



**VIRGINIA COMMONWEALTH UNIVERSITY
BOARD OF VISITORS
FINANCE AND UNIVERSITY RESOURCES COMMITTEE
May 12, 2023
James Branch Cabell Library
901 Park Avenue – Room 303
Richmond, VA
MINUTES**

DRAFT

COMMITTEE MEMBERS PRESENT

Honorable Todd Haymore, *Chair*
Mr. Andrew Florance, *Vice Chair*
Mr. Anthony Bedell
Mr. Peter Farrell
Mr. Ed McCoy
Ms. Alexis Swann
Ms. Ellen Fitzsimmons

OTHERS PRESENT

Dr. Michael Rao, President
Ms. Karol Kain Gray, Senior Vice President & Chief Financial Officer
Mr. Jay Davenport, Vice President for Development & Alumni Relations
Mr. Matt Conrad, Vice President of External and Government Relations for VCU and VCU Health System
Ms. Karah Gunther, Vice President for External Affairs and Health Policy for VCU and VCU Health
Ms. Erin Wilson, Board & Operations Assistant, Office of the President
Staff and students from VCU and VCUHS

CALL TO ORDER

The Honorable Todd Haymore, Chair of the Finance and University Resources Committee, called the meeting to order at 11:20 a.m.

ACTION ITEMS

Hon. Haymore reviewed the item for action, noting that materials for the item listed - the Approval of Minutes from March meeting of the Finance and University Resources Committee - had been provided to the Committee in advance for review.

Hon. Haymore asked the Committee members if they had any changes. Hearing none, Hon. Haymore made a motion to approve all items. On a motion duly made and seconded the March 23, 2023 Finance

and University Resources Committee meeting minutes was approved unanimously. The minutes are posted at <https://bov.vcu.edu/meetings/>

REPORTS

The Senior Vice President and CFO Ms. Karol Kain Gray provided a finance and budget update. The presentation specifically focused on the Virginia Military Survivors & Dependents Education Program (VMSDEP) and was a continuation of a conversation that began at the March 2023 Finance and University Resources Committee meeting. Ms. Gray clarified that this program is offered to all disabled veterans' spouses and children. Qualifications require that the applicant must be a current spouse; biological or legally adopted or dependent step-child between the ages of 16 and 29; a Virginia resident; and applying to attend a public college or university in Virginia. The program began in 2007 at a cost to the university of \$291,231. The program has expanded with more participants over the years, and increased to an annual cost of \$1M to the university in 2016. The program is now estimated at a cost of \$13.5M with a projected FY2024 cost of over \$18M. This mandated program is unfunded by the state and administered through unfunded tuition and fee waivers, which means that the university must absorb all expenses related to the program. The fiscal impact is not only to the E&G side but also the mandatory fee side. The waivers can only be applied to undergraduate or graduate programs.

VCU has the highest number of participants in the Commonwealth – followed by ODU and Virginia Tech. The program has become a budgetary problem because it has increased rapidly in a relatively short amount of time. Eligible students apply to the university and upon disclosure of their status, the waiver is applied. This waiver is not the same thing as the G.I. Bill – it is a different program that is paid for by VCU. There was an effort this past year to expand this program in the General Assembly, but it did not pass. A copy of the items for this report is attached hereto as **Attachment A** and is made a part hereof.

The Vice President of External and Government Relations for VCU and VCU Health System Matt Conrad and Vice President for External Affairs and Health Policy for VCU and VCU Health Ms. Karah Gunther presented the government relations update. Mr. Conrad presented that a joint federal reception with Virginia Tech will occur on May 16th. Additionally, the team shared that University Council recently approved a Federal Advocacy policy, which is necessitated by the maturation of the federal relations program over the last five years. So far this year, there have been 14 capitol hill visits by VCU senior leaders, and visits to campus from Senators Warner and Kaine and the Director of the National Science Foundation (NSF). The Office of Government Relations has to account for every single contact a university official has with the legislature and must be coordinated. The office is pursuing every federal dollar possible, and consider the success as a testament to the growth of VCU's programs and presence. Currently there are four federal earmarks the office is pursuing on behalf of the university and the Health System.

Mr. Jay Davenport, Vice President for Development and Alumni Relations (DAR), provided an update on fundraising. To date, \$218M has been raised, which is an exceptionally strong showing. This year will mark a third consecutive year of highest all-time fundraising. Every school, college and unit at VCU was engaged for Giving Day. The goal for Giving Day this year was \$4M. DAR is pleased to report that \$7M was raised in that period. The university has reached 62% of its \$1B goal. The BOV

will receive another fundraising update this summer. Mr. Davenport also reported that alumni giving is up 9.6%, which is noteworthy.

The office is spending a lot of time focusing on engagement. The top 1% of donors are giving the highest percentage of total fundraising. About 50% of the VCU alumni base has graduated in the past 50 years, and the office is seeking to convert those graduates into donors. It is important to be less dependent on the top donors and pursue engagement opportunities at all levels. A copy of the items for this report is attached hereto as **Attachment B** and is made a part hereof.

CLOSED SESSION

On motion made and seconded, the Finance and University Resources Committee of the Virginia Commonwealth University Board of Visitors convened into closed session under Section 2.2- 3711 (A)(9) for the discussion of gifts, bequests, and fund-raising activities of the University, namely the Named Funds Report, the Approved Named Funds under \$50,000 Report, and other notable and significant gifts. The motion was approved unanimously.

RECONVENED SESSION

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

Resolution of Certification

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

<u>Vote</u>	<u>Ayes</u>	<u>Nays</u>
Honorable Todd F. Haymore, Chair	X	
Mr. Andrew Florance, Vice Chair	X	
Mr. Anthony Bedell	X	
Mr. Peter Farrell	X	
Ms. Alexis Swann	X	
Ms. Fitzsimmons	X	
Mr. McCoy	X	

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

CLOSED SESSION ACTION ITEMS

Hon. Haymore mentioned to the board that he planned to make one motion to approve all matters discussed in closed session together unless anyone opposed. He moved that the Committee approve the following actions as presented in closed session to recommend to the full board:

1. The funds Named Funds and Spaces Report and the Approved Named Funds under \$50,000.

Mr. Andy Florance abstained from the vote. All other members present responding affirmatively, the closed session action items listed above were approved.

MISCELLANEOUS REPORTS

Hon. Haymore listed the items included as Miscellaneous Reports that were provided in advance of the meeting. They included the Sources and Uses Funding/Revenue and Expense Summary, the Treasurer's Report, the Committee Dashboard update, and the VCU Health System and Financial Operations update. A copy of the items is attached hereto as **Attachment C** and is made a part hereof.

ADJOURNMENT

There being no further business, the Hon. Todd Haymore adjourned the meeting at 11:54 a.m.



Virginia Military Survivors & Dependents Education Program (VMSDEP)

KAROL KAIN GRAY
Senior Vice President & CFO

Virginia Military Survivors & Dependents Education Program (VMSDEP)

Education Benefits for spouses and children of military services members who were killed, missing in action, taken prisoner, or are 90-100% disabled as a result of their military service.

- Qualifications
 - Must be a current spouse, or
 - Must be a biological, legally adopted, or dependent step-child (*claimed on taxes*) between the ages of 16 and 29,
 - Must be Virginia residents,
 - Must attend a Virginia public college or university
- Benefits
 - Tuition and mandatory fee waiver
 - Benefits are covered for up to 8 semesters or the equivalent of 4 years

VCU Waivers - \$13,953,587
21% Increase from 2022
4691% Increase from 2007

VCU Waivers - \$11,543,574
25% Increase from 2021
3864% Increase from 2007

VCU Waivers - \$9,263,245
45% Increase from 2020
3081% Increase from 2007

VCU Waivers - \$6,385,431
496% Increase from 2015
2093% Increase from 2007

VCU Waivers - \$1,071,780
268% Increase

VCU Waivers - \$291,231

2023

2022

2021

2020

2015

2007

2023

2021

2021

2020

2019

2006

Between 2019 and 2023

Eligibility Changes

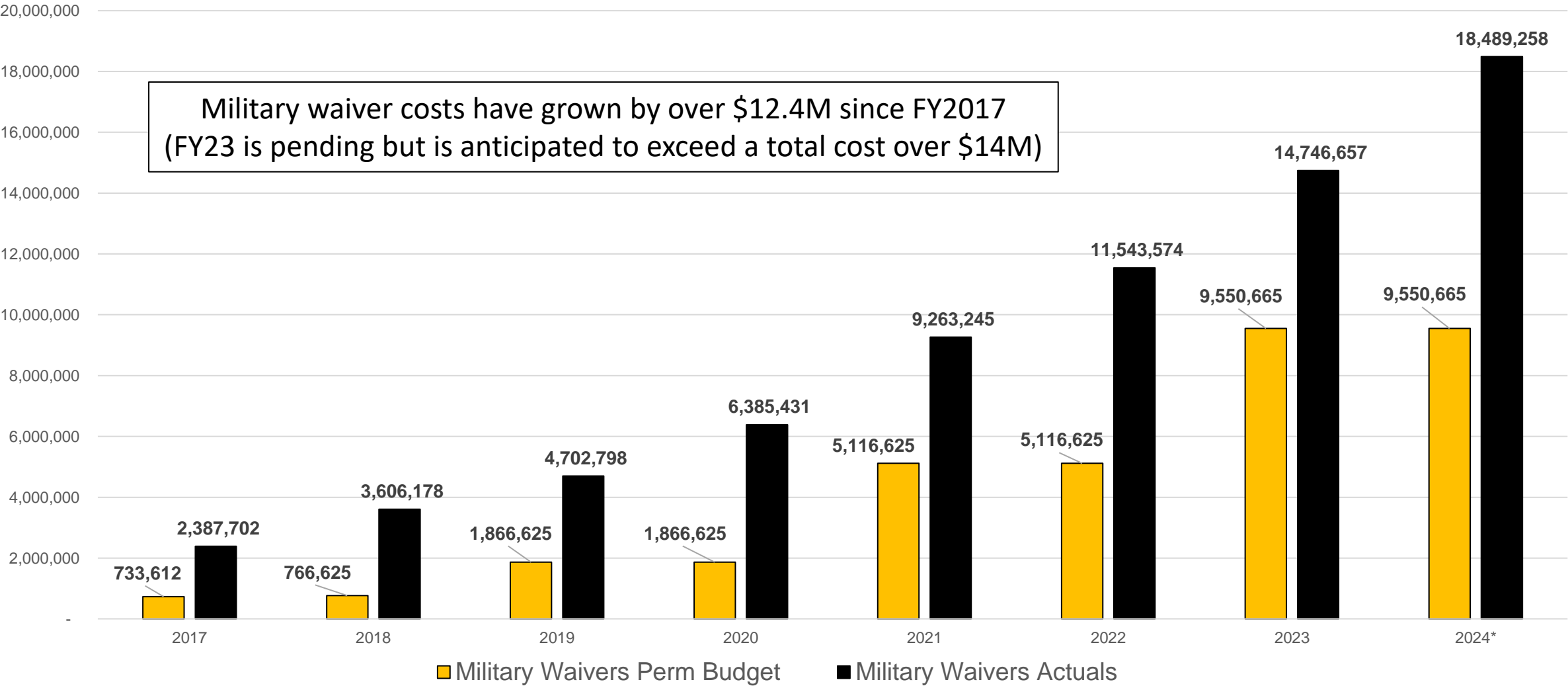
- Include step-children of veterans who are dependents and claimed on taxes.
- Changed language to adjust "permanently" disabled to a static rating of disabled.
- Shortened the domicile requirements from 5 to 1 year.
- Include non-combat service connected disabilities.

Virginia War Orphans Education Program renamed the Virginia Military Survivors and Dependents Education Program (VMSDEP)

Growth in Military Waivers

VCU cost share

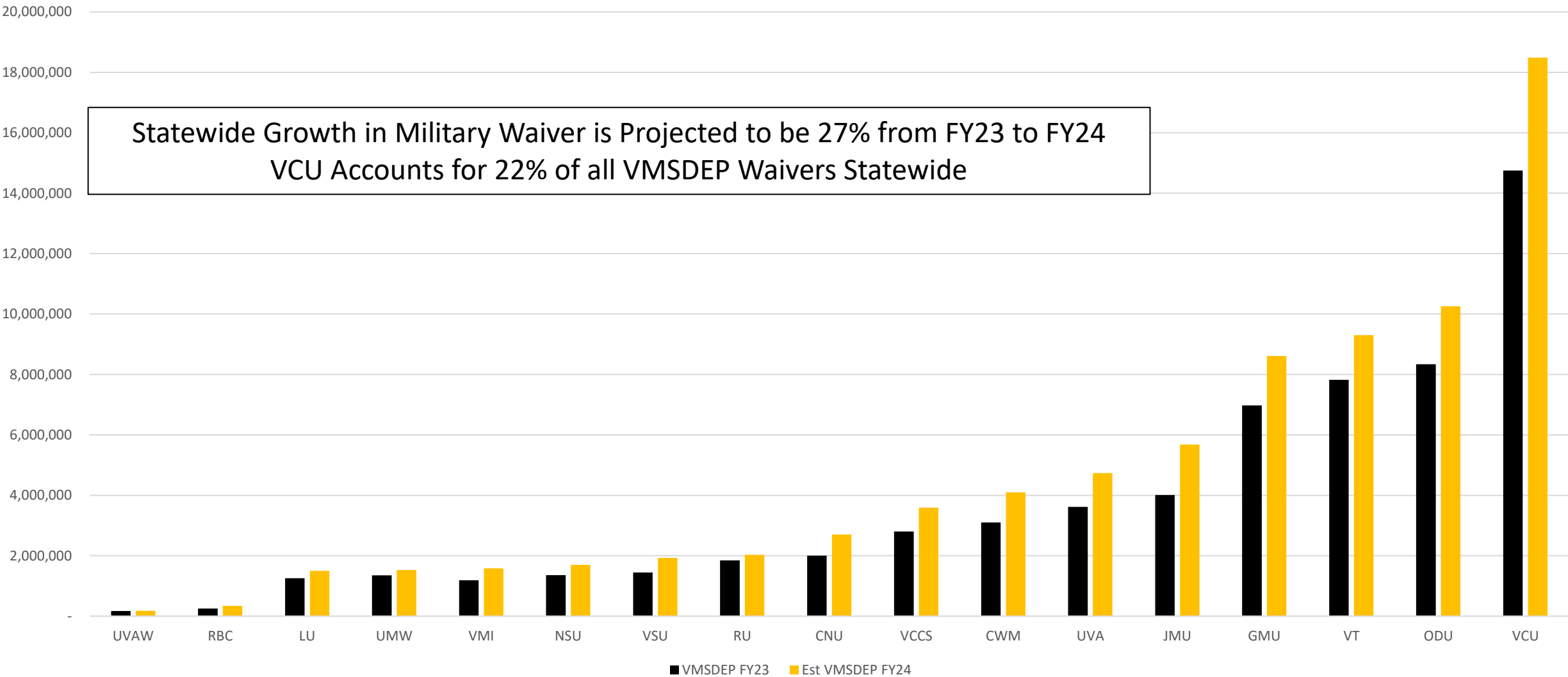
2017 to Est. 2024 VMSDEP Growth



Growth in Military Waivers

Statewide projections

VMSDEP Costs for FY23 & 24



Board of Visitors

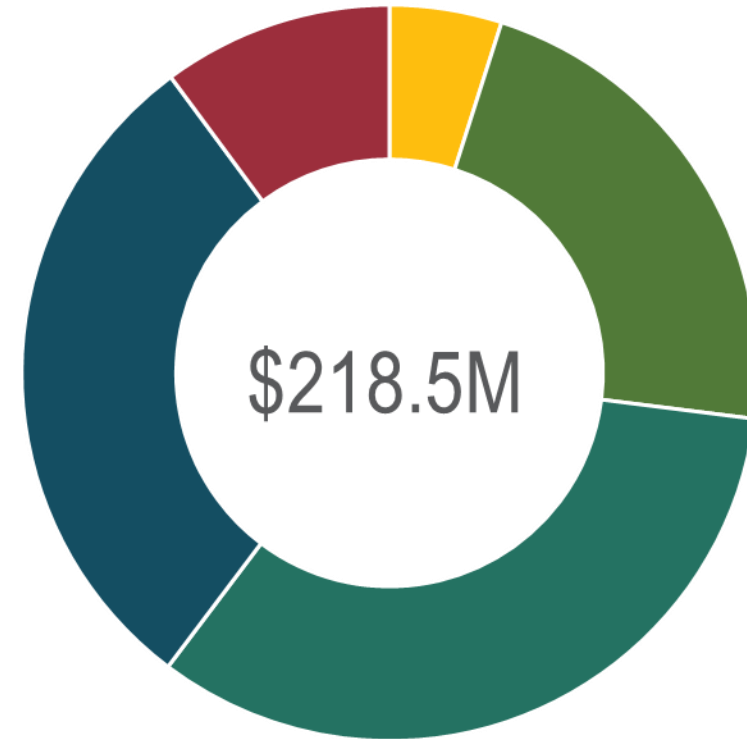
Jay Davenport, Vice President, Development and Alumni Relations
May 12, 2023



VCU

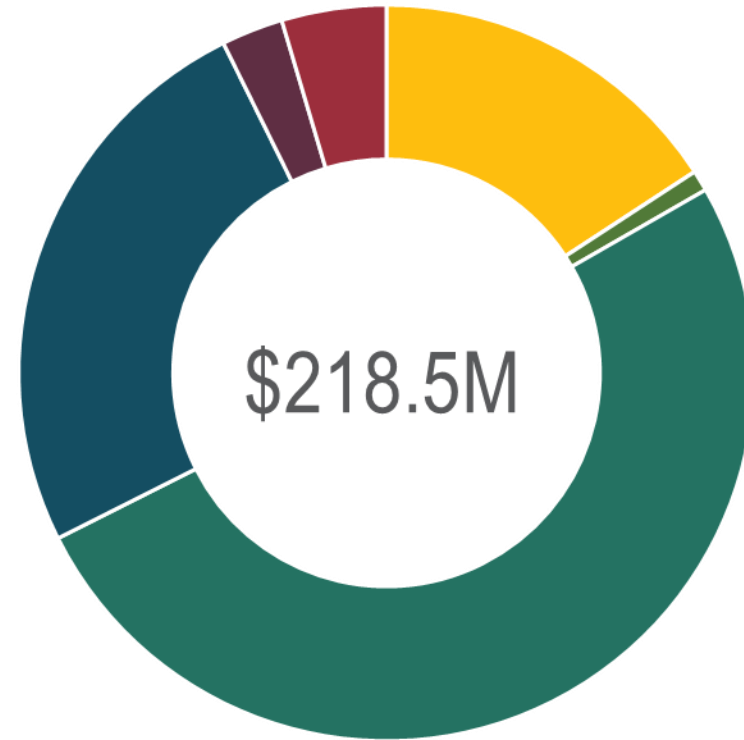
FY23 Campaign Totals by Source

■	5%	Alumni	\$10.8M
■	22%	Friends	\$48.2M
■	33%	Corporations	\$72.7M
■	30%	Foundations	\$64.6M
■	10%	Organizations	\$22.1M



FY23 Campaign Totals by Purpose

■	16%	Students	\$34.5M
■	1%	Faculty	\$2.0M
■	51%	Research	\$111.1M
■	25%	Programs	\$54.8M
■	3%	Facilities	\$5.9M
■	5%	Unrestricted-Unit/Dept.	\$10.1M

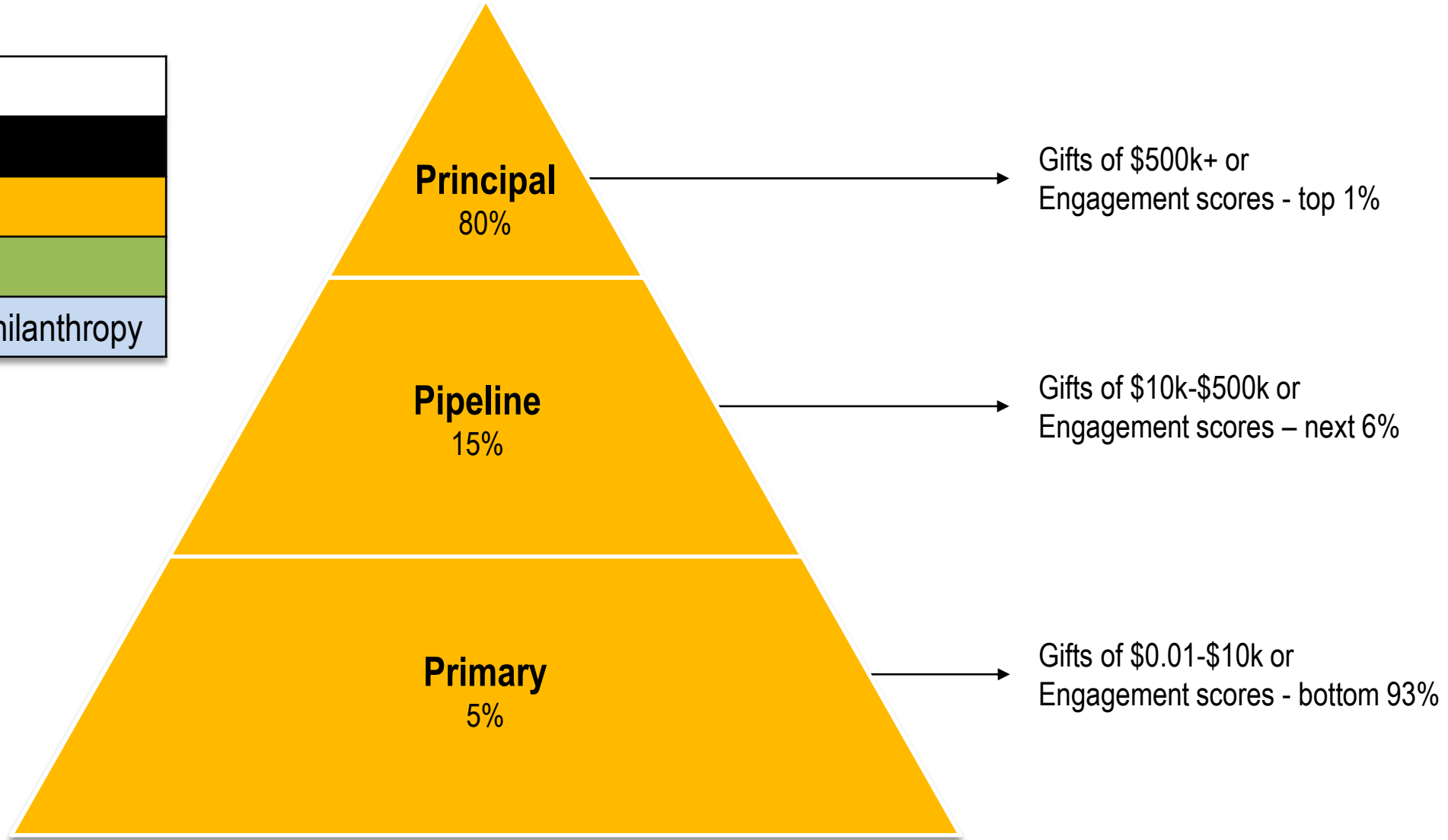


Development & Alumni Relations Metrics

Progress to Campaign Goal	
Preliminary Campaign Goal	\$1,000,000,000
Actual Campaign Dollars Raised	\$615,505,126
Progress to Goal	61.6%
Current FY Dollars Raised	\$218,476,852
Same Time Last Year	\$210,571,616
Percentage Change	3.8%
Annual Giving (gifts < \$50,000)	
Current FY	\$12,488,892
Same Time Last Year	\$12,597,808
Percentage Change	-0.9%

Alumni Giving	
Current FY	\$10,761,548
Same Time Last Year	\$13,053,603
Percentage Change	-17.6%
Alumni Donors	
Current FY	5,350
Same Time Last Year	5,407
Percentage Change	-1.1%
Alumni Engagement	
FY23Q1-3	19,755
FY22Q1-3	24,627
Percentage Change	-19.8%

AUDIENCES
All Constituents
Alumni
Grateful Patients
Inclusive Engagement and Philanthropy



Quarterly Report
FY2023 3rd Quarter Report
Dollars in Thousands

		<u>Actuals</u>				<u>Budget</u>	<u>Actuals</u>	<u>Historical</u>
		<u>FY22 Q3</u>	<u>FY23 Q3</u>	<u>\$ Change</u>	<u>% Change</u>	<u>BoV Book</u>	<u>FY22 YE</u>	<u>Forecast</u>
1	Revenue							
2	Tuition and Fees E&G	402,962	401,204	(1,758)	-0.4%	448,691	433,400	416,565
3	State General Fund E&G	161,420	197,630	36,210	22.4%	251,121	224,223	252,457
4	Other Income E&G	63,689	45,001	(18,688)	-29.3%	60,882	67,347	69,465
5	Educational and General Programs	628,072	643,835	15,763	2.5%	760,694	724,970	738,487
6	University and Student Health Fee	56,464	58,172	1,708	3.0%	65,116	59,353	60,374
7	Other Auxiliary Income	73,790	80,840	7,049	9.6%	95,774	85,195	89,421
8	Auxiliary Enterprises	130,255	139,012	8,758	6.7%	160,890	144,548	149,795
9	Sponsored Programs	223,252	199,609	(23,642)	-10.6%	364,862	278,511	265,042
10	FACR	26,553	41,546	14,993	56.5%	38,365	37,901	40,568
11	University Funds	47,543	59,337	11,794	24.8%	66,333	161,244	102,815
12	Student Financial Assistance	78,351	83,361	5,010	6.4%	90,921	95,323	107,409
13	Hospital Services	31,733	31,888	155	0.5%	48,158	37,686	42,169
14	Total Revenue	1,165,758	1,198,589	32,831	2.8%	1,530,223	1,480,183	1,446,285
15	Expenses							
16	Academic Programs E&G	323,073	567,746	244,673	75.7%	417,028	410,301	740,513
17	Support Programs E&G	230,065	56,059	(174,006)	-75.6%	343,666	314,893	73,118
18	Educational and General Programs	553,138	623,805	70,667	12.8%	760,694	725,193	813,630
19	Auxiliary Enterprises	104,109	121,839	17,730	17.0%	160,890	144,676	169,314
20	Sponsored Programs	204,588	203,737	(851)	-0.4%	364,862	259,597	270,523
21	FACR	24,268	26,866	2,598	10.7%	38,365	21,107	34,316
22	University Funds	48,866	62,855	13,989	28.6%	66,333	71,738	108,910
23	Student Financial Assistance	86,866	93,566	6,700	7.7%	90,921	94,700	102,004
24	Hospital Services	27,519	27,959	440	1.6%	48,158	38,211	36,973
25	Total Expenses	1,049,354	1,160,626	111,272	10.6%	1,530,223	1,355,222	1,535,671
26	Net	116,404	37,963	(78,441)	-67.4%	-	124,961	(89,386)

Treasurer's Report

As of March 31, 2023

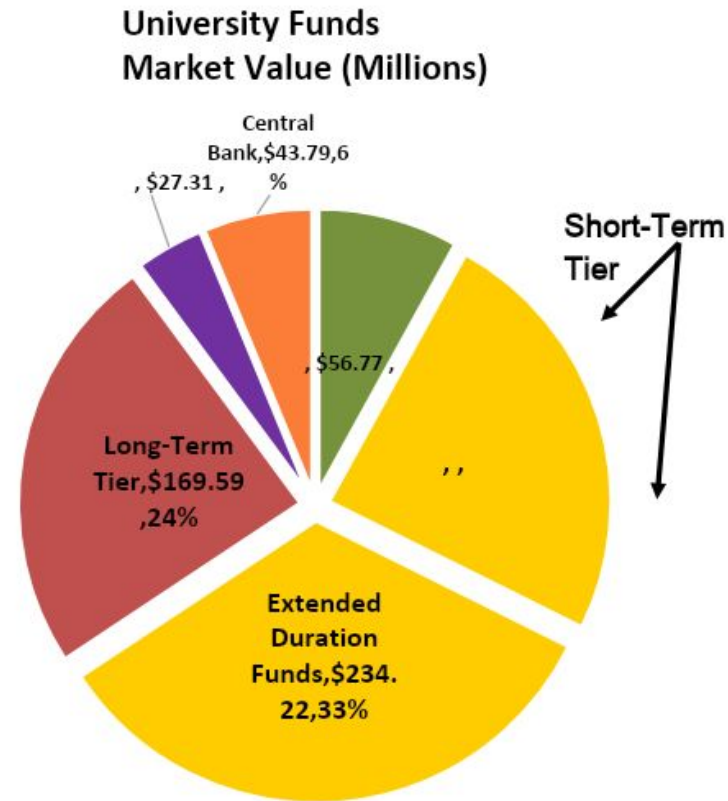
Finance, Budget and Investment Committee

Karol Kain Gray

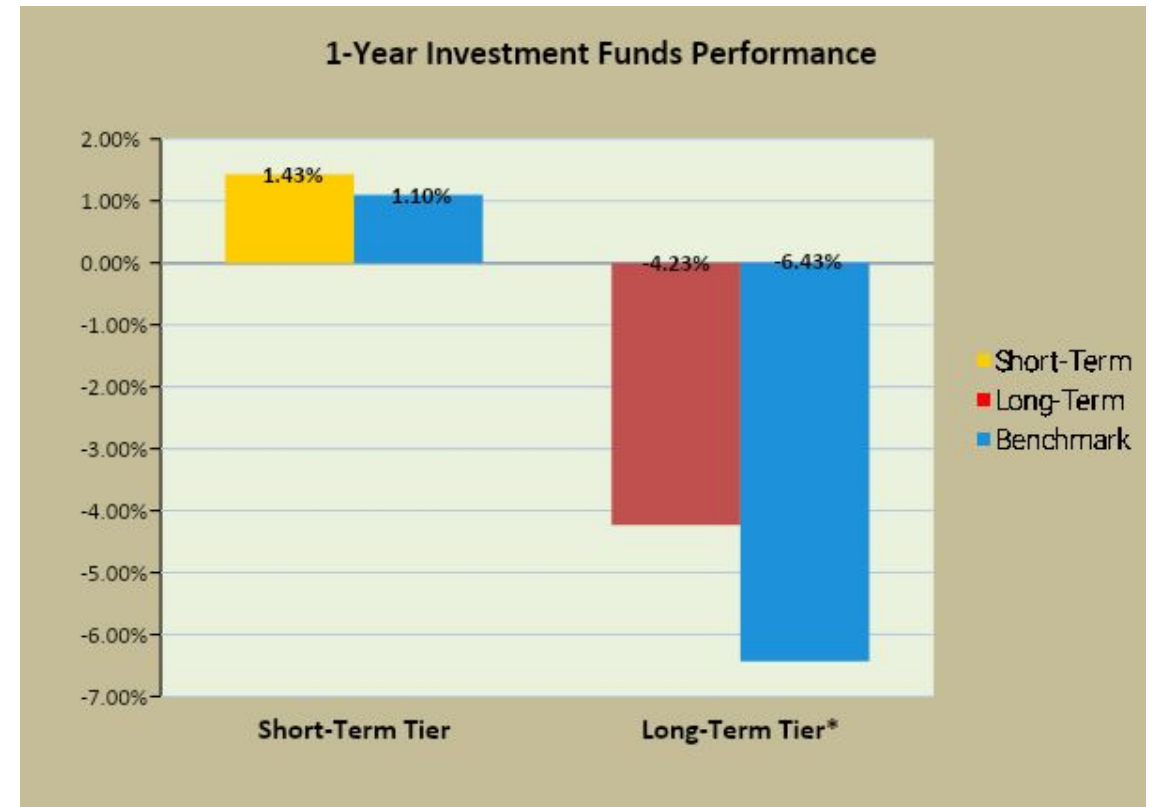
May 12, 2023



Total University Funds Overview for the Period Ending March 31, 2023



**Total University Funds
\$702.15M**



* Long-Term Tier benchmark applies only to VCIMCO; VCIMCO manages 99.6% of the LT MV at 3/31/2023.

Short-Term Tier Performance Summary As of March 31, 2023

Performance Summary (Net of Fees)

	Market Value (M)	Current Allocation	1 Month	QTD	FYTD	1 Year	Annualized		
							3 Years	5 Years	Since 7/2009
Primary Liquidity Funds / Payden & Rygel	\$170.5	42.1%	0.37%	1.30%	2.79%	2.73%	1.01%	1.47%	0.72%
<i>iMoneyNet MM All Taxable</i>			<i>0.36%</i>	<i>1.01%</i>	<i>2.26%</i>	<i>2.35%</i>	<i>0.81%</i>	<i>1.16%</i>	<i>0.50%</i>
Extended Duration Funds / Merganser	\$234.2	57.9%	0.64%	1.36%	1.39%	0.51%	0.06%	1.41%	1.35%
<i>BofA ML US Corp & Govt 1-3 Year Blended¹</i>			<i>1.42%</i>	<i>1.49%</i>	<i>0.86%</i>	<i>0.23%</i>	<i>-0.36%</i>	<i>1.26%</i>	<i>3.74%</i>
Total Operating Funds	\$404.7	100.0%	0.52%	1.38%	1.98%	1.43%	0.64%	1.66%	1.19%
<i>Short-Term Tier Composite²</i>			<i>0.96%</i>	<i>1.35%</i>	<i>1.46%</i>	<i>1.10%</i>	<i>0.25%</i>	<i>1.46%</i>	<i>1.35%</i>

¹ BofA ML US Corp & Gov 1-3 Year Blended Index = Citi 6-Month T-Bill 7/31/2009 to 2/28/2010; BofA ML US Corp & Govt 1-3 Year AAA-A 3/31/2010 to 4/30/2016;
BofA ML Treasury 1-5 Year 5/31/2016 to 3/31/2017, BofA ML US Corp & Govt 1-3 year 4/30/2017 to present

² Short-Term Tier Composite = Weighted Average of iMoneyNet MM All Taxable/BofA ML US Corp & Gov 1-3 Year Blended Index

Long-Term Tier Performance Summary Estimated as of March 31, 2023

Estimated March 31, 2023	Mkt Value (M)	% Allocation	Since Inception						
			4/30/2016	5 Years	3 Years	1 Year	CYTD	FYTD	3 Mos
VCIMCO Funds	\$169.0	100.0%	6.46%	6.22%	15.10%	-4.30%	3.48%	5.37%	3.48%
<i>Long-Term Policy Benchmark¹</i>			6.62%	5.27%	10.11%	-6.43%	6.00%	6.86%	6.00%
Equity	\$103.6	61.3%	8.45%	6.79%	16.67%	-8.41%	5.61%	5.36%	5.61%
<i>MSCI All Country World</i>			9.04%	6.92%	15.36%	-7.44%	7.31%	9.75%	7.31%
Credit and Absolute Return	\$43.4	25.7%	6.10%	7.36%	14.65%	4.08%	3.09%	8.36%	3.09%
<i>Barclays US Corporate High Yield</i>			4.08%	3.21%	5.91%	-3.34%	3.57%	7.19%	3.57%
Real Assets	\$10.9	6.4%	0.75%	2.35%	16.71%	3.48%	3.78%	10.51%	3.78%
<i>MSCI All Country World Real Estate</i>			1.91%	0.54%	4.53%	-19.81%	0.50%	-6.77%	0.50%
Treasuries	\$0.0	0.0%	-0.04%	0.37%	-2.95%				
<i>Barclays US Treasury</i>			1.73%	2.85%	-2.93%				
Cash and Equivalents	\$11.1	6.6%							
VCU Long-Term Tier	\$169.6		6.32%	6.17%	14.99%	-4.23%	3.46%	5.44%	3.46%

Total VCU Long-Term Tier includes residual investments held by JP Morgan.

JP Morgan valuation is based on manager reporting. Totals may not sum due to rounding. Past performance is not predictive of future results.

Returns for periods greater than one year are annualized. Performance is estimated based on best available data as of April 6, 2023.

Performance includes reporting by 38 of 51 underlying private investments, which, with cash, represent 73.6% of Ram Private Assets Fund's net asset value as of December 31, 2022.

¹ As of 7/1/2021, 70% MSCI All Country World, 30% Bloomberg US Aggregate; prior to 7/1/2021, 65% MSCI All Country World, 25% Bloomberg US Aggregate, 10% MSCI All Country World Real Estate

Monitoring Report as of May 5, 2023 (Preliminary)

Cash and Investments			
	Quarter Ended 3/31/2023	(in millions) As of 4/30/2023	As of 5/5/2023
Bank Funds			
Bank of America Checking	\$ 14.22	\$ 54.47	\$ 21.24
Restricted Cash Funds	29.76	20.61	26.05
Unspent Bond Proceeds	25.58	23.69	23.79
Less: Outstanding Checks - Bank of America ^A	(12.79)	(23.64)	(13.08)
Total Bank Funds	\$ 56.77	\$ 75.13	\$ 57.99
Short-Term Tier			
Primary Liquidity Fund (Payden & Rygel)	\$ 170.47	\$ 140.26	\$ 140.35
Extended Duration Fund (Merganser)	234.22	234.89	235.19
Total Short-Term Tier (VCIMCO)	\$ 404.69	\$ 375.15	\$ 375.54
Long-Term Tier ^B			
Ram Fund + PA Fund	\$ 118.39	\$ 120.49	\$ 120.49
Central Bank Capital Reserve (VCIMCO)	34.22	34.96	34.96
Central Bank Unrestricted (VCIMCO)	9.57	9.78	9.78
Total Long-Term Tier (VCIMCO)	\$ 162.18	\$ 165.23	\$ 165.23
Glasgow Endowment ^B			
Total Glasgow Endowment (VCIMCO)	\$ 51.20	\$ 52.06	\$ 52.06
Liver Institute ^{BC}	\$ 27.31	\$ 27.42	\$ 27.42
Total University Funds:	\$ 702.15	\$ 694.99	\$ 678.24
<i>Indicates restricted funds</i>			
	Quarter Ended 3/31/2023	As of 4/30/2023	As of 5/5/2023
Comparative Federal Interest Rate:			
1-year	4.64	4.80	4.73
10-year	3.48	3.44	3.44
^A At FYE, the Controller's Office also adjusts the University's cash position with additional current year cash accruals.			
^B Updated monthly.			
^C Brunckhorst Gift for Liver Foundation, received to date \$30MM of \$100MM; includes the distribution to the Institute of \$2.75MM on 9/19/2022.			

Monitoring Report as of May 5, 2023 (Preliminary- continued)

Debt			
	As of FY 2022	(in millions) Quarter Ended 3/31/2023	As of 5/5/2023
VCU Long-Term Debt:			
Outstanding Bonds	\$ 400.05	\$ 433.79	\$ 425.92
VCBA 9d	\$ 80.89	\$ 72.69	\$ 72.69
VCBA 9d balances covered by Financing Agreements	\$ 3.53	\$ 2.45	\$ 2.45
VCU 9c	\$ 47.72	\$ 47.72	\$ 45.54
VCU 9d	\$ 195.87	\$ 241.29	\$ 238.31
VCU 9d balances covered by Financing Agreements	\$ 72.05	\$ 69.64	\$ 66.93
Capital Leases and Installment Obligations	\$ 2.66	\$ 3.08	\$ 2.94
	\$ 402.71	\$ 436.87	\$ 428.86
Debt Ratio:			
Debt Ratio (preliminary)	3.11%		
Estimated Unaudited Debt Ratio		2.86%	2.86%
	As of FY 2022	(in millions) Quarter Ended 3/31/2023	As of 5/5/2023
VCU Commercial Paper (JP Morgan):			
Current Outstanding:			
ICA, Parking Sunoco, Tech Ops - Tax-Exempt	\$9.41	\$4.23	\$4.23
REF Broad & Belvidere Renovation - Taxable	\$4.27	\$4.27	\$4.27
Athletics Village (Bourne, ABC) - Taxable	\$8.85	\$0.00	\$0.00
Subtotal	\$22.53	\$8.50	\$8.50
Anticipated Future Draws (FY 2023)	-	-	\$0.00
Commercial Paper Program Authorization:	\$75.00	\$75.00	\$75.00
Projected Available Commercial Paper Balance:	\$52.47	\$66.50	\$66.50
Next Tax-Exempt Commercial Paper Put Date :			5/16/2023
Tax-Exempt Effective Interest Rate Rate ^D :			3.65%
Next Taxable Commercial Paper Put Date :			5/16/2023
Taxable Effective Interest Rate Rate ^D :			5.10%

^D Total cost of CP program also includes \$193K for ongoing standby liquidity facility, rating agency surveillance, and paying agent fees.

Finance and University Resources Committee
Dashboard Metrics *as of May 2023*

Area	Target/Gol	Actual	Notes
FINANCE			
<i>Supply Chain Diversity</i>			
1. Percentage of discretionary spend with minority-owned businesses	5.50%	7.02%	Through 3rd Qtr FY '23
2. Percentage of discretionary spend with woman-owned businesses	5.50%	4.00%	Through 3rd Qtr FY '23
<i>Bond Ratings</i>			
Moody's		Aa3	VCU is at the minimum rating required to achieve Tier III status
S&P		AA-	VCU is at the minimum rating required to achieve Tier III status
<i>Debt Ratio</i>			
	Debt Policy sets 4% limit (annual debt service / Operating Exp)	3%	As of June 2022 Approx. debt capacity of \$103M
<i>Investment Performance</i>		<i>Benchmark</i>	<i>One year as of December 31, 2022</i>
Short-term tier	-1.85%	-1.53%	
Long-term tier	-16.59%	-11.59%	
<i>Budget to Actual Performance</i>			<i>As of March 31, 2023</i>
Revenues	*Q1 - 36%, Q2 - 66%, Q3 - 84% , Q4 - 100%	Q3 - \$1,199M (78% of budget)	Revenue received is slightly behind projected Q3 budget mainly due to lower tuition revenues from enrollment loss.
Expenses	*Q1 - 28%, Q2 - 48%, Q3 - 77% , Q4 - 100% (*based on 10-year averages)	Q2 - \$1,160.1M (76% of budget)	Expense are slightly behind projected Q3 budget due to lower sponsored research spending which follows the lower sponsored revenues.
DEVELOPMENT & ALUMNI RELATIONS			
<i>Increase Annual Giving & Alumni Engagement</i>			
Progress to Campaign Goal	Preliminary campaign goal - \$1,000,000,000	\$615,505,126 (61.6% progress towards goal)	Current FY dollars raised: \$218,476,852 Same Time Last Year: \$210,571,616 Percentage Change: 3.8%

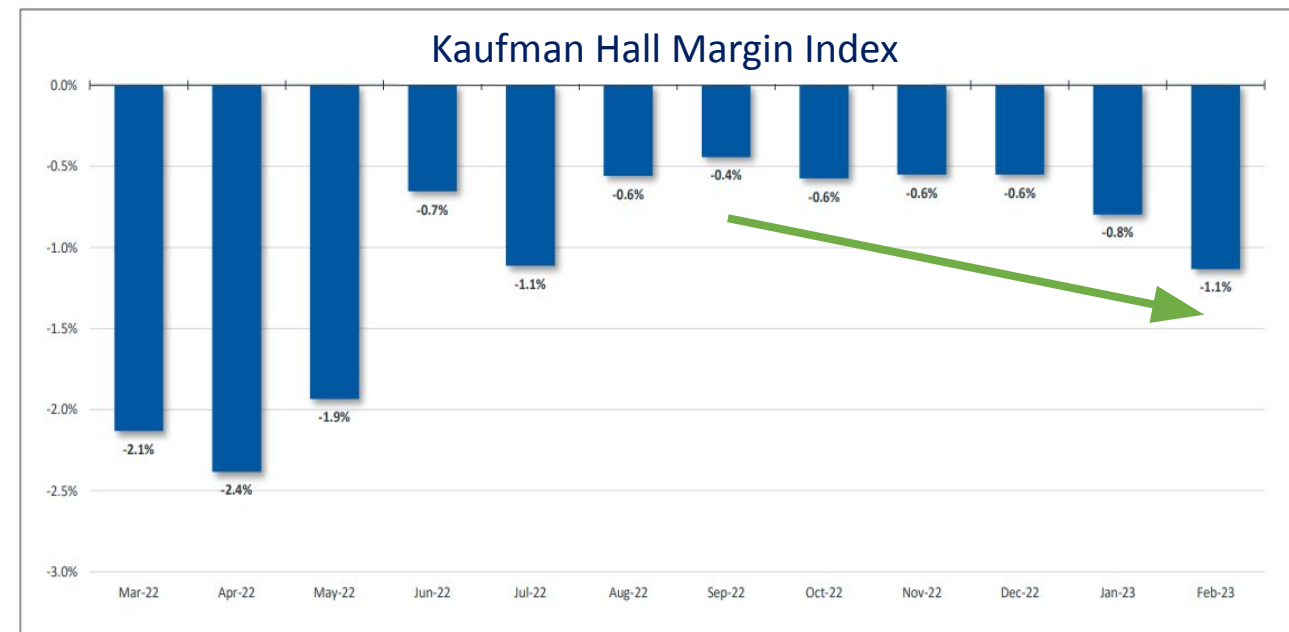
Annual Giving (Gifts < \$50,000)		\$12,488,892	Same Time Last Year: \$12,597,808 Percentage Change: -0.9%
Alumni Giving		\$10,761,548	Same Time Last Year: \$13,053,603 Percentage Change: -17.6%
Alumni Donors		5,350	Same Time Last Year: 5,407 Percentage Change: -1.1%
Alumni Engagement		19,755 (FY23Q1-Q3)	24,627 (FY22Q1-Q3) Percentage Change: -19.8%
GOVERNMENT RELATIONS PRIORITIES			
<i>Increase Undergraduate financial aid</i>			
<i>Increase funding for faculty salaries</i>			
<i>Address structural underfunding of \$60M</i>			
<i>Make permanent \$25M/year of Massey Cancer Center</i>			
<i>Secure authorization for School of Dentistry planning</i>			

FY 2023 Financial Report for the nine months ending March 31, 2023

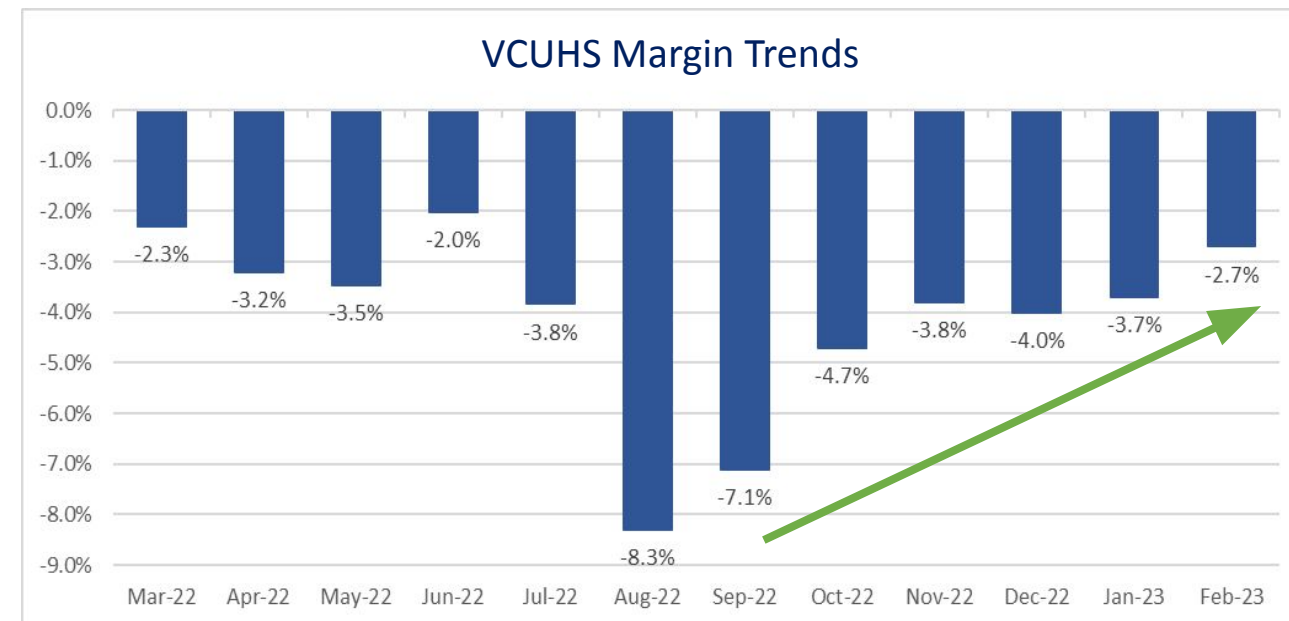
National Healthcare Optic

Moody's: 2022 NFP Healthcare Observations (April 11, 2023):

- **Operating results fell to five-year lows.** The median operating cash flow margin declined to 5.2% in 2022 from 9.3% in 2021. The end of federal CARES Act grants and heightened expense challenges both contributed to the deterioration of operating performance in 2022.
- **Expense growth reached historic highs while outpacing revenue growth.** The median operating expense growth rate increased to 9.6% in 2022 from 8.2% in 2021, while the median operating revenue growth rate dropped to 5.5% from 11.3%. Contract labor needs & inflation contributed to higher expenses, while volume softness hindered revenue growth.
- **Absolute and relative liquidity metrics reverted to pre-pandemic levels.** Median days cash on hand in 2022 declined to 210 from 271, nearly even with 2019, reflecting widespread investment declines, operating losses and repayments of temporary Medicare loans.
- **Leverage metrics moderated following operating losses.** Median debt service coverage sharply declined to 4.5x from 6.4x in 2021. Some hospitals fared worse, leading to tightened headroom for covenants and some covenant violations in 2022. Leverage metrics weakened as well, as debt to cash flow increased and cash to debt decreased.
- **Volume trends remained uneven.** Median inpatient admissions hit a five-year low in 2022. However, the median total admissions growth rate stabilized for the first time since before the pandemic. Median observation stays increased to a five-year high.



Kaufman Hall, National Hospital Flash Report (March 2023)

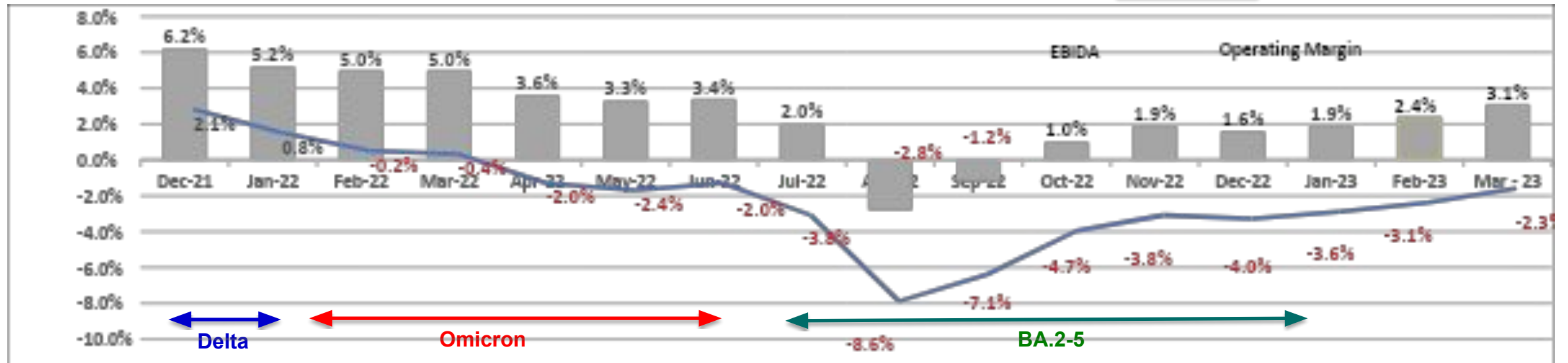


** Includes spreading of expenses throughout FY2022 year.

VCUHS – Consolidated Operating Margin & Liquidity

For the nine months ending March 31, 2023, as well as 16-month Trending Performance

	Actual FY20*	Actual FY21	Actual FY22	Budget FY23	Actual Mar YTD FY23	2021 S&P AA- Medians	Prelim 2022 Moody's Aa3 Medians
Total Operating Revenue (\$s in 000s)	\$ 3,813,592	\$ 2,553,422	\$ 2,870,972	\$ 3,113,328	\$ 2,233,463	N/A	N/A
Income for Operations(\$s in 000s)	\$ 88,090	\$ 46,774	\$ (53,321)	\$ 14,665	\$ (51,771)	N/A	N/A
Operating Margin %	2.3%	1.8%	-1.9%	1.0%	-2.3%	2.8%	1.5%
EBIDA %	5.6%	6.3%	3.5%	6.9%	3.1%	8.2%	5.9%
Debt to Capitalization	22.3%	18.6%	21.7%	17.5%	21.5%	25.0%	23.2%
Days Cash on Hand	221.1	338.7	234.0	198.5	233.0	291.9	262.4
Unrestricted Cash to Debt	327%	337%	221%	240%	236%	264%	273%
Maximum Annual Debt Service Coverage	4.20	4.90	2.34	4.10	3.1	6.10	6.30



Appendix

VCUHS – Days Cash on Hand

As of March 31, 2023

S&P	Moody's
AA-	Aa3
291.9	262.4

**Average Daily Expense increased by \$486K since June 30, 2022,
from \$7.495M to \$7.981M per day or 14 Days Cash on Hand**

VCUHS - Consolidated Income Statement (\$ in thousands)

For the nine months ending March 31, 2023

	Percent	FYTD 2023 Actual	FYTD 2023 Plan	FYTD 2022 Actual	Variance Percent
OPERATING REVENUE					
Net patient service revenue	-2.5%	\$ 2,191,580	\$ 2,248,368	\$ 2,038,425	7.5%
Contract and Other revenue	122.1%	41,883	18,858	50,580	-17.2%
Total Operating Revenues	-1.5%	\$ 2,233,463	\$ 2,267,226	\$ 2,089,005	6.9%
OPERATING EXPENSES					
Salaries, Wages and Benefits	-5.7%	\$ 1,263,864	\$ 1,195,508	\$ 1,127,680	-12.1%
Medical claims expense	7.7%	10,528	11,404	11,418	7.8%
Purchased services	-9.0%	238,943	219,212	209,608	-14.0%
Supplies	10.8%	256,443	287,545	238,558	-7.5%
Drugs	-2.9%	251,012	243,896	225,929	-11.1%
Other expenses	1.5%	142,524	144,698	170,391	16.4%
	-2.9%	\$ 2,163,314	\$ 2,102,263	\$ 1,983,584	-9.1%
OPERATING EBIDA	-57.5%	\$ 70,149	\$ 164,963	\$ 105,421	-33.5%
EBIDA (%)		3.1%	7.3%	5.0%	
Interest, Taxes, Depreciation and Amortization	7.5%	\$ 121,920	\$ 131,793	\$ 113,185	-7.7%
Total Operating Expenses	-2.3%	2,285,234	2,234,056	2,096,769	-9.0%
TOTAL OPERATING EXCESS/(LOSS)		\$ (51,771)	\$ 33,170	\$ (7,764)	
Operating Margin (%)		-2.3%	1.5%	-0.4%	
NONOPERATING REVENUE AND EXPENSES					
Investment income	-156.8%	\$ 66,238	\$ (116,606)	\$ (52,274)	-226.7%
Other non-operating income(expense)	-172.9%	(10,886)	14,943	17,645	161.7%
		\$ 55,352	\$ (101,663)	\$ (34,629)	
EXCESS OF REV. OVER EXP. BEFORE TRANSFERS		\$ 3,581	\$ (68,493)	\$ (42,393)	
Total Margin (%)		0.2%	-3.2%	-2.1%	

Revenue Highlights:

- Net patient service** is unfavorable to plan by over \$56.0M or 2.5%, although up 7.5% over prior year. Declines primarily due to shifts in high CMI service and payer mix as well as outpatient volumes against very aggressive targets. **Note:** in March, the medical center and ambulatory assets achieved record highs for discharges and ambulatory visits.
- Discharges** are favorable plan by 0.7% and favorable to prior year by 11%.
- Inpatient surgeries** are favorable to plan by 0.7% and vary from prior year by 3.4% favorably. **Outpatient surgeries** are off plan by 4.1% but favorable year over year by 1.4%. **Note:** Both IP & OP surgical growth has been challenged by critical staffing issues leading to unstaffed OR suites throughout the year.
- CMI** of 2.12 is favorable to budget but trailing prior year by 0.02, or 2.14.
- Ambulatory visits** are off plan by 4.7% but favorable to prior year by 7.9%. Month over month visit trends are improving against aggressive ramp up plans within the new AOP.
- ED visits** are up 7.9% and 4.7% to prior year and budget, respectively.

Expenses Highlights:

- Operating expenses**, both compared to plan and prior year are unfavorable to budget by 2.3% and 9.0% respectively. Performance continues to be challenged with high contract labor & broader market compensations adjustments and recruitment costs.
- Year over Year operating expense is driven also by strategic investments & associated operating costs (e. g. AOP, ASC, EPIC), specialty drugs and other inflationary factors.

VCUHS - Consolidated Balance Sheet

(\$ in thousands)

As of March 31, 2023

	Mar 31, 2023	June 30, 2022
ASSETS & DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 363,787	\$ 290,670
Patient accounts receivable, net	391,040	441,481
Other current assets	149,759	187,353
	<u>\$ 904,586</u>	<u>\$ 919,504</u>
ASSETS WHOSE USE IS LIMITED & LT INVESTMENTS	1,510,365	1,435,505
CAPITAL ASSETS	1,771,650	1,763,154
OTHER ASSETS	25,418	135,249
DEFERRED OUTFLOWS	25,093	26,575
	<u>\$ 4,237,112</u>	<u>\$ 4,279,987</u>
LIABILITIES, DEFERRED INFLOWS & NET POSITION		
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	\$ 156,440	\$ 23,199
Settlements due to Third Parties	112,171	112,095
Trade accounts payable	145,966	133,392
Accrued salaries, wages, and fringe benefits, leave	114,903	126,046
Other current liabilities	48,192	74,540
	<u>\$ 577,672</u>	<u>\$ 469,272</u>
OTHER LIABILITIES		
Long-term debt and capital leases, less current portion	\$ 630,724	\$ 784,353
Other liabilities	82,522	75,986
	<u>\$ 1,290,918</u>	<u>\$ 1,329,611</u>
DEFERRED INFLOWS	\$ 52,144	\$ 53,305
NET POSITION	\$ 2,894,050	\$ 2,897,071
	<u>\$ 4,237,112</u>	<u>\$ 4,279,987</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION		
	<u>\$ 4,237,112</u>	<u>\$ 4,279,987</u>

Key Changes:

- Capital spend YTD \$103.1M offset by \$94.6M FYTD depreciation.
- Decrease in Other Assets due to sale of 20% share in Virginia Premier in Sep 2022.
- Transfer from non-current to current long-term debt in accordance with debt terms until renegotiated. \$100M WF note + \$35M 2014 bullet. Total debt levels unchanged.
- Other current liabilities - Medicare accelerated loan paid in full.