



# VCU

VCU Foundation

# Virginia Commonwealth University Foundation

## Financial Statements

June 30, 2021

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*Kevin Nicholson, President*

*Julie Weissend, Vice President*

*Laura Kottkamp, Secretary*

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# ***Virginia Commonwealth University Foundation***

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## ***Independent Auditor's Report***

Board of Trustees  
Virginia Commonwealth University Foundation  
Richmond, Virginia

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Virginia Commonwealth University Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2021, the related statement of activities and changes in net assets, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Statements***

We have previously audited the Foundation's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mitchell Wiggins*

Petersburg, Virginia  
September 24, 2021

# ***Virginia Commonwealth University Foundation***

## ***Statement of Financial Position***

***June 30, 2021, with Comparative Totals as of June 30, 2020***

<b>Assets</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>	
			<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 523,762	\$ 17,404,695	\$ 17,928,457	\$ 20,733,532
Contributions receivable, less allowance for uncollectible receivables 2021 \$460,368; 2020 \$543,908	-	5,770,684	5,770,684	7,431,184
Investments	3,486,924	115,205,242	118,692,166	87,573,385
Interfund obligations	9,253	(9,253)	-	-
Due from Virginia Commonwealth University	-	-	-	9,445
Due from Virginia Commonwealth University affiliated foundations	2,301	895	3,196	363,595
Beneficial interest in charitable remainder trusts	-	1,567,769	1,567,769	1,071,149
Other assets	5,864	18,438	24,302	28,063
<b>Total assets</b>	<b>\$ 4,028,104</b>	<b>\$ 139,958,470</b>	<b>\$ 143,986,574</b>	<b>\$ 117,210,353</b>

(continued)

# Virginia Commonwealth University Foundation

## Statement of Financial Position (continued)

June 30, 2021, with Comparative Totals as of June 30, 2020

Liabilities and Net Assets	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>Liabilities</b>				
Accounts payable	\$ 8,500	\$ 68,646	\$ 77,146	\$ 6,828
Due to Virginia Commonwealth University	-	859,450	859,450	807,403
Due to Virginia Commonwealth University affiliated foundations	-	16,063	16,063	21,387
Deposits held for Virginia Commonwealth University	-	33,040,545	33,040,545	25,613,222
Deposits held for VCU Real Estate Foundation	-	11,015,151	11,015,151	8,174,774
Deposits held for VCU Intellectual Property Foundation	-	1,580,727	1,580,727	1,173,119
Deposits held for VCU Alumni Association	-	-	-	812,586
Annuity payment liability	-	275,174	275,174	255,178
<b>Total liabilities</b>	<b>8,500</b>	<b>46,855,756</b>	<b>46,864,256</b>	<b>36,864,497</b>
<b>Net Assets</b>				
Without donor restrictions				
Undesignated	532,680	-	532,680	503,836
Designated by the board for quasi-endowment	3,486,924	-	3,486,924	2,587,783
	<b>4,019,604</b>	<b>-</b>	<b>4,019,604</b>	<b>3,091,619</b>
With donor restrictions				
Purpose restrictions	-	52,606,165	52,606,165	40,496,668
Perpetual in nature	-	40,496,549	40,496,549	36,760,234
Underwater endowments	-	-	-	(2,665)
	<b>-</b>	<b>93,102,714</b>	<b>93,102,714</b>	<b>77,254,237</b>
<b>Total net assets</b>	<b>4,019,604</b>	<b>93,102,714</b>	<b>97,122,318</b>	<b>80,345,856</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,028,104</b>	<b>\$ 139,958,470</b>	<b>\$ 143,986,574</b>	<b>\$ 117,210,353</b>

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

**Virginia Commonwealth University Foundation**

**Statement of Activities and Changes in Net Assets**

**Year Ended June 30, 2021, with Comparative Totals for the Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>Operating Revenues</b>				
Contributions	\$ -	\$ 10,087,245	\$ 10,087,245	\$ 8,886,414
Administrative fees	269,735	-	269,735	290,256
Other revenue	26,905	-	26,905	648
Interest income	23,443	9,255	32,698	380,234
Net assets released from restrictions	13,421,069	(13,421,069)	-	-
<b>Total operating revenue</b>	<b>13,741,152</b>	<b>(3,324,569)</b>	<b>10,416,583</b>	<b>9,557,552</b>
<b>Operating Expenses</b>				
Program	13,413,873	292,851	13,706,724	11,583,425
Management & General	263,286	-	263,286	340,293
Fundraising	57,380	-	57,380	71,622
<b>Total operating expenses</b>	<b>13,734,539</b>	<b>292,851</b>	<b>14,027,390</b>	<b>11,995,340</b>
<b>Changes in net assets from operations</b>	<b>6,613</b>	<b>(3,617,420)</b>	<b>(3,610,807)</b>	<b>(2,437,788)</b>
<b>Other Changes in Net Assets</b>				
Net investment return	921,372	17,890,922	18,812,294	1,372,716
Change in value of annuity agreements	-	(60,728)	(60,728)	50,022
Change in value of beneficial interest in life insurance policy	-	1,522	1,522	1,450
Change in value of charitable remainder trusts	-	161,346	161,346	189,752
<b>Changes in net assets before transfers</b>	<b>927,985</b>	<b>14,375,642</b>	<b>15,303,627</b>	<b>(823,848)</b>
Transfers (to) from Virginia Commonwealth University affiliated foundations	-	1,472,835	1,472,835	(5,724)
<b>Changes in net assets</b>	<b>927,985</b>	<b>15,848,477</b>	<b>16,776,462</b>	<b>(829,572)</b>
Net assets, beginning	3,091,619	77,254,237	80,345,856	81,175,428
Net assets, ending	\$ 4,019,604	\$ 93,102,714	\$ 97,122,318	\$ 80,345,856

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



***Virginia Commonwealth University Foundation***

***Statement of Functional Expenses***

***June 30, 2021, with Comparative Totals as of June 30, 2020***

				<b>Totals</b>	
	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2021</b>	<b>2020</b>
Distributions to and in support of Virginia Commonwealth University	\$ 13,388,214	\$ -	\$ -	\$ 13,388,214	\$ 11,387,422
Uncollectible contributions receivable	292,851	-	-	292,851	163,597
Personnel	25,659	205,827	57,380	288,866	344,426
Professional fees	-	25,048	-	25,048	45,782
Other expenses	-	32,411	-	32,411	54,113
	<b>\$ 13,706,724</b>	<b>\$ 263,286</b>	<b>\$ 57,380</b>	<b>\$ 14,027,390</b>	<b>\$ 11,995,340</b>

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

# Virginia Commonwealth University Foundation

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Contributions, net of amounts restricted for endowment	\$ 6,456,259	\$ 5,640,868
Collection of contributions receivable, net of amounts restricted for endowment	2,116,452	2,804,495
Proceeds from sale of donated securities, net of amounts restricted for endowment	532,868	671,068
Administrative fees received	712,573	750,000
Interest received on cash deposits	32,698	380,234
Income received on investments	43,867	75,344
Other income received	24,602	4,518
Payments made to and in support of VCU	(13,283,472)	(11,335,526)
Payments made for investment fees and taxes	(606,122)	(600,345)
Return of donor contribution	-	(397,159)
Payments for personnel expenses	(288,866)	(344,426)
Payments for professional fees	(31,217)	(45,036)
Payments for other expenses	(29,070)	(58,979)
Payments to beneficiaries of annuity agreements	(40,732)	(42,559)
Net payments (made to) received from Affiliates	357,376	(196,876)
Transfers from VCU affiliated foundations	273,872	-
<b>Net cash (used in) operating activities</b>	<b>(3,728,912)</b>	<b>(2,694,379)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	3,489,067	1,236,545
Purchase of investment securities	(4,885,468)	(1,067,249)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,396,401)</b>	<b>169,296</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted to endowment	1,408,097	766,188
Collection of contributions receivable restricted to endowment	405,647	651,931
Proceeds from sale of donated securities restricted to endowment	235,478	290,709
Transfers from (to) VCU affiliated foundations	271,016	(5,724)
<b>Net cash provided by financing activities</b>	<b>2,320,238</b>	<b>1,703,104</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,805,075)</b>	<b>(821,979)</b>
Cash and cash equivalents, beginning	20,733,532	21,555,511
Cash and cash equivalents, ending	\$ 17,928,457	\$ 20,733,532

(continued)

**Virginia Commonwealth University Foundation**

**Statements of Cash Flows (continued)**

**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Reconciliation of Change in Net Assets to Cash Provided by (Used In) Operating Activities</b>		
Changes in net assets	\$ 16,776,462	\$ (829,572)
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>		
Net realized gains on investments	10,405	(4,211)
Net unrealized gains on investments	(18,942,116)	(1,433,762)
Adjustment to beneficial interest in CRT	(161,346)	(189,752)
Adjustment to beneficial interest in life insurance policy	(1,522)	(1,450)
Transfers (from) to Virginia Commonwealth University affiliated foundations	(1,198,963)	5,724
Permanently restricted contributions and other support	(2,500,601)	(1,122,963)
<b>Changes in operating assets</b>		
Contributions receivable	1,781,890	1,500,788
Due from VCU affiliated foundations	360,399	(199,705)
Due from VCU	9,445	(9,445)
Other assets	-	14,797
<b>Changes in operating liabilities</b>		
Accounts payable	70,318	(433,931)
Due to VCU	52,047	98,856
Due to VCU affiliated foundations	(5,326)	2,829
Annuity payment liability	19,996	(92,582)
<b>Net cash (used in) operating activities</b>	<b>(3,728,912)</b>	<b>(2,694,379)</b>

(continued)

***Virginia Commonwealth University Foundation***

***Statements of Cash Flows (continued)***  
***Years Ended June 30, 2021 and 2020***

	2021	2020
<b>Supplemental Schedule of Noncash Operating Activities</b>		
Gifts of noncash investments in satisfaction of prior year contributions receivable balances	<u>\$ 341,749</u>	<u>\$ 674,652</u>
Increase (decrease) in deposits liability for Virginia Commonwealth University offset by increase (decrease) in investment assets	<u>\$ 7,427,323</u>	<u>\$ (605,492)</u>
Increase in deposits liability for VCU Real Estate Foundation offset by increase in investment assets	<u>\$ 2,840,377</u>	<u>\$ 148,893</u>
Increase in deposits liability for VCU Intellectual Property Foundation offset by increase in investment assets	<u>\$ 407,608</u>	<u>\$ 21,367</u>
Decrease in deposits liability for VCU Alumni Association offset by decrease in investment assets	<u>\$ (812,586)</u>	<u>\$ (13,338)</u>

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

# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 1. Nature of Organization and Significant Accounting Policies***

#### ***Nature of organization***

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

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

#### ***Basis of accounting***

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

#### ***Comparative financial statements***

These financial statements include summarized comparative prior-year information in the statement of financial position and the statement of activities, functional expenses and changes in net assets. The prior year balances are not presented by net asset class and do not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020.

#### ***Cash and cash equivalents***

For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. Cash and cash equivalents held by investment managers are reported with investments. At times, the Foundation may have cash in excess of insured limits. The Foundation's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2021, the Foundation had cash balances and cash investments that exceeded insurance limits.

#### ***Contributions receivable***

Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates

# **Virginia Commonwealth University Foundation**

## **Notes to Financial Statements**

**June 30, 2021**

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

applicable to the years in which the promises are made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included in support or expenses until the conditions are substantially met. The Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

#### **Investments**

Alternative investments include investments in limited partnerships (hedge funds, private equity, and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost, or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2021. However, alternative investments are not marketable and some of the alternative investments have underlying investments that do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed for these alternative investments. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements as unrealized gain (loss) on investments.

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

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

#### **Recently issued accounting standards**

The Foundation has adopted Accounting Standards Update No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement* (Topic 820), for the year ended June 30, 2021. The new standard eliminated, amended and added disclosure requirements for fair value.

# **Virginia Commonwealth University Foundation**

## **Notes to Financial Statements**

**June 30, 2021**

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

#### **Revenue recognition**

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

#### **Net assets**

Net assets, revenues, gains, and losses are classified based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. As of June 30, 2021, the governing board has designated a portion of assets without donor restrictions as a board-designated quasi-endowment.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions at June 30, 2021 consist of contributions with restrictions that support student, faculty, and programmatic initiatives within the University.

#### **Functional allocation of expenses**

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Use of estimates**

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

# **Virginia Commonwealth University Foundation**

## **Notes to Financial Statements**

**June 30, 2021**

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

#### **Measure of operations**

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

#### **Income taxes**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation had no unrelated business income during the year ended June 30, 2021.

The Foundation includes penalties and interest assessed by income taxing authorities in operating expenses, if applicable.

The Foundation has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2021.

In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(iv) and has been classified as an organization other than a private foundation under IRC Section 509(a)(1).

### **Note 2. Contributions Receivable**

Contributions receivable as of June 30, 2021, are expected to be received as follows:

Receivable in less than one year	\$2,501,539
Receivable in one year or more	<u>3,871,922</u>
	6,373,461
Less discount	(142,409)
Less allowance for uncollectible receivables	<u>(460,368)</u>
	<u>\$5,770,684</u>

Discount rates ranging from 0.054% to 2.45% were used in determining the present value of the contributions receivable.

### **Note 3. Investments**

The Foundation's pooled investments consist of both endowed funds (see Note 8) and unrestricted funds, as well as funds held on behalf of the University (see Note 7) and its affiliates. Assets of various funds are pooled for investment purposes. Equity of individual



# **Virginia Commonwealth University Foundation**

## **Notes to Financial Statements**

**June 30, 2021**

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### **Note 3. Investments (Continued)**

funds in the pooled investments is maintained using the “market value method.” Under the market value method, units of participation are assigned when dollars enter the pool based upon the most recently determined market value of units. The market value of units of participation is calculated monthly.

Pooled assets at June 30, 2021 are summarized below:

	Cost	Fair Value	Net Unrealized Gains
Cash and cash equivalents	\$ 3,950,589	\$ 3,950,589	\$ -
Alternative investments	68,556,581	114,741,577	46,184,996
	<u>\$ 72,507,170</u>	<u>\$ 118,692,166</u>	<u>\$ 46,184,996</u>

The number of units of participation in the pooled investments at June 30, 2021 was 1,018,307.3045, with a \$116.558298 value per unit.

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

### **VCU Investment Management Company**

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

### **Note 4. Fair Value Measurements**

Accounting standards establish a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

# Virginia Commonwealth University Foundation

## Notes to Financial Statements

June 30, 2021

### Note 4. Fair Value Measurements (Continued)

active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

The classification of assets by level within the valuation hierarchy as of June 30, 2021 is as follows:

	Fair Value Measurements at Reporting Date Using				
	June 30, 2021	Level 1	Level 2	Level 3	Measured at NAV
Assets					
Cash and cash equivalents	\$ 3,950,589	\$3,950,589	\$ -	\$ -	\$ -
Alternative investments					
Relative value	114,441	-	-	-	114,441
Diversified strategies	191	-	-	-	191
Real estate	742,018	-	-	742,018	-
The Ram Private Assets Fund, LP	14,842,860	-	-	-	14,842,860
The Ram Fund, LP	99,042,067	-	-	-	99,042,067
Total investments	\$118,692,166	\$3,950,589	\$ -	\$ 742,018	\$113,999,559
Beneficial interest in charitable remainder unitrusts	\$ 1,567,769	\$ -	\$ -	\$1,567,769	\$ -

The Foundation's interest in the real estate funds is considered a level 3 valuation in the fair value hierarchy. The investment is valued using the Foundation's pro rata share of member's equity in the partnerships and is then adjusted for fair value using an unrealized incentive allocation. The unrealized incentive allocation is a projection based on the estimated fair value of the assets and liabilities of the partnership, and any preferred returns payable to the members.

# Virginia Commonwealth University Foundation

## Notes to Financial Statements

June 30, 2021

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### Note 4. Fair Value Measurements (Continued)

During the year ended June 30, 2021, the Foundation received two distributions from the real estate funds totaling \$21,177 that were considered a return of capital.

The Foundation's beneficial interest in charitable remainder unitrusts is considered a level 3 valuation in fair value hierarchy. The beneficial interest is valued using the fair value of the trust assets, actuarial assumptions about the donors' life expectancy, and a discount rate.

During the year ended June 30, 2021, the Foundation was named a 1/3 remainder beneficiary of a new charitable remainder unitrust with an initial contribution of trust assets valued at \$335,274. See Note 6 for additional details.

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments, unless noted. Management is not aware of any factors that would impact net asset value as of June 30, 2021.

The following table sets forth a summary of the Foundation's assets valued at net asset value per share, or its equivalent, as of June 30, 2021:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Relative value	\$ 114,441	\$ -	Quarterly	65 days
Diversified strategies	191	-	Quarterly	70 days
The Ram Private Assets Fund, LP	14,842,860	-	N/A	N/A
The Ram Fund, LP	99,042,067	-	Quarterly	120 days
	<u>\$ 113,999,559</u>	<u>\$ -</u>		

### Relative value funds

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

# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 4. Fair Value Measurements (Continued)***

#### ***Diversified strategies***

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

#### ***The Ram Fund, LP***

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

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

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

#### ***The Ram Private Assets Fund, LP***

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

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

# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 4. Fair Value Measurements (Continued)***

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

#### ***Real estate funds***

The Foundation is a limited partner in three real estate investment partnerships. Pursuant to its limited partnership agreements as of June 30, 2021, the Foundation had unfunded commitments of approximately \$181,036.

#### ***Other financial instruments***

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

### ***Note 5. Charitable Remainder Annuity Agreements***

The Foundation has entered into various agreements providing for gift contributions for the benefit of certain funds in exchange for a life gift annuity agreement from the Foundation to the grantors. The Foundation is obligated to pay the grantors various quarterly installments for the remainder of their lives. There are a total of two agreements with two donors at year-end. The present value of these annuities at June 30, 2021 is \$275,174 and is included on the statement of financial position as annuity payment liability.

### ***Note 6. Charitable Remainder Unitrust Agreements***

The Foundation is a remainder beneficiary of two charitable remainder unitrust agreements.

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

# **Virginia Commonwealth University Foundation**

## **Notes to Financial Statements**

**June 30, 2021**

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### **Note 6. Charitable Remainder Unitrust Agreements (Continued)**

During the year ended June 30, 2021, the Foundation was named as a 1/3 remainder beneficiary of a new charitable remainder unitrust agreement. The fair value of the Foundation's interest in the initial contribution of the trust assets is \$335,274 and is recognized as contribution revenue in the statement of activities and changes in net assets.

The fair value of the Foundation's interest in the two trust agreements is \$1,567,769 at June 30, 2021. The discount rate used in calculating the value was 1.20% for 2021. The net appreciation in the value of the trust agreements was \$161,346.

### **Note 7. Deposits Held for Virginia Commonwealth University**

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

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

University deposits, beginning of year	\$ 25,613,222
Add	
Contributions, net	3,774
Investment income	19,981
Unrealized gain on investments	8,785,518
Net realized gain on investment transactions	365
Less	
Advisory and administrative fees	(286,216)
Disbursements to the University	(1,096,099)
University deposits, end of year	<u>\$ 33,040,545</u>

### **Note 8. Endowment**

The Foundation's endowment consists of approximately 450 individual funds established for purposes that support the University. The endowment is comprised of donor-restricted endowment funds and board-designated endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of relevant state law**

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted

# Virginia Commonwealth University Foundation

## Notes to Financial Statements

June 30, 2021

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### Note 8. Endowment (Continued)

endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor-restricted endowment funds – original donor-restricted gift amount net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of a donor-restricted endowment fund not classified as original donor-restricted amounts is classified as accumulated investment gains net assets until appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,486,924	\$ -	\$ 3,486,924
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	40,496,549	40,496,549
Accumulated investment gains	-	26,470,557	26,470,557
Total endowment net assets	\$ 3,486,924	\$ 66,967,106	\$ 70,454,030

# Virginia Commonwealth University Foundation

## Notes to Financial Statements

June 30, 2021

### Note 8. Endowment (Continued)

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,587,783	\$ 48,255,323	\$ 50,843,106
Reclassification of net assets			
Reclassification of amounts due to correction of donor intent for prior year	-	(1,440)	(1,440)
Reclassification of amounts converted by donors to endowment fund	-	67,041	67,041
Total reclassification of net assets	-	65,601	65,601
Net investment return	899,141	16,677,660	17,576,801
Contributions and other income	-	2,500,601	2,500,601
Appropriation of endowment assets for expenditure	-	(1,691,433)	(1,691,433)
Other changes			
Change in value of annuity agreements	-	(993)	(993)
Change in value of beneficial interest in life insurance policy	-	1,522	1,522
Change in value of charitable remainder trust	-	(9,991)	(9,991)
Donor release of corpus for expenditure	-	(30,147)	(30,147)
Transfers from VCU affiliated foundations	-	1,198,963	1,198,963
	899,141	18,711,783	19,610,924
Endowment net assets, end of year	\$ 3,486,924	\$ 66,967,106	\$ 70,454,030

### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2021, there were no funds with deficiencies.



# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 8. Endowment (Continued)***

#### ***Return objectives and risk parameters***

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

#### ***Strategies employed for achieving objectives***

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

#### ***Spending policy***

For the year ended June 30, 2021, the Foundation has a policy of appropriating for distribution each year up to 4.5% of the twelve-quarter average market value of endowment fund units as of December 31 of the preceding calendar year. Distributions from underwater funds are prohibited. Distributions from such funds are reactivated when the account grows sufficiently to allow for a distribution while maintaining the donor's original corpus.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

**Virginia Commonwealth University Foundation**  
**Notes to Financial Statements**  
**June 30, 2021**

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**Note 9. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

Scholarships and other University departmental uses	\$ 14,507,635
Building projects	4,769,398
Promises to give, net - the proceeds from which have been restricted by donors for	
Scholarships and other University departmental uses	1,606,321
Building projects	3,679,427
Beneficial interests in charitable remainder trust	1,242,486
Assets held under split-interest (annuity) agreements, net of liability	330,341
	<u>26,135,608</u>

Endowments:

Accumulated investment gains subject to appropriation and expenditure when a specified event occurs:

Restricted by donors for

Scholarships and Departmental Use	<u>26,470,557</u>
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Corpus subject to endowment spending policy and appropriation:

Scholarships and other University departmental uses	39,641,614
Unconditional promises to give, net - restricted in perpetuity for endowment	484,936
	<u>40,126,550</u>

Not subject to spending policy or appropriation:

Cash surrender value of life insurance included in other assets	1,522
Assets held under split-interest (annuity) agreements, net of liability	43,194
Beneficial interests in charitable remainder trust	325,283
	<u>369,999</u>

Total Endowments 66,967,106

\$ 93,102,714

# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 10. Transfers between University Affiliated Foundations***

Transfers were made to and received from the following University affiliated foundations for the year ended June 30, 2021:

MCV Foundation	\$ (23,985)
VCU Alumni Association	<u>1,496,820</u>
	<u>\$1,472,835</u>

During the year ended June 30, 2021, the VCU Alumni Association (VCUAA), upon its dissolution as a separate legal entity, transferred a substantial amount of its assets to the VCU Foundation.

The assets transferred consisted of the following:

Restricted for endowment:

Investments restricted for scholarship and University departmental use	\$ 927,948
Cash restricted for scholarship and University departmental use	<u>295,000</u>
	<u>1,222,948</u>

Restricted for current expenditure:

Scholarships and University Departmental use	143,754
VCU Alumni Chapter funds	<u>130,118</u>
	<u>273,872</u>
	<u>\$1,496,820</u>

### ***Note 11. Economic Dependency***

For the year ended June 30, 2021, approximately 34% of total gross contributions receivable represents promises to give from one donor.

For the year ended June 30, 2021, approximately 13% of total contribution revenue for the year came from one donor.

# ***Virginia Commonwealth University Foundation***

## ***Notes to Financial Statements***

***June 30, 2021***

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### ***Note 12. Allocation of Functional Expenses***

The statement of functional expenses includes personnel expenses that are attributed to both program services and supporting functions. Therefore, these expenses are allocated based on an estimate of time and effort.

### ***Note 13. Liquidity and Availability of Financial Assets***

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consists of cash and cash equivalents of \$523,762, and amounts due from Virginia Commonwealth University affiliated foundations of \$2,301, that total \$526,063 as of June 30, 2021. Donor-restricted funds are not available for general expenditure.

The Foundation has an operating reserve with a balance of \$386,369 as of June 30, 2021. The operating reserve is invested in a low risk money market fund. The balance is included in the cash and cash equivalents line on the statement of financial position.

In addition, the Foundation has a board-designated quasi-endowment without donor restrictions with a balance of \$3,486,924 as of June 30, 2021. This fund is subject to the annual spending policy as described in Note 8. Although the Foundation does not intend to spend from this board-designated quasi-endowment (other than the amounts appropriated for expenditure as part of the annual budget approval), the board could make these amounts available if necessary.

### ***Note 14. Other Matters***

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. COVID-19 and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. If the financial markets and/or the overall economy are impacted for an extended period, the Foundation's investments results may be adversely affected. The Foundation is adequately reserved and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

### ***Note 15. Subsequent Events***

Management has evaluated events through September 24, 2021, the date which the financial statements were available for issue.