



**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

FINANCIAL STATEMENTS

June 30, 2023

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Virginia Commonwealth University College of Engineering Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Commonwealth University College of Engineering Foundation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Commonwealth University College of Engineering Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Commonwealth University College of Engineering Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Virginia Commonwealth University College of Engineering Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Virginia Commonwealth University College of Engineering Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Report on Summarized Comparative Statements

We have previously audited the Foundation's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.


CERTIFIED PUBLIC ACCOUNTANTS

Colonial Heights, Virginia
October 19, 2023

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
June 30, 2023, with Comparative Totals as of June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
ASSETS				
Cash and cash equivalents	\$ 942,134	\$ 98,754	\$ 1,040,888	\$ 1,853,256
Contributions receivable, less allowance for uncollectible receivables 2023 \$758,882; 2022 \$26,107	1,472	866,192	867,664	2,584,611
Investments	42,080,544	33,462,691	75,543,235	75,925,555
Interfund obligations	(413,679)	413,679	-	-
Prepaid expenses and other assets	38,750	-	38,750	10,824
Real estate, net of accumulated depreciation 2023 \$43,939,022; 2022 \$41,615,944	25,588,421	-	25,588,421	27,911,499
Fixed assets, net of accumulated depreciation 2023 \$39,406; 2022 \$37,338	4,036	-	4,036	6,104
Land	1,507,317	-	1,507,317	1,507,317
Land held for University purposes	2,800,000	-	2,800,000	2,800,000
Total assets	\$ 72,548,995	\$ 34,841,316	\$ 107,390,311	\$ 112,599,166

(Continued)

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
June 30, 2023, with Comparative Totals as of June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and other liabilities	\$ 169,978	\$ 123,886	\$ 293,864	\$ 803,702
Accrued interest payable	189,778	-	189,778	198,278
Note payable, line of credit	1,000,000	-	1,000,000	-
Note payable	4,649,901	-	4,649,901	5,100,016
Due to Virginia Commonwealth University (“VCU”), net of unamortized debt issuance costs	26,989,990	-	26,989,990	28,133,902
Deposits held for VCU	7,352,576	-	7,352,576	7,054,055
Accrued contributions to VCU	25,600,829	-	25,600,829	28,670,665
Total liabilities	65,953,052	123,886	66,076,938	69,960,618
NET ASSETS	6,595,943	34,717,430	41,313,373	42,638,548
Total liabilities and net assets	\$ 72,548,995	\$ 34,841,316	\$ 107,390,311	\$ 112,599,166

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2023, with Comparative Totals for the Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
OPERATING REVENUE				
Contributions	\$ 80,173	\$ 1,190,735	\$ 1,270,908	\$ 5,764,088
Rental income	4,002,369		4,002,369	3,981,371
Endowment management fee	54,610	-	54,610	50,206
Miscellaneous	54	-	54	86
Net assets released from restrictions	4,378,526	(4,378,526)	-	-
Total operating revenue	8,515,732	(3,187,791)	5,327,941	9,795,751
OPERATING EXPENSES				
College of Engineering Programs	4,340,382	-	4,340,382	3,971,902
Educational Facilities	7,625,280	-	7,625,280	7,826,009
Management & General	497,063	-	497,063	480,179
Fundraising	179,805	-	179,805	478,113
Total operating expenses	12,642,530	-	12,642,530	12,756,203
Operating changes in net assets	(4,126,798)	(3,187,791)	(7,314,589)	(2,960,452)
OTHER CHANGES IN NET ASSETS				
Net investment return (loss)	2,966,022	3,023,392	5,989,414	(10,586,476)
Changes in net assets	(1,160,776)	(164,399)	(1,325,175)	(13,546,928)
Net assets, beginning	7,756,719	34,881,829	42,638,548	56,185,476
Net assets, ending	\$ 6,595,943	\$ 34,717,430	\$ 41,313,373	\$ 42,638,548

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023, with Comparative Totals for the Year Ended June 30, 2022**

	Program Services			Supporting Services			2023	2022
	College of Engineering Programs	Educational Facilities	Total Program Services	Management & General	Fundraising	Total Supporting Services		
EXPENSES								
Distributions to and in support of VCU	\$ 3,585,368	\$ 3,434,250	\$ 7,019,618	\$ -	\$ -	\$ -	\$ 7,019,618	\$ 7,522,739
Depreciation and amortization	-	2,325,147	2,325,147	-	-	-	2,325,147	2,325,585
Interest expense	-	1,021,701	1,021,701	123,085	-	123,085	1,144,786	1,199,255
Contribution to VCU	-	834,133	834,133	-	-	-	834,133	918,507
Reimbursement to VCU for personnel expenses	22,028	-	22,028	316,429	42,801	359,230	381,258	430,681
Other Expenses	-	-	-	17,177	137,004	154,181	154,181	321,345
Legal & Professional fees	-	-	-	40,372	-	40,372	40,372	28,042
Interest expense, amortization of debt issuance costs	-	10,049	10,049	-	-	-	10,049	10,049
Provision for uncollectible contribution receivables	732,986	-	732,986	-	-	-	732,986	-
Total Expenses	<u>\$ 4,340,382</u>	<u>\$ 7,625,280</u>	<u>\$ 11,965,662</u>	<u>\$ 497,063</u>	<u>\$ 179,805</u>	<u>\$ 676,868</u>	<u>\$ 12,642,530</u>	<u>\$ 12,756,203</u>

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022**

	2023	2022
OPERATING ACTIVITIES		
Changes in net assets	\$ (1,325,175)	\$ (13,546,928)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	2,325,147	2,325,585
Interest expense, amortization of debt issuance costs	10,049	10,049
Interest expense, amortization of bond premium	(133,961)	(133,961)
Net realized gains on investments	(114,433)	(73,928)
Net unrealized (gains) losses on investments	(5,852,673)	10,652,029
Contributions restricted for endowment	(224,479)	(64,054)
Donated investments	(8,809)	(1,446,443)
Provision for uncollectible contribution receivables	732,986	-
Changes in operating assets		
Contributions receivable	997,013	(804,668)
Prepaid expenses and other assets	(27,926)	(9,278)
Changes in operating liabilities		
Accounts payable	(509,838)	126,850
Accrued interest payable	(8,502)	(8,083)
Accrued contributions to VCU	(3,069,836)	(2,985,458)
Net cash used in operating activities	(7,210,437)	(5,958,288)
INVESTING ACTIVITIES		
Purchases of investments	(594,371)	(2,793,119)
Proceeds from sale of investments	7,603,133	11,232,348
Proceeds remitted to VCU on deposits held	(352,006)	(368,439)
Net cash provided by investing activities	6,656,756	8,070,790
FINANCING ACTIVITIES		
Receipt of contributions restricted for endowment	211,428	73,300
Net advances on note payable, line of credit	1,000,000	-
Curtailement of note payable	(450,115)	(399,984)
Payments to Virginia Commonwealth University under financing agreements	(1,020,000)	(970,000)
Net cash used in financing activities	(258,687)	(1,296,684)
Net change in cash and cash equivalents	(812,368)	815,818
CASH AND CASH EQUIVALENTS		
Beginning	1,853,256	1,037,438
Ending	\$ 1,040,888	\$ 1,853,256

(Continued)

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022**

	2023	2022
SUPPLEMENTAL DISCLOSURES		
Cash payments for interest	\$ 1,153,286	\$ 1,207,338
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase (decrease) in deposits held for VCU		
Increase (decrease) in deposits held for VCU	\$ 298,521	\$ (1,467,955)
Net unrealized (gains) losses on investments held for VCU	(650,785)	1,095,943
Net realized gains on investments held for VCU	(6,023)	(4,271)
Endowment management fee	6,281	7,844
Cash remitted to VCU	\$ (352,006)	\$ (368,439)
 Decrease in amounts due to VCU		
Decrease in amounts due to VCU	\$ (1,143,912)	\$ (1,093,912)
Amortization of debt issuance costs, series 2018 bonds	(10,049)	(10,049)
Amortization of bond premium	133,961	133,961
Cash remitted to VCU	\$ (1,020,000)	\$ (970,000)

The Notes to Financial Statements are an integral part of these statements.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization

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

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

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

Basis of accounting

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

Comparative financial statements

These financial statements include summarized comparative prior-year information in the statement of financial position and statement of activities, functional expenses and changes in net assets. Prior-year information is not presented by net class and does not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2022.

Cash and cash equivalents

For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Foundation, at times, may have cash in excess of insured limits. The Foundation’s cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2023, the Foundation had cash balances and cash investments that exceeded insurance limits. The Foundation has not experienced any losses on such accounts.

Contributions receivable

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

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

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

Investments

Alternative investments include investments in limited partnerships and limited liability corporations (hedge funds, private equity, and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost, or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2023. However, alternative investments are not marketable and some of the alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market existed for these alternative investments. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements as unrealized gain (loss) on investments. Actual gains or losses are dependent upon the general partners' distributions during the life of each partnership.

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

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.

Debt issuance costs

Debt issuance costs are being amortized over the corresponding remaining life of the bond, which is 20 years. Accumulated amortization was \$46,895 at June 30, 2023.

Real estate

Acquisitions of real estate are recorded at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided for properties that are actively rented using the straight-line method at rates adequate to amortize the cost of the property over its estimated useful life. The estimated useful lives of these properties are between 10 – 30 years.

Land held for university purposes

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

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

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

Fixed assets

Acquisitions of fixed assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The estimated useful lives of these assets are between 5 – 7 years.

Revenue recognition

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

In-kind contributions

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

Deposits held for Virginia Commonwealth University

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

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions are classified and reported as net assets without donor restrictions. As of June 30, 2023, the Board of Trustees designated a portion of net assets without donor restrictions to support the goals of the VCU College of Engineering.

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions are classified and reported as net assets with donor 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, 2023 consist of contributions restricted by donor designation to support individual departments and specific initiatives with the VCU College of Engineering.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

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

Use of estimates

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

Measure of operations

The Foundation reports as change in net assets from operations all activities, except for net investment return or loss.

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.

Income taxes

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

Note 2. Contributions Receivable

Contributions receivable as of June 30, 2023 are expected to be received as follows:

Receivable in less than one year	\$ 1,423,600
Receivable in one to five years	225,625
	<hr/> 1,649,225
Less discount	(22,679)
Less allowance for uncollectible receivables	(758,882)
	<hr/> <hr/> \$ 867,664

Discount rates between 0.43% to 1.95% were used in determining the present value of the contributions receivable.

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

Note 3. Investments

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

The investments as of June 30, 2023 are held as follows:

	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Alternative investments	\$ 48,213,993	\$ 75,543,235	\$ -	\$ 27,329,242

The investments as of June 30, 2023 are held as follows:

Pooled investments	\$ 75,543,235
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The number of units of participation in the pooled investments at June 30, 2023 was 764,879.4782, with a \$98.7649 value per unit.

Virginia Commonwealth University Investment Management Company

All investments valued are managed under VCIMCO advisory oversight. The VCIMCO investment portfolio is, primarily, a proprietary, diversified fund (the Ram Fund) that includes assets pooled from other University foundations. During the course of fiscal year 2023, there was one withdrawal from VCIMCO in the total amount of \$7,000,000.

Note 4. Fair Value Measurements

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

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

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

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

Note 4. Fair Value Measurements (Continued)

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

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

The classification of investments by level within the valuation hierarchy as of June 30, 2023 is as follows:

	Fair Value Measurements at Reporting Date Using				Measured at NAV
	2023	Level 1	Level 2	Level 3	
Assets					
Alternative investments:					
Long/short equity	\$ 2,532,997	\$ -	\$ -	\$ -	\$ 2,532,997
The Ram Fund, LP	60,682,400	-	-	-	60,682,400
The Ram Private Assets Fund, LP	12,327,838	-	-	-	12,327,838
	\$ 75,543,235	\$ -	\$ -	\$ -	\$ 75,543,235

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, 2023.

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, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Long/short equity	\$ 2,532,997	\$ -	N/A	N/A
The Ram Fund, LP	60,682,400	-	Quarterly	120 days
The Ram Private Assets Fund, LP	12,327,838	-	N/A	N/A
	\$ 75,543,235	\$ -		

**VIRGINIA COMMONWEALTH UNIVERSITY
COLLEGE OF ENGINEERING FOUNDATION**

**FINANCIAL STATEMENTS
June 30, 2023**

Note 4. Fair Value Measurements (Continued)

Hedged equity long/short funds

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

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

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.

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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.

Note 5. College of Engineering Project – Phase I

The original lease term for the Phase I facility began August 1998 and terminated on May 1, 2021. The lessee had the option to renew the lease for three additional consecutive terms of ten, five, and five years, respectively. On May 2, 2021, the lease was renewed under the first renewal option for an additional ten-year period with a termination date of May 2, 2031. Upon the expiration of the initial lease term and any exercised renewal options, Virginia Commonwealth University may purchase the property from the Foundation at a price equal to the greater of the Foundation's original cost or the Foundation's share of the property's fair market value.

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made*, the Foundation has recorded, as a liability, an amount equal to the estimated present value of the future rental value of the facility over the first renewal period for an additional ten year period less the \$1 annual rent payments due under the lease. A discount rate of 1.65% was used in determining the present value of the promise to give. Rental income in the amount of \$1,969,713 for the year ended June 30, 2023, with the corresponding reduction in the present value of the accrued contributions, is included in the caption, "Support to Virginia Commonwealth University." At June 30, 2023, the estimated present value of the future rental value of the facility was \$14,364,966 and is included in the caption, "Accrued contributions to Virginia Commonwealth University."

Note 6. College of Engineering Project – Phase II

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

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

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made*, the Foundation has recorded, as a liability, an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the \$1 annual rent payments due under the lease. A discount rate of 4.56% was used in determining the present value of the promise to give. Rental income in the amount of \$1,823,106 was recorded for the year ended June 30, 2023, with the corresponding reduction in the present value of the accrued contributions included in the caption, “Contribution to Virginia Commonwealth University.” At June 30, 2023, the estimated present value of the future rental value of the facility was \$11,144,840 and is included in the caption, “Accrued contributions to Virginia Commonwealth University.”

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

In November 2018, Virginia Commonwealth University, with the approval of the Executive Committee of the Foundation, issued general revenue pledge refunding bonds series 2018A and 2018B, a portion of which refunded the existing variable-rate privately-placed debt and terminated the related fixed-payor interest rate swap agreement related to the Foundation’s financing agreement. The value of the outstanding principal and related swap liability at the time of refunding was \$32,442,000, with unamortized bond issuance costs of \$230,127.

Under the financing agreement, publicly-traded debt maturing in 2038 was issued for \$28,910,000, with \$200,976 of related bond issuance costs. Interest rates are fixed at a 5% rate, payable to Virginia Commonwealth University semi-annually in May and November.

These bonds were issued at a premium of \$2,679,222. The premium (non-cash) is being amortized over the life of the bonds as a reduction of interest expense. Interest expense was reduced by the amount of \$133,961 for the year ending June 30, 2023.

Aggregate principal payments required under the debt service agreement at June 30, 2023 are as follows:

Fiscal year ending:	
2024	\$ 1,070,000
2025	1,125,000
2026	1,185,000
2027	1,245,000
2028	1,305,000
Thereafter	19,160,000
	<u>25,090,000</u>
Less unamortized debt issuance costs	(154,082)
Unamortized bond premium	<u>2,054,072</u>
	<u>\$ 26,989,990</u>

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Note 7. College of Engineering Project – Maker Garage

The Foundation entered into a project development agreement with Virginia Commonwealth University for purposes of providing an additional facility to house the College of Engineering, primarily the College of Engineering Innovation Maker Facility. Under the terms of this agreement, the Foundation acquired and renovated the facility with current and unrestricted funds. The acquisition of this facility is not associated with any bond issuance or any kind of liability. Upon completion of the facility, the two parties entered into a lease whereby the Foundation would lease the property to Virginia Commonwealth University for \$1 annually with Virginia Commonwealth University being responsible for all operating costs. The original lease term began May 2019 and terminates on April 30, 2024. The lessee has two options of five years each to renew this lease. Upon the expiration of the initial lease term or any exercised renewal options, Virginia Commonwealth University may purchase the property from the Foundation at a price equal to the greater of the Foundation’s original cost or the Foundation’s share of the property’s fair market value.

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made*, the Foundation has recorded, as a liability, an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the \$1 annual rent payments due under the lease. A discount rate of 1.76% was used in determining the present value of the promise to give. Rental income in the amount of \$111,149 was recorded for the year ended June 30, 2023, with the corresponding reduction in the present value of the accrued contributions included in the caption, “Contribution to Virginia Commonwealth University.” At June 30, 2023, the estimated present value of the future rental value of the facility was \$91,023 and is included in the caption, “Accrued contributions to Virginia Commonwealth University.”

Aggregate Phase I, Phase II, and Maker Garage implied rental income to benefit the University at June 30, 2023 are as follows:

Fiscal year ending June 30,	
Phase I	\$ 1,969,713
Phase II	1,823,106
Maker Garage	111,149
	<u>\$ 3,903,968</u>

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Note 8. Net Assets with Donor Restrictions

Net assets were restricted by donors for the following purposes at June 30, 2023:

Subject to expenditure for specific purpose:	
Scholarships	\$ 10,075,646
Programmatic support	77,600
Contributions receivable, net, the proceeds from which have been restricted by donors for:	
Scholarships	35,706
Programmatic support	707,724
Chairs, professorships and faculty support	98,155
	10,994,831
Endowments:	
Subject to endowment spending policy and appropriation:	
Scholarships	9,639,045
Chairs, professorships, and faculty support	14,054,920
Contributions receivable, net – restricted to endowment	
Scholarships	28,634
	23,722,599
	\$ 34,717,430

Note 9. Endowment

The Foundation's endowment consists of 59 individual funds established for purposes which support the Foundation. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Note 9. Endowment (Continued)

Interpretation of relevant state law

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent from explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as 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 remaining portion of the donor-restricted endowment fund that is not classified as original donor-restricted gift amounts is classified as accumulated investment gains net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 34,606,018	\$ -	\$ 34,606,018
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	16,619,817	16,619,817
Accumulated investment gains	-	7,102,782	7,102,782
Total endowment funds	\$ 34,606,018	\$ 23,722,599	\$ 58,328,617

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Note 9. Endowment (Continued)

The following schedule summarizes the net asset composition by type of funds as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 23,722,599	\$ 23,722,599
Board-designated endowment funds	34,606,018	-	34,606,018
(Deficit) funds without donor restrictions	(28,010,075)	-	(28,010,075)
Funds with donor restrictions	<u>-</u>	<u>10,994,831</u>	<u>10,994,831</u>
Total net assets	<u>\$ 6,595,943</u>	<u>\$ 34,717,430</u>	<u>\$ 41,313,373</u>

The deficit funds without donor restrictions amount includes accrued contribution liabilities to Virginia Commonwealth University in the amount of \$25,600,829. These liabilities will not require the outlay of financial resources. See Notes 5, 6 and 7 for details.

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 37,208,427	\$ 22,393,454	\$ 59,601,881
Net investment return	2,943,813	2,098,305	5,042,118
Contributions	-	224,479	224,479
Appropriation of endowment assets for expenditure	(6,546,222)	(993,639)	(7,539,861)
Other changes			
Transfers to board-designated endowment funds	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	<u>(2,602,409)</u>	<u>1,329,145</u>	<u>(1,273,264)</u>
Endowment net assets, end of year	<u>\$ 34,606,018</u>	<u>\$ 23,722,599</u>	<u>\$ 58,328,617</u>

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Note 9. Endowment (Continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2023, a fund with an original gift value of \$47,000, fair value of \$44,850, and a deficiency of \$2,150 was reported in net assets with donor restrictions. Unless determined a prudent use of funds, the Foundation will not appropriate endowment funds for spending until the market value of the fund exceeds the original value of the gift. This deficiency resulted from unfavorable market fluctuations that occurred during the fiscal year ending June 30, 2023.

Return objectives and risk parameters

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

Strategies employed for achieving objectives

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

Spending policy

The Foundation has a policy of appropriating for distribution each year up to four and a half (4.5) percent of the twelve-quarter average market value of endowment fund units as of December 31 of the preceding calendar year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Note 10. Note Payable, Line of Credit

On July 9, 2021, the Foundation signed a new agreement with South State Bank to restructure the terms of the existing line of credit. The \$5,500,000 outstanding balance was refinanced to a new term loan and the maximum line of credit limit was reduced from \$7,000,000 to \$5,000,000. Bank advances on this line are payable on demand and carry an interest rate equal to London Interbank Offered Rate 30 day (LIBOR) plus 1.50%, currently 6.785958%. The line of credit is unsecured and matures on July 7, 2025. As of June 30, 2023, the outstanding balance on the line of credit was \$1,000,000.

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Note 11. Note Payable

South State Bank, N.A., due in monthly installments of \$47,767, including interest at the initial rate of 1.423% per month with one final payment due July 2026, unsecured \$4,649,901

As of June 30, 2023, the aggregate maturities of long-term debt by year are as follows:

2024	\$	461,263
2025		473,297
2026		<u>3,715,341</u>
	\$	<u><u>4,649,901</u></u>

Note 12. Concentration of Support

For the year ended June 30, 2023, approximately 90% of the total gross contributions receivable represents promises to give from three donors, which amounted to \$1,585,000.

Note 13. Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses related to personnel are allocated based on a time and cost study of where efforts are made. All other costs have been allocated among the programs and supporting services benefited.

Note 14. 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 consist of the following:

Cash and cash equivalents	\$	942,134
Contributions receivables		1,472
Other assets		38,675
Endowment appropriations		1,200,000
Appropriations from board-designated funds		<u>5,800,000</u>
	\$	<u><u>7,982,281</u></u>

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Note 14. Liquidity and Availability of Financial Assets (Continued)

As part of the Foundation's liquidity management process, cash in excess of operating requirements is invested in short-term, highly liquid investments which are included in the cash and cash equivalents amount. Additionally, the Foundation has board-designated financial assets of \$34,606,018 without donor restrictions that, while the Foundation does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary, of which \$5,800,000 has been noted above to be available for current operations. Effective July 9, 2021, the Foundation entered into a new line of credit agreement in the amount of \$5,000,000, which it could draw upon in the event of an anticipated liquidity need. As of June 30, 2023, there is \$1,000,000 balance outstanding on the line of credit. The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Endowment distributions subject to spending policy and appropriation are restricted for specific purposes, with the exceptions of amounts available for general use.

Note 15. Special Expenses

ERB Bond Support

The Engineering Research Building (the "ERB") is financed with bonds issued by the Commonwealth of Virginia and Virginia Commonwealth University ("University"); and the College of Engineering ("College") entered into a Memorandum of Understanding to reimburse the University for the "ERB Bond" service related to the University-issued bonds. Since FY 2019, the Foundation Board has received ad-hoc requests from the College to provide ad-hoc ERB Bond support to the College. After review of existing commitments and the Foundation's financial capacity, the Foundation Board authorized the use of Endowment Assets Without Donor Restrictions to provide ad-hoc ERB Bond support to the College. In FY 2023, the Foundation provided ad-hoc support of \$3,434,250 to Virginia Commonwealth University. Including the FY 2023 amount, the aggregate level of ad-hoc ERB Bond support provided by the Foundation totaled \$15,000,000. Beyond FY 2023, there are no future commitments to provide ERB Bond support.

Note 16. Subsequent Events

Management has evaluated events through October 19, 2023, the date which the financial statements were available for issue.