the Municipal Securities Rulemaking Board. EMMA permits investors to access certain operating results and information about the University's financial position. The CDAs also require the university make disclosures through EMMA about certain specified events ("event disclosure") such as bond defaults and rating changes and may be time sensitive in the requirement of those filings. Future CDAs for bond issues may require CDAs that require the filing of additional or different information.
The Treasurer is responsible for making all filings required by CDAs, and any events affecting such filings should be reported to Treasury Services. The Treasurer is responsible for responding to inquiries by investors, rating agencies and other outside parties relating to the status of projects, the financial condition of the University and any other events that may affect investors. All such inquiries should be referred to the Treasurer.

**Record Retention**

It is the university’s policy to retain all records relating to tax-exempt bond financings for the entire term of the bond issue, or refinancing issue, plus three years. This policy supersedes any other documented retention policies at the University or the Commonwealth.

Generally, records refer to all documents, reports, accounts and certifications relating to the:

- Issuance of tax-exempt bonds
- Investment of bond proceeds
- Expenditure and allocation of bond proceeds
- Use of debt-financed property
- Disclosure and other filing requirements

**Duties of the Bond Compliance Community**

Due to the decentralized nature of the university, specific departments are responsible for the following:

**Treasury Services** – is responsible to maintain records relating to the issuance of the university’s tax-exempt bonds (i.e., the bond transcripts and working documents), the investment of bond proceeds, the university’s annual continuing disclosure filings, final allocation of bond proceeds, responses to the annual Private Business Use Monitoring Questionnaire and the resultant annual PBU Tracking Tool summary. A database of projects financed with tax-exempt bonds will be maintained by Treasury Services. Annually, a Private Use Monitoring Questionnaire will be completed by an individual representing each university department responsible for such spaces. Using these annual responses from the Bond Compliance Community, Treasury Services will maintain the official record of the university’s total private business use, known as the PBU Tracking Tool. With the assistance as necessary from FMD, the Offices of Space Management, the Controller, Development and Alumni Relations, and Research and Innovation, Treasury Services will analyze questionnaire responses to: (i) determine whether taxable financing is appropriate for a particular capital project; (ii) identify impermissible Private Business Use in existing facilities to take corrective action; and (iii) collect information necessary for reporting purposes. If potentially impermissible Private Business Use is identified, the Treasurer will seek the advice of qualified bond counsel for remediation action.

**Contracts Team (in Procurement Services) and Capital Assets and Real Estate (CARE)** – are responsible for negotiating purchase contracts and real estate contracts, respectively, with third parties. The Contracts Team and CARE will work with Treasury Services and university departments to minimize contracts with private business by establishing terms under the allowable safe harbors, as possible. Notification of contracts which create PBU will be given by the Contracts Team or CARE to Treasury Services.

**The Office of the Controller** – is responsible to prepare and maintain the audited financial statements of the university, reports of any prior IRS examinations of VCU or bond financings, and the annual tax filings of the University including relevant foundation filings (including the Form 990).
The Facilities Management Division – is responsible to maintain records on the expenditure and allocation of bond proceeds including construction contracts, vendor invoices, payments and requisitions.

Development and Alumni Relations – is responsible for naming rights compliance and documentation of philanthropic purpose of gifts.

The Office of Research and Innovation – is responsible to maintain records relating to Sponsored Research Agreements (including the agreements themselves), collect information from departments and units on which building(s) the research takes place, flag such Sponsored Research Agreements as are likely to give rise to private business use, and provide Treasury Services with an annual report including awards, buildings and potential private business flags.

Space Management – is responsible to maintain square footage, gross and assignable, on all tax-exempt financed facilities and to be available to visit facilities and evaluate usable space.

The Office of University Counsel – is responsible to seek the appointment of qualified outside bond counsel, as necessary, as well as to opine on authorization of the bonds and compliance with University authorization, existing bond documents and similar restrictions.

University Personnel in Departments Responsible for Tax-Exempt Financed Space – are responsible to respond to the annual Private Business Use Monitoring Questionnaires, disclose any outside third-party ownership, leases or similar use, other outside actual or beneficial use, service contracts or use, parking use or agreements, and provide any and all such agreements to Treasury Services as required by the annual Private Business Use Monitoring Questionnaires.

Training
Treasury Services is responsible to develop and update training materials and to provide training for employees in the individual university departments impacted by this policy. These materials are provided to required staff engaged in private business use tracking as needed.

Forms

There are no forms associated with this policy and procedures.

Related Documents

1. VCU Debt Management Policy
2. VCU Policy for Sale of Goods and Services
3. VCU Maps of Tax-Exempt Financed Facilities
4. Treasury Board of the Commonwealth of Virginia: Post Issuance Compliance Policy for Tax-Exempt Qualified Obligations
5. IRS Publication 4077 – Tax-Exempt Bonds for 501(c)3 Charitable Organizations
6. IRS Publication 4079 - Tax-Exempt Governmental Bonds Compliance Guide
7. VCU Private Use Monitoring Questionnaire
8. KPMG’s “VCU Private Business Use Study” training materials (internal distribution only)
9. KPMG’s “VCU Tax-Exempt Financing Private Business Use Final Assessment Report”, dated January 18, 2018 (internal distribution only)
10. US Code: Title 26, Sections 103, 141, 145, 147, 148, 149, and 150
11. IRS Revenue Procedure 2017-13
12. IRS Revenue Procedure 2007-47
13. IRS Revenue Procedure 2014-67
14. IRS Revenue Procedure 2016-44, 2016-36 IRB 316

Updates or revisions to the Tax Rules and Revenue Procedures will be automatically incorporated to this policy as implemented by the IRS even without detailed listing above

Revision History

This policy supersedes the following archived policies:

February 9, 2012, New Policy VCU Tax-Exempt Debt Compliance Policy
October 21, 2014 Tax-Exempt Debt Compliance Policy
TBD Tax-Exempt Debt Compliance

FAQs

There are no FAQs associated with this policy and procedures.
Investment and Liquidity

Policy Type: Board of Visitors
Responsible Office: Treasury Services, Office of the Senior Vice President and Chief Financial Officer
Initial Policy Approved: 05/15/2009
Prior Revision Approved: 03/22/2017
Current Revision Approved: tbd

Policy Statement and Purpose

The purpose of this Investment and Liquidity Policy is to define the financial goals, objectives, and legal limitations for the investment and management of Virginia Commonwealth University’s funds and to articulate the responsibilities of the University, its investment managers, and its investment advisors, including performance measures and reporting requirements. This policy is subject to (a) applicable federal and state laws, rules and regulations, (b) resolutions and policies of the Board of Visitors or the Board’s designated Committee, and (c) restrictions imposed by donors, funding agencies or deeds of trust. Nothing in this policy should be construed to authorize activities that violate any of the above.

This policy sets forth the parameters to be followed to maintain operating liquidity and invest university funds. The policy sets forth detailed asset strategies, permitted and prohibited investment options, and benchmarks for performance for operating, reserve and endowment funds. It also provides requirements of investment managers, and how investments managers should be monitored.

The University, by consultation with the Board of Visitors (the “Board”) or designated Committee, has the following responsibilities:

1. To comply with the Board’s asset allocation, diversification and quality guidelines for investment of funds as detailed in this policy;
2. To utilize approved qualified investment advisors, investment managers and consultants and to facilitate communication from these entities to the Board;
3. To ensure that the current spending requirements of the university are supported and the university’s daily cash flow demands are met;
4. To monitor and evaluate investment results and communicate the results to the Board or its designated committee; and
5. To ensure liquidity for operational purposes is achieved.
It is the policy of the University to invest its funds solely in the interest of the University and in a manner that will provide the highest investment return within the specified risk tolerance, and to ensure the university’s operating funds meet daily cash flow demands. In the investment of its funds, the University will conform to applicable federal and state laws and other legal requirements, including, but not limited to:

- that certain Management Agreement dated March 12, 2008 (as amended and renewed from time to time) between the Commonwealth of Virginia and the Board of Visitors (the “Board”) of the Virginia Commonwealth University, in order to provide the university flexibility to manage cash and investments, on its own behalf, under the State’s Restructured Higher Education Financial and Administrative Operations Act of 2005 including Exhibit F, Policy Governing Financial Operations and Management, thereto);
- the Security for Public Deposits Act, Chapter 44 (§ 2.2-4400 et seq.) of Title 2.2 of the Code of Virginia, as amended;
- the Investment of Public Funds Act, Chapter 45 (§ 2.2-4500 et seq.) of Title 2.2 of the Code of Virginia, as amended;
- the Uniform Prudent Management of Institutional Funds Act, Chapter 11 (§ 64.2-1100 et seq.) of Title 64.2 of the Code of Virginia, as amended; and
- § 23.1-2306 of the Code of Virginia, as amended, concerning the University’s investment of endowment funds, endowment income, and gifts.

The University shall maintain operating cash in accordance with this policy and with the Investment of funds in deposits as stipulated in § 2.2-4400 of the Code of Virginia, the Investment of Public Funds Act. The University shall invest its operating funds and operating reserves in accordance with this Act. Gifts, local funds, and non-general fund reserves and balances may be invested in accordance with the Uniform Prudent Management of Institutional Funds Act.

In the pursuit of its investment objectives, the University may engage the services of one or more investment advisors (each, an “Investment Advisor”) who, if authorized, may select investment managers (each, an “Investment Manager”) for the assets. All Investment Advisors and Investment Managers appointed by the university must agree to invest the university’s funds in accordance with this policy.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

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Investment and Liquidity
Who Should Know This Policy

- The Board of Visitors;
- The Investment Advisor;
- Investment Managers;
- The Senior Vice President and Chief Financial Officer;
- The Treasurer; and
- Administrative staff involved in the appointment of Investment Advisors or Investment Managers.

Definitions

Asset-Backed Securities (ABS)
Financial investment collateralized by a pool of receivables, including but not limited to loans/leases on automobiles, equipment, credit cards and device payment plans.

Central Bank
Internal management of funds to provide lending services for operating units.

Commercial Mortgage-Backed Securities (CMBS)
Fixed-income securities that are backed by mortgages on commercial and multifamily properties rather than residential real estate.

Commercial Paper
Commonly used type of unsecured, short-term debt instrument issued by corporations, typically used for the financing of payroll, accounts payable and inventories, and meeting other short-term liabilities. Maturities can range from overnight to 397 days but are rarely longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates.
**Distribution (for an endowment)**
Based on presumptive guidance from a formula that is intended to provide budgetary stability by smoothing the impact of annual investment gains and losses. The formula's inputs reflect expectations about long-term returns and inflation rates.

**Duration**
Measure of a bond's sensitivity to changes in the interest rate. This is the time weighted present value of the cash flows from a bond. This is not “maturity” (see “Maturity”).

**Endowment**
Invested funds, typically received from a donor to generate earnings for two purposes: (a) distribution for use (see “Spending Policy”) and (b) growth in the remaining balance to preserve purchasing power and continue ongoing and permanent distributions. Typical endowment terms permit the expenditure of income but not principal, or limit on the percentage or amount of the fund that can be spent in any year.

**Illiquid Assets**
Drawdown private investment vehicles with a fixed fund life in excess of 7 years.

**Intermediate-Term**
A time horizon over 3 years to 10 years

**Liquidity**
The time within which an asset or security can be converted into ready cash without affecting its market price. The most liquid asset of all is cash itself.

**Long-Term**
A time horizon greater than 10 years.

**Maturity**
Defined point in time at which a financial instrument will legally cease to exist and the principal is repaid with interest.

**Mortgage-Backed Securities (MBS)**
Financial investment collateralized by an underlying pool of mortgages.

**Negotiable certificate of deposit**
A certificate of deposit (CD) with a minimum face value of $100,000, though typically $1 million or more. They are guaranteed by the issuing bank and can usually be sold in a highly liquid secondary market, but they cannot be cashed in before maturity. Also known as a jumbo CD.

**Non-negotiable Certificates of Deposit**
Investments between an investor and a financial institution. Unlike negotiable CDs, non-negotiable CDs cannot be transferred, sold, bought, or exchanged.

**Quasi Endowment**
Funds functioning as endowments which are typically used to report resources that the University, rather
than a donor, has determined are to be retained and managed like an endowment. Principal and income of these funds may be utilized at the discretion of the University.

**Residential Mortgage-Backed Securities (RMBS)**
Financial investment collateralized by an underlying pool of residential mortgages.

**Rule 144A**
A legal provision amending restrictions placed on trades of privately placed securities. This safe harbor loosens restrictions on qualified institutional buyers which were set forth by Rule 144 under Section 5 of the Securities Act of 1933 required for sales of securities by the Securities and Exchange Commission (SEC).

**Short-Term**
A time horizon under 3 years.

**Sinking Fund**
Funds set aside to pay off a debt or bond. Sinking funds are periodic payments of principal and interest that pay off the debt on a predetermined basis. The payments reduce the debt burden of a company over time.

**Contacts**
The Office of Treasury Services officially interprets this policy and is responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the appropriate governance structures. Please direct policy questions to the Office of Treasury Operations, attention Treasurer.

**Policy Specifics and Procedures**

1. **Financial Objectives and Standard of Care**

The university maintains cash for operating purposes. As public and non-public funds may be initially indistinguishable, the university will treat all deposits as subject to Virginia Security for Public Deposits Act, Chapter 44 (§ 2.2-4400 et seq.) of Title 2.2 of the Code of Virginia, as amended, which, among other things, restricts deposits to FDIC insured limits or with institutions qualified by the Virginia Treasury Board to accept public deposits. These funds will be the first source of liquidity for the University and must remain immediately accessible. The Treasurer will strive to minimize uninvested cash balances for regular operating purposes.

The University’s investment funds are split between two tiers, a Short-Term Tier and a Long-Term Tier. Each Tier has financial objectives, structure, and investment guidelines. Investment activities for both Tiers shall be guided by the appropriate objectives. The objectives will be defined in the relevant sections below.

The Short-Term Tier consists of the University’s operating funds and operating reserves and shall be invested in accordance with the Investment of Public Funds Act.
The Long-Term Tier consists of gifts, local funds, and non-general fund reserves and balances that are endowments or have been designated by the Board to be treated as endowment ("quasi-endowments") or as part of the Central Bank. The Long-Term Tier shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act.

Investments made in sinking funds or with proceeds from tax-exempt borrowings are subject to other restrictions and are not included as "investments" in this policy.

All investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Short-Term Tier

A. Fund Structure and Financial Objectives

The Short-Term Tier will be divided into two funds: the Primary Liquidity Fund and the Extended Duration Fund. As components of the Short-Term Tier, both the Primary Liquidity Fund and the Extended Duration Fund shall be invested in compliance with the Investment of Public Funds Act.

**Primary Liquidity Fund**: The Primary Liquidity Fund will be the first source of liquidity for the University (in concert with the University’s bank deposits). These funds must be readily available to meet the University’s operating needs, and as such, a portion of this fund shall be continuously invested in short-term investments such as money market mutual funds, bank deposits, or overnight repurchase agreements to ensure funds are readily available for the University's obligations. Safety and liquidity are the primary objectives of this fund.

**Extended Duration Fund**: The remaining Short-Term Tier funds, collectively known as the Extended Duration Fund, will be a secondary source of liquidity for the University. These funds do not need to be continuously available to meet the University’s operating needs but may be called upon at some point during the University’s annual operating cycle. As such, they shall be invested in short- and intermediate-term investments. Preservation of capital and return are the primary objectives of this fund.

Both funds of the Short-Term Tier will consist of funds managed by external Investment Managers. Each fund and respective Investment Manager will have a specific mandate and related restrictions.

B. Investment Managers Under the Senior Vice President’s Purview

The Board delegates the management and investment of the Short-Term Tier to the senior vice president and chief financial officer (SVP & CFO), including the selection, hiring, monitoring, and termination of Short-Term Tier Investment Managers. The SVP & CFO in turn may delegate these responsibilities to an Investment Advisor, including the selection, hiring, monitoring, and termination of Short-Term Tier Investment Managers. Only firms meeting the requirements of the **Investment Manager Requirements for the Short-Term Tier** section below may serve as Short-Term Tier Investment Managers, and on an ongoing basis, Short-Term Tier Investment Managers must...
comply with the duties outlined in both the Monitoring and Reporting for the Short-Term Tier and the Investment Manager Requirements for the Short-Term Tier sections below.

The SVP & CFO and the Investment Advisor shall act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in (a) selecting Investment Managers; and (b) monitoring the Investment Manager’s performance and compliance with the scope and terms of this delegation.

C. Authorized Investments

Authorized investments for qualified public entities are set forth in the Investment of Public Funds Act of the Code of Virginia in § 2.2-4500 et seq. A qualified public entity is defined as any state agency having an internal or external public funds manager with professional investment management capabilities. The Investment of Public Funds Act authorizes qualified public entities to invest Short-Term Tier funds in the following securities:

1. **Treasury and Agency Securities:** Obligations issued or guaranteed by the U.S. Government, an agency thereof, or U.S. Government sponsored enterprises. This includes Agency Mortgage-Backed Securities. These securities can be held directly, in the form of repurchase agreements collateralized by such debt securities or in the form of registered money market or mutual funds provided that the portfolio is limited to such evidences of indebtedness (§ 2.2-4501.2).

2. **Non-Negotiable Certificate of Deposits and Time Deposits:** Non-negotiable certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security of Public Deposits Act, § 2.2-4400 et seq. of the Code of Virginia, and having a maturity not greater than five years.

3. **Negotiable CD’s and Bank Deposit Notes:** Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least two of the following: (a) for maturities of one year or less: A-1 by Standard & Poor’s, P-1 by Moody’s Investors Service or F1 by Fitch Ratings, Inc.; (b) for maturities over one year and not exceeding five years, a rating of at least AA by Standard & Poor’s, at least Aa by Moody’s Investors Service, or at least AA by Fitch Ratings, Inc. (§ 2.2-4509). This includes all levels of the “AA/Aa/AA” rating.

4. **Repurchase Agreements:** Repurchase Agreements collateralized by securities of the U.S. Treasury, an agency thereof, or U.S. Government sponsored enterprises (§ 2.2-4507). The collateral on overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement. Longer-term repurchase agreements are required to have collateralization in excess of 100% and be marked-to-market on a daily basis.

5. **Banker’s Acceptances:** Banker’s Acceptances with major domestic banks and domestic offices of foreign banks (§ 2.2-4504) rated not lower than A-1 by Standard & Poor’s and P-1 by Moody’s Investors Service.

6. **Commercial Paper:** Prime quality commercial paper issued by domestic corporations.
“Prime quality” shall be as rated by at least two of the following: A-1 by Standard & Poor's, P-1 by Moody's Investors Service, or F-1 by Fitch Investor's Services or by their respective corporate successors, provided that at the time of any such investment the corporation meets the criteria specified in the Code of Virginia § 2.2-4502.

7. **Money Market and Other Mutual Funds**: Money market and other open-end investment funds provided that they are registered under the Securities Act of the Commonwealth of Virginia (§ 13.1-501) or by the Federal Investment Company Act of 1940, and that the investments by such funds are restricted to investments otherwise permitted by qualified public entities within the Commonwealth of Virginia (§ 2.2-4508).

8. **Corporate Debt**: Corporate notes and bonds having a credit rating of at least A3/A- or equivalent by two nationally recognized rating agencies, one of which must be either Standard & Poor's or Moody's Investors Service. This includes all levels of the “A” rating (§ 2.2-4510.B).

9. **Municipal Securities**: Taxable and tax-exempt municipal securities of the following provided that at the time of any such investment the municipal security meets the criteria specified in § 2.2-4501 of the Code of Virginia, including: (i) of any state of the United States, (ii) of any county, city, town, district, authority or other public body of the Commonwealth of Virginia, (iii) of any city, county, town or district situated in any one of the states of the United States provided that they are the direct legal obligations of the city, county, town, or district and the city, county, town, or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount. (§ 2.2-4501) The municipal securities must be rated at least A3/A- or equivalent by two nationally recognized rating agencies, one of which must be either Standard & Poor's or Moody's Investors Service. This includes all levels of the “A” rating.

10. **Asset-Backed and Mortgage-Backed Securities**: Asset-backed and Non-Agency mortgage-backed securities with a duration of no more than five years and rated no less than AAA/Aaa by at least two nationally recognized rating agencies, one of which must be either Standard & Poor's, Moody's Investors Service or Fitch Ratings, Inc. (§ 2.2-4511). Authorized mortgage-backed investments include Commercial Mortgage-Backed Securities (CMBS), Non-Agency (private label) Mortgage-Backed Securities (MBS & RMBS) including pass-throughs, and Collateralized Mortgage Obligations (CMOs).

11. **International Bank for Reconstruction and Development, Asian Development Bank, and African Development Bank Obligations** (§ 2.2-4501): Dollar-denominated bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank, or by the African Development Bank having a maturity of no longer than five years and a credit rating of at least AAA by Standard & Poor's and Aaa by Moody’s Investors Service.

Should a security be downgraded to a level that ceases to meet the credit quality guidelines above, the Investment Manager shall notify the Treasurer of the University in writing within one business day of the downgrade. Unless the SVP & CFO authorizes the retention of any such downgraded security in writing, such security must be sold within 30 calendar days.
D. Prohibited Investments or Actions

Investment securities not specifically authorized above are prohibited. For further clarification, the following securities are explicitly prohibited:
1. Inverse floaters, Credit Default Swaps (CDSs), Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), and Interest Only (IO), Principal Only (PO) and Z-tranche securities.
2. Futures, options, options on futures, margin buying, leveraging and commodities. Forward trades are permitted as long as they are procured during normal “when issued” periods for individual markets and as long as cash is reserved or a security will mature to cover the purchase at the time of settlement.
3. Securities with the ability to defer interest and securities with the ability to convert to perpetual maturities.
4. Subordinated and convertible debt securities.

E. Asset Allocation Parameters and Short-Term Tier Constraints

Asset Allocation

The Primary Liquidity Fund is intended to provide for the day-to-day working capital requirements of the University in conjunction with the cash in bank balances, with the remaining balance of the Short-Term Tier being invested in the Extended Duration Fund.

Duration and Maturity Limitations

The maximum maturity may not exceed five years on any single non-negotiable certificate of deposit or time deposit of Virginia banks, negotiable certificate of deposit or bank deposit note. For any single asset-backed or mortgage-backed security, the maximum duration may not exceed five years at the time of purchase; in the event the duration subsequently exceeds this limit, the external Investment Manager shall notify the Treasurer of the University in writing within one business day, and the University, in consultation with the Investment Manager, shall decide the appropriate action.

The target duration for the Primary Liquidity Fund and Extended Duration Fund are as follows:

<table>
<thead>
<tr>
<th>Asset Allocation Fund</th>
<th>Target Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Liquidity Fund</td>
<td>9 months or less</td>
</tr>
<tr>
<td>Extended Duration Fund</td>
<td></td>
</tr>
<tr>
<td>Short Duration Portfolio</td>
<td>Per Applicable Benchmark</td>
</tr>
<tr>
<td>Intermediate Duration Portfolio</td>
<td>Per Applicable Benchmark</td>
</tr>
<tr>
<td>Long Duration Portfolio</td>
<td>Per Applicable Benchmark</td>
</tr>
</tbody>
</table>

Primary Liquidity Fund and Extended Duration Fund Investment Managers’ maximum duration is limited to +10% of the Target Duration or the Applicable Benchmark duration. For purposes of this section, duration shall be defined as the industry standard effective duration as calculated by
Bloomberg or other well-established models available. In addition, for purposes of asset-backed securities and mortgage-backed securities, the prepayment assumptions to be used in the effective duration calculation will be the Bloomberg median prepayment assumptions or other well-established models available. In the absence of a median prepayment assumption available in Bloomberg, the assumption to be used shall be that which provides the greatest principal protection to the portfolio.

F. Performance Measures

In accordance with the performance measures by which the State Council of Higher Education for Virginia measures investment performance as published annually in the Commonwealth of Virginia’s Appropriations Act, the University should achieve a three-year average rate of return at least equal to the iMoney.net money market index fund.

Investment Managers should produce returns commensurate with the following benchmarks:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Fund Benchmark(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Liquidity Fund</td>
<td>iMoney.net Money Market Index</td>
</tr>
<tr>
<td>Extended Duration Fund</td>
<td>Bank of America Merrill Lynch (BofAML) 1-3 Year US Treasury Index, BofAML 1-3 year Govt/Corp Index, Barclays 1-3 Year Government Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio.</td>
</tr>
<tr>
<td>Short Duration Portfolio</td>
<td>Barclays US Treasury Intermediate Index, Barclays US Intermediate Government Index, Barclays US Intermediate Gov/Credit Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio.</td>
</tr>
<tr>
<td>Intermediate Duration Portfolio</td>
<td>Barclays US Aggregate Treasury Index, Barclays U.S. Aggregate Government Index, Barclays US Aggregate Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio.</td>
</tr>
<tr>
<td>Long Duration Portfolio</td>
<td>Barclays US Aggregate Treasury Index, Barclays U.S. Aggregate Government Index, Barclays US Aggregate Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio.</td>
</tr>
</tbody>
</table>

**Diversification**

Each individual portfolio within the Primary Liquidity Fund and the Extended Duration Fund will be diversified with no more than 3% of the value of the respective portfolios invested in the securities or individual trusts of any single issuer. This limitation shall not apply to the U.S. Government, an agency thereof, or U.S. Government sponsored enterprises, securities fully insured and/or fully guaranteed by the U.S. Government, or money market funds.
At the time of purchase, the maximum percentage in each eligible security type for the Primary Liquidity Fund and the Extended Duration Fund shall be maintained as follows:

<table>
<thead>
<tr>
<th>Authorized Investments</th>
<th>Primary Liquidity Fund</th>
<th>Extended Duration Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury and Agency Securities</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>Banker’s Acceptances</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Certificates of Deposit (CDs) (Negotiable) and/or Negotiable Bank Deposit Notes</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Certificates of Deposit (CDs) (Non-Negotiable)</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Collateralized Mortgage Obligations, Agency</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial Mortgage-Backed Securities</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>35%</td>
<td>0%</td>
</tr>
<tr>
<td>Corporate Notes/Bonds</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>International Development Bank Obligations, Asian Development Bank, and African Development Bank Obligations</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Repurchase Agreements, Overnight/Open, Non-Treasury/Non-Agency</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>Repurchase Agreements, Overnight/Open, Treasury/Agency</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Repurchase Agreements, Term</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Residential Mortgage-Backed Securities, Private Label (including CMOs)</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Combined 144A Securities of allowed investments</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Combined Agency Mortgage-Backed Securities, Agency/Private Collateralized Mortgage Obligations, Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities</td>
<td>0%</td>
<td>50%</td>
</tr>
</tbody>
</table>

G. Monitoring and Reporting for the Short-Term Tier

Quarterly, the Board will receive an investment report for the Short-Term Tier. At a minimum, this report will include the following information:

- Investment performance report (net of fees) for the Short-Term Tier as a whole, the Primary Liquidity Fund, and the Extended Duration Fund, versus the appropriate benchmarks above.
▪ Any investments that required management notification (such as credit downgrades or duration changes), along with management’s response to such notifications.
▪ A statement from each Investment Manager certifying compliance with the Virginia Investment of Public Funds Act.

Annually, the Board will receive the following information on the Short-Term Tier. At a minimum, this will include:
▪ Actual asset allocations of the Short-Term Tier as a whole, the Primary Liquidity Fund, and the Extended Duration Fund versus the allocation requirements above.
▪ A certificate showing compliance with the Investment Policy, specifically the **Authorized Investments**, the **Prohibited Investments or Actions**, and the **Asset Allocation Parameters** and **Short-Term Tier Constraints** sections above.

**H. Investment Manager Requirements for the Short-Term Tier**

Before an organization can provide investment management services for the Short-Term Tier, it must confirm in writing that it has received, reviewed, and is able to comply with this Investment Policy. Investment Managers are not permitted to deviate from their specifically announced investment strategy and may utilize discretion only as approved by the Board or its designee. Only firms having the following qualifications may serve as Short-Term Tier Investment Managers:
▪ Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 or exempt from registration;
▪ Must have provided to the University an annual updated copy of Form ADV, if applicable;
▪ Must be registered to conduct business in the Commonwealth of Virginia; and,
▪ Must have proven experience in providing investment management services under the Virginia Investment of Public Funds Act.

Short-Term Tier Investment Managers shall have the following duties:
▪ Accept assets as directed by the University, and invest those assets in strict adherence to the Investment Policy and applicable laws;
▪ Reconcile all transactions, market values, security holdings, and cash flows with the custodian within 30 days of each month-end;
▪ Calculate monthly performance against the appropriate benchmark and provide a written report within 35 days of each month-end;
▪ Calculate quarterly performance against the appropriate benchmark and provide a written report within 35 days of each quarter-end;
▪ Provide written quarterly reports concerning investment strategy, including quantitative performance attribution based on interest rate risk, sector allocation and security selection;
▪ Provide a written economic and investment outlook report within 30 days of each month-end;
▪ Meet as required to review portfolio and investment results;
▪ Issue prospectuses, annual reports and other pertinent information on a timely basis;
▪ Notification in advance of potential material changes in fund and/or firm operations under consideration or about to be implemented, including organizational or strategy changes that may impact asset management;
▪ Notification of any non-compliant securities as further outlined above; and,
Provide a written quarterly statement attesting to compliance with the Investment Policy.

3. Long-Term Tier

A. Fund Structure
The Long-Term Tier shall consist of endowments and Board-designated quasi-endowment funds. As the Long-Term Tier consists of gifts, local funds, and non-general fund reserves and balances designated for long-term investment, it shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act. The primary objective for the Long-Term Tier is to maximize long-term real returns commensurate with the University’s risk tolerance.

B. Financial Objectives
The funds invested in the Long-Term Tier shall be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of both the University and the endowed funds. The objective of the Long-Term Tier is to achieve a rate of return in excess of inflation, CPI + 5%, at an acceptable level of risk.

The university does not expect that this investment objective will be achievable every year and, as a result, investment performance over rolling three-, five-, and ten-year periods will carry greater significance. The university also recognizes that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of the Long-Term Tier.

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted in accordance with the long-term policy targets designed to meet the Long-Term Tier objective.

C. Long-Term Tier Investment Managers Under the Investment Advisor’s Purview

The Board has delegated the management and investment of the Long-Term Tier to the Investment Advisor, including the selection, hiring, monitoring, and termination of Investment Managers.

The Investment Advisor shall act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in: a) selecting Investment Managers; b) monitoring the Investment Manager’s performance and compliance with the scope and terms of the delegation.

D. Authorized Investments

Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, the process by which investment decisions are developed, analyzed, adopted, and executed must satisfy relevant standards of care.

Note: Investment Managers or the Investment Advisor are to vote shareholders’ proxies. Such voting is to be solely in the best interest of the university’s investment funds, given their stated

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policies, goals, and objectives. Where Investment Managers or fund vehicles have their own terms regarding proxy voting, such terms will be an attribute to be considered by the Investment Advisor in selecting and monitoring Investment Managers and investment vehicles.

E. Strategic Asset Allocation and Performance Measures

In developing and implementing the Long-Term Tier’s Strategic Asset Allocation, the university will consider the risks associated with each asset class. Based upon the university’s risk tolerance together with capital market risk and return estimates, the Board sets a strategic asset allocation designed to achieve the objectives stated in this Investment Policy Statement. The Strategic Asset Allocation shall be prudently diversified across asset classes. The Investment Advisor will invest the Long-Term tier in keeping with the parameters of the Strategic Asset Allocation below. The Strategic Asset Allocation specifies risk controls in the form of ranges and targets for Fund asset allocations as well as liquidity targets. The ranges help to ensure adequate diversification, define acceptable degrees of tactical tilts, and constrain absolute risk. Extraordinary market conditions may lead to deviations outside the specified ranges, which will be reported to the Investment Committee with a plan to return to the specified ranges.

Benchmark indices are selected to represent the desired risk and return profile of the Long-Term Tier. The Investment Advisor should produce returns commensurate with the blended benchmark indices noted below. Key considerations in selecting benchmark indices include broad market coverage, ability to passively invest, transparency of index construction, and objectivity of the index provider.

Strategic Asset Allocation Risk Control Targets and Ranges:

<table>
<thead>
<tr>
<th>Net Exposure (%)</th>
<th>Range</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>40-80</td>
<td>65</td>
</tr>
<tr>
<td>Real Assets</td>
<td>0-20</td>
<td>5</td>
</tr>
<tr>
<td>Credit</td>
<td>5-45</td>
<td>10</td>
</tr>
<tr>
<td>Government Bonds</td>
<td>0-25</td>
<td>5</td>
</tr>
<tr>
<td>Cash/Residual</td>
<td>0-25</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional Exposures (%)</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Ranges</td>
<td>25-75</td>
<td>0-50</td>
<td>0-40</td>
<td>0-20</td>
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<tr>
<td>Cash &amp; Currency Ranges</td>
<td>50-100</td>
<td>0-30</td>
<td>0-30</td>
<td>0-20</td>
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</table>

<table>
<thead>
<tr>
<th>Liquidity Measure (%)</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly liquidity</td>
<td>20</td>
</tr>
<tr>
<td>Illiquid Assets (&gt; 7 years)</td>
<td>25</td>
</tr>
</tbody>
</table>
Long-Term Tier Benchmark

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Weighting (%)</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>70</td>
<td>MSCI All Country World Equity</td>
</tr>
<tr>
<td>Fixed Income &amp; Cash</td>
<td>30</td>
<td>Barclays Aggregate Bond Index</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>Blended Benchmark</td>
</tr>
</tbody>
</table>

**Annual Review**

Annually, the University and the Investment Advisor shall informally review and assess the Strategic Asset Allocation. Should the University and the Investment Advisor recommend changes to the Strategic Asset Allocation, such proposed changes will be brought to the Board for consideration.

**Rebalancing Guidelines**

The Strategic Asset Allocation reflects targets for exposures to various asset classes as described above. The purpose of rebalancing is to maintain the risk/reward relationship implied by the stated long-term Strategic Asset Allocation targets adopted by the Board. The actual asset mix may diverge from the target allocations as a result of either market fluctuations or explicit tactical decisions. The role of the ranges within the Strategic Asset Allocation is to allow for these short-term fluctuations, and to provide limits for tactical investing.

Under stable market conditions, should actual asset allocations reside outside of allowable Strategic Asset Allocation ranges, unless otherwise directed by the Board, the Investment Advisor will rebalance the Long-Term Tier without prior Board discussion or approval. Cash flows to, from, or within the Long-Term Tier will be used to rebalance the portfolio and may be allocated to or from the underlying Investment Managers within the Long-Term Tier.

The Board recognizes that under distressed market conditions, a less static approach to rebalancing could provide the University with increased flexibility and a more productive rebalancing process. Should the Investment Advisor believe that such distressed market conditions exist, the Investment Advisor shall: (a) immediately notify the Senior Vice President and CFO; (b) provide the Senior Vice President and CFO with recommended intermediate-term deviations from the Strategic Asset Allocation; and, (c) provide the Senior Vice President and CFO with a recommended timeline for rebalancing the Long-Term Tier. After reviewing these three items with the Investment Advisor, the Senior Vice President and CFO may authorize intermediate-term deviations from the Strategic Asset Allocation targets, and shall provide the recommended deviations and recommended rebalancing timeline for the Board’s review at its next meeting.

**F. Investment Restrictions**

The Strategic Asset Allocation specifies risk controls in the form of ranges for Long-Term Tier asset allocations. The ranges help to ensure adequate diversification, define the permissible magnitude of tactical asset allocation, and constrain both absolute and relative risk. Risk control ranges express the acceptable variation from target asset allocations in normal market and economic conditions.
circumstances. The Investment Advisor shall adopt risk controls principally considering the Tier's tolerance for volatility, but also to ensure adequate liquidity.

It is understood that the Long-Term Tier must maintain a certain minimum level of liquidity that is sufficient to fund annual programmatic activities, as well as to fund ongoing expenses, including capital calls. The Investment Advisor shall monitor on an ongoing basis the liquidity of the Long-Term tier.

G. Spending Guidelines
The Spending Policy is meant to maintain the purchasing power of the Long-Term Tier, with the goal of providing a predictable and sustainable level of income. This policy reflects industry best practices. Under this policy, spending for a given year equals the trailing average three-year quarter-end market values of the Long-Term Tier multiplied by the long-term spending rate of 4.5%. An additional 1% administrative fee is distributed concurrently.

Annual payouts are assumed, and distributions are to be made on or before September 30. The University will communicate an estimate of the distribution to the Investment Advisor approximately 120 days in advance, and the Advisor will confirm receipt of the notification to the University within five business days. The final amount shall be determined at least 5 days before the distribution date, or earlier as agreed upon with the Investment Advisor. The Advisor is responsible for wiring funds as directed.

Payouts under this Spending Policy may exceed spending needs. At the discretion of the Senior Vice President and CFO, the University may elect to reinvest any portion of the annual distribution back into the Long-Term Tier. Each year, the Senior Vice President and CFO will prepare a report for the Board showing the current spending rate and allocating distributions made under this Spending Policy between those funds spent to meet University needs and those funds reinvested into the Long-Term Tier.

If the market value of the investment funds fall below the restricted amount, the payout and distribution shall be in compliance with Virginia's Uniform Prudent Management of Institutional Funds Act (§ 64.2-1100 et seq., "UPMIFA"), determining what portion of investment funds is appropriate for expenditure or accumulation as the University and Investment Advisor determine is prudent for the uses, benefits, purposes, and duration for which the investment funds were established.

H. Monitoring and Reporting for the Long-Term Tier
Quarterly, the Board will receive the following information on the Long-Term Tier. At a minimum, this report will include:

- Investment performance (net of fees) for the Long-Term Tier versus the appropriate benchmarks above.
- Actual asset allocations of the Long-Term Tier versus the Strategic Asset Allocations above.

Annually, the Board will receive the following information on the Long-Term Tier. At a minimum, this report will include:

- A report showing compliance with the Investment Policy, specifically the Authorized
Investments, Strategic Asset Allocation and Performance Measures, and Investment Restrictions sections above;

- The report specified under the Spending Policy section above; and
- A liquidity measurement analysis.

I. Investment Advisor Requirements for the Long-Term Tier

The Investment Advisor shall prudently select Investment Managers, acting in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. Investment Managers are not permitted to deviate from their specifically announced investment strategy and may utilize discretion only as approved by the Investment Advisor.

The Investment Advisor shall have the following duties:

- Accept assets as directed by the University, and invest those assets in strict adherence to the Investment Policy and applicable laws;
- Reconcile all transactions, market values, security holdings (as applicable), and cash flows with the Investment Managers;
- Calculate performance against the appropriate benchmarks and provide regular, written reports to the University;
- Provide written reports to the University concerning investment strategy, including quantitative performance attribution;
- Meet as required with the University to review portfolio and investment results;
- Issue investment reports and other pertinent information on a timely basis to the University;
- Notify the University of potential material changes in fund and/or firm operations under consideration or about to be implemented, including organizational or strategy changes that may impact asset management;
- Notify the University of any non-compliant investments; and,
- Provide a written quarterly statement attesting to compliance with the Investment Policy.

J. The Central Bank

With the exceptions of reporting, distributions and liquidity requirements, investments made for the Central Bank are managed under the same requirements of the Long-Term Tier. These funds shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act. The primary objective for the Central Bank is to meet the obligations of the scheduled debt service payments out of the bank while generating liquidity and debt capacity for the University. Specific liquidity considerations will apply to the Central Bank to meet scheduled obligations in lieu of annual distributions.

Distributions for the principal and interest payments of the Central Bank must be available for timely payment, as scheduled. Additional distributions from the Bank for internal loans will be scheduled as needed, with the goal of minimizing distributions in order to provide for the Bank’s growth. The investment of these funds will focus on providing this scheduled liquidity under the investment policy herein.

An annual report will be provided to the Board of Visitors to detail deposit amounts, payments and account balances for the various funds of the Bank.
4. Establishing a Prudent Split Between the Short-Term and Long-Term Tiers

The Short-Term and Long-Term Tiers have markedly different liquidity, risk, and volatility profiles. It is the responsibility of the Office of the Senior Vice President and CFO to perform ongoing analysis and monitoring to recommend to the Board a prudent split between the Short-Term and Long-Term Tiers.

5. Procedures

No changes to this policy may be implemented without the approval of the Board or its designated committee.

6. Violations

Passive Violations: A passive violation occurs when a portfolio breaches a prescribed policy limit as the result of changing market or credit conditions, with the exception of the procedures outlined under the Rebalancing Guidelines for the Long-Term Tier. Other than the routine rebalancing of the Long-Term Tier under stable market conditions as described in the Rebalancing Guidelines above, the university will report any violations to the Board and will remedy the violation within 90 days of the violation or prepare a written action plan that must be approved by the Board to extend the cure period beyond 90 days. The Investment Advisor and Investment Managers will continuously monitor the portfolio for any Passive Violations and will promptly notify the university as they occur.

Active Violations: An active violation is caused by entering into an agreement or investment that breaches a limit at inception or thereafter through failure to monitor. In this case, a thorough analysis of controls will ensue and be reported to the Board, as soon as practical. The Investment Advisor will seek to remedy the violation when possible. In instances where the costs of immediate remedies are prohibitive, the Investment Advisor will develop a corrective action plan that will be submitted to the university within a reasonable time after the violation occurs, not to exceed 15 days, depending on the nature and complexity of the investment holding and transactions needed to remedy the violation. The Board will be apprised of the violation at its next regularly scheduled meeting along with the corrective action plan.

7. Legal and Other Considerations

The university will, in accordance with law, consider the present and anticipated financial requirements of the university, the expected total returns on investments, the capital markets environment and general economic conditions.

The Code of Virginia § 64.2-1102, the Virginia Uniform Prudent Management of Institutional Funds Act, sets forth specific factors that, if relevant, must be considered in managing and investing the Long-Term Tier. These factors are:

1. The duration and preservation of the Long-Term Tier funds;
2. The purposes of the institution and the Long-Term Tier funds;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

Upon request, the university will present an analysis of these factors to the Board to assist its decisions regarding managing and investing the Long-Term Tier.

8. Conflicts of Interest

Virginia Commonwealth University will take reasonable measures to assess the independence of Investment Advisors and Investment Managers. Annually and prior to the approval of an Investment Advisor or Investment Manager, all personnel listed in “Who Should Know This Policy” must disclose any conflicts of interest on in the form of Exhibit A.

Forms

There are no forms associated with this policy and procedures.

Related Documents

1. VCU Policy: Debt Management
2. Code of Virginia, Title 2.2, Chapter 44 (§ 2.2-4400 et seq.), as amended, Security for Public Deposits Act
3. Code of Virginia, Title 2.2, Chapter 45 (§ 2.2-4500 et seq.), as amended; Investment of Public Funds Act
4. Code of Virginia, Title 23.1, Chapter 23 (§ 23-2306), as amended, concerning the University’s investment of endowment funds, endowment income, and gifts
5. Code of Virginia, Title 64.2, Chapter 11 (§ 64.2-1100 et seq.), as amended; Uniform Prudent Management of Institutional Funds Act
6. Management Agreement dated March 12, 2008 (as amended and renewed from time to time) between the Commonwealth of Virginia and the Board of Visitors of the Virginia Commonwealth University

Revision History

This policy supersedes the following archived policies:

<table>
<thead>
<tr>
<th>Approval/Revision Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/15/2009</td>
<td>VCU Operating Pool Investment Policy</td>
</tr>
<tr>
<td>09/19/2013</td>
<td>VCU Investment Policy</td>
</tr>
<tr>
<td>04/25/2016</td>
<td>VCU Investment Policy – Interim</td>
</tr>
<tr>
<td>03/22/2017</td>
<td>VCU Investment Policy</td>
</tr>
<tr>
<td>03/05/2019</td>
<td>Investment Policy (minor revision to clarify)</td>
</tr>
</tbody>
</table>
There are no FAQ associated with this policy and procedures.
Exhibit A

Annual Investment Conflict of Interest Disclosure Statement

[List of current and/or proposed investment advisor(s) and investment manager(s) – to be provided by staff]

Except for the relationships and investments set forth below, I hereby certify to the best of my knowledge that neither I, nor any of my household family members, has a material ownership interest in, or is directly employed by, any investment advisor or investment manager engaged or to be engaged by the University and listed above. I hereby certify that I have received a copy of the University’s current Investment Policy, have read and understand the policy, and agree to abide by its provisions pertaining to Conflicts of Interest.

Signature: ____________________________

Print Name: ____________________________

Title: ____________________________

Date: ____________________________

Please list any exceptions below:
Virginia Commonwealth University
Request for Approval of Demolition
708 West Grace Street

Background

708 West Grace Street was built in phases between 1876 and 1950 and is located on the Monroe Park Campus across from the existing VCU Honors College. The property is not usable in its current state, requires significant investment and is in the footprint of a future student housing project in the ONE VCU Master Plan. Demolition is planned for 2022.

Considerations

The building is not listed as a historic structure and the property is not located within a historic district. The Department of Historic Resources and the Art and Architectural Review Board reviewed and approved the plans for demolition.

Cost and funding source

Demolition is estimated at $110,000 and will be funded by the university.

Recommendation

Approve the request to demolish 708 West Grace Street.
Agenda

Open Session

1. Call to Order

2. Approval of Minutes – September 17, 2021
Action Item: Tax-Exempt Debt Compliance Policy Update

Revision History:
- Last revision October 21, 2014

Key changes:
- Updated references to IRS guidelines and Revenue Procedures
- Linkage to other related university policies (Space Management, Sale of Goods and Services)
- Updated Compliance Community to include Real Estate, Space Management and Development
Action Item: Investment Policy Update

Revision History:
- Last substantive revision was 2017; minor changes 03/05/2019

Key changes:
- Inclusion of liquidity management
- Edit references to State statutes
- Addition of 144A securities
- Adjusted ranges for improved management of investment allocation
Action Item: Approval of demolition
708 West Franklin Street

Background
708 West Grace Street was built in phases between 1876 and 1950 and is located on the Monroe Park Campus across from the existing VCU Honors College. The property is not usable in its current state, requires significant investment and is in the footprint of a future student housing project in the ONE VCU Master Plan. Demolition is planned for 2022.

Cost and funding source
Demolition is estimated at $110,000 and will be funded by the university.

Recommendation
Approve the request to demolish 708 West Grace Street.
Chair to motion for approval of all action items.
4. Report from Senior Vice President and CFO

a. University’s Cash Position
b. Related Entities Financial Statement Summary
c. VCU Budget Update
d. SWAM Update
University Cash Position

Karol Kain Gray, SVP and CFO
December 10, 2021
University Cash and Investments - Three Year Trend

As of June 30

(in Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$518</td>
<td>$495</td>
<td>$637</td>
</tr>
</tbody>
</table>
FY 21 VCU Related Entities
Financial Statements

Karol Kain Gray, SVP and CFO
December 10, 2021
## Financial Statement Summary
### VCU Related Entities
#### as of June 30
#### (in Millions)

<table>
<thead>
<tr>
<th></th>
<th>MCV Foundation</th>
<th>VCU Foundation</th>
<th>VCU Real Estate Foundation</th>
<th>VCU School of Business Foundation</th>
<th>VCU College of Engineering Foundation</th>
<th>Dentistry@ VCU</th>
<th>FY21 Total</th>
<th>FY20 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$49.5M</td>
<td>$21.9M</td>
<td>$5.2M</td>
<td>$7.1M</td>
<td>$1.0M</td>
<td>$9.3M</td>
<td>$94.0M</td>
<td>$82.0M</td>
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<tr>
<td>Investments &amp; Endowments</td>
<td>806.8M</td>
<td>116.3M</td>
<td>-</td>
<td>61.9M</td>
<td>94.6M</td>
<td>11.9M</td>
<td>1,091.5M</td>
<td>793.6M</td>
</tr>
<tr>
<td>PPE</td>
<td>1.8M</td>
<td>-</td>
<td>79.4M</td>
<td>22.2M</td>
<td>34.6M</td>
<td>-</td>
<td>138.0M</td>
<td>139.3M</td>
</tr>
<tr>
<td>Receivables and Other</td>
<td>23.2M</td>
<td>5.8M</td>
<td>11.3M</td>
<td>4.3M</td>
<td>1.8M</td>
<td>4.0M</td>
<td>50.4M</td>
<td>57.0M</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>881.3M</strong></td>
<td><strong>144.0M</strong></td>
<td><strong>95.9M</strong></td>
<td><strong>95.5M</strong></td>
<td><strong>132.0M</strong></td>
<td><strong>25.2M</strong></td>
<td><strong>1,373.9M</strong></td>
<td><strong>1,071.9M</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.3M</td>
<td>46.9M</td>
<td>49.8M</td>
<td>34.6M</td>
<td>75.8M</td>
<td>11.2M</td>
<td>227.6M</td>
<td>206.5M</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td><strong>872.0M</strong></td>
<td><strong>97.1M</strong></td>
<td><strong>46.1M</strong></td>
<td><strong>60.9M</strong></td>
<td><strong>56.2M</strong></td>
<td><strong>14.0M</strong></td>
<td><strong>1,146.3M</strong></td>
<td><strong>865.4M</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Position</strong></td>
<td>$881.3M</td>
<td>$144.0M</td>
<td>$95.9M</td>
<td>$95.5M</td>
<td>$132.0M</td>
<td>$25.2M</td>
<td>$1,373.9M</td>
<td>$1,071.9M</td>
</tr>
<tr>
<td><strong>Beginning Net Position</strong></td>
<td>635.6M</td>
<td>80.3M</td>
<td>41.1M</td>
<td>46.5M</td>
<td>52.2M</td>
<td>9.7M</td>
<td>865.4M</td>
<td>838.8M</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>273.9M</td>
<td>30.8M</td>
<td>10.8M</td>
<td>19.7M</td>
<td>35.6M</td>
<td>21.2M</td>
<td>392.0M</td>
<td>106.0M</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>37.5M</td>
<td>14.0M</td>
<td>5.8M</td>
<td>5.3M</td>
<td>31.6M</td>
<td>16.9M</td>
<td>111.1M</td>
<td>81.4M</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>$236.4M</td>
<td>$16.8M</td>
<td>$5.0M</td>
<td>$14.4M</td>
<td>$4.0M</td>
<td>$4.3M</td>
<td>$280.9M</td>
<td>$26.6M</td>
</tr>
</tbody>
</table>
General Comments

- All related entities received unmodified opinions
- No management letter comments
- Change in net position largely due to increase in market value of investments as of June 30
Fall 2021 Tuition, in thousands

Fall 2021 Undergraduate Budget: 132,035

Projected annual shortfall (UG): -$4,118,828

-2,192,796, -1.6% shortfall to budget

Undergraduate

Undergraduate Budget
Projected Fall Tuition, in thousands

Fall 2021 Graduate Budget: 37,165
- Projected annual surplus (GR): $2,822,425
  -613,742, -1.9% shortfall to budget

Fall 2021 First Professional Budget: 34,304
- Projected annual shortfall (FP): -$732,674
  -1,284,177, -3.5% shortfall to budget

14 Days to First Day  7 Days to First Day  First Day of Classes  Census I  Census II

Graduate Budget  Graduate  First Professional Budget  First Professional
### SCHEV VCU Recommendations

<table>
<thead>
<tr>
<th>Description</th>
<th>State Total FY23</th>
<th>FY24*</th>
<th>VCU FY23</th>
<th>FY24</th>
<th>6 YR Plan FY23</th>
<th>FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Aid</td>
<td>$20M</td>
<td>$130M</td>
<td>$1.9M</td>
<td>$12.2M</td>
<td>$11.4M</td>
<td>$11.4M</td>
</tr>
<tr>
<td>Faculty Recruit, Retain &amp; Diversify</td>
<td>$74M</td>
<td>$150M</td>
<td>$8M</td>
<td>$15.8M</td>
<td>$2.6M</td>
<td>$2.6M</td>
</tr>
<tr>
<td>Unavoidable &amp; New Building Maintenance</td>
<td>$14M</td>
<td>$27.7M</td>
<td>$1.7M</td>
<td>$3.5M</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Institutional needs</td>
<td>$40M</td>
<td>$40M</td>
<td>$4.9M</td>
<td>$4.9M</td>
<td>$8.5</td>
<td>$8.5</td>
</tr>
</tbody>
</table>

*2024 funds are inclusive of 2023 increments
Supplier Diversity Performance Benchmarks
Fiscal Year 2021 Comparison

SWaM %
- COVA: 30%
- VASCUPP: 36%
- VCU: 43%

MBE/WBE %
- Tier 3: 7.4%

Legend:
- COVA
- VASCUPP
- VCU
- Tier 3
## Spend with Diverse Suppliers

### Year-over-year comparison

<table>
<thead>
<tr>
<th>Diversity Status</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-SWaM</td>
<td>$129.5M</td>
<td>$109.8M</td>
<td>$119.8M</td>
<td>$107.3M*</td>
</tr>
<tr>
<td>Minority-Owned</td>
<td>$11.3M</td>
<td>$10.9M</td>
<td>$6.4M</td>
<td>$8.7M*</td>
</tr>
<tr>
<td>Women-Owned</td>
<td>$13.9M</td>
<td>$11M</td>
<td>$5.9M</td>
<td>$6.6M*</td>
</tr>
<tr>
<td>Small Business</td>
<td>$74.3M</td>
<td>$60.9M</td>
<td>$90.5M</td>
<td>$74.2M*</td>
</tr>
</tbody>
</table>

* Includes self-certified vendors
Number of Diversity Suppliers

Year-over-year comparison

* Includes self-certified vendors
2021 Supplier Diversity Performance
Fiscal Year 2022, Quarter One Expenditures

VCU Goal: 45.0%
Actual Spend: 44.4%

SWaM
Small
MBE
WBE

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%

VCU Goal
Actual Spend
Women and Minority-Owned Supplier Enhancement

Intentional, Focused, Advance

FY 22 Accomplishments:
- SWaM Consultant
- Construction Outreach Strategy
- AIAB project
- Supplier Data Enrichment
- DEI Commitment Letter

FY 23 Goals:
- Certification incentive strategy
- SWaM Supplier relations model
- Launch construction outreach
- Improved reporting and visibility
- Enhanced community focus

FY 24 Goals:
- Recalibrate strategy
- Develop school/unit SWaM plans
- Category focused strategies

FY 25 Goals:
- Achieve 15% WaM aspirational goal
- Create % goals in school/unit plans
- Measure and contribute to community entrepreneurship

7% Women and Minority-owned spend in Fiscal year 2021

7.4% $14.6M
9%
11%
13%
15% $30M

13%
Women and Minority-Owned Supplier Enhancement
Accomplishments and Action Items

Fiscal Year 22 Accomplishments
• Hired SWaM Consultant
• Construction Outreach Strategy - AIAB
• Added DEI Commitment Letter to RFP’s
• WaM specific goal in all new procurements
• Increased weight for SWaM plan scoring
• Implementing Supplier Data Enrichment
• Improved reporting and visibility
• MBE owned hotel properties for Athletic travel
• Diverse catalog Showcase in Realsource
6. Report from Vice President for Administration
Arts and Innovation Academic Building
7. Miscellaneous Reports – for information

   a. Sources and Uses of Funding
   b. Revenue and Expense Summary
   c. VCU Health System Financial Operations
   d. Treasurer’s Report
   e. Capital Projects Update
   f. Related Entities Annual Reports
8. Other Business

9. Adjournment