Virginia Commonwealth University
School of Business Foundation

Financial Statements

June 30, 2019

*Virginia Commonwealth University*
*School of Business Foundation*

**Officers**

Thomas G. Snead, Jr., Chairman  
Robert E. Henley, Vice Chairman  
Charles F. Phillips, III, Treasurer  
Laura Kottkamp, Secretary

**Trustees**

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Independent Auditor's Report

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

Report on the Financial Statements We have audited the accompanying financial statements of Virginia Commonwealth University School of Business Foundation (the “Foundation”), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, statements 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.

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

**Opinion** In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Commonwealth University School of Business Foundation as of June 30, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Mitchell Wiggins**

Petersburg, Virginia
November 8, 2019
### Virginia Commonwealth University School of Business Foundation

**Statement of Financial Position June 30, 2019, with Comparative Totals as of June 30, 2018**

<table>
<thead>
<tr>
<th>Donor Assets Restrictions</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,893</td>
<td>8,050</td>
<td>28,943</td>
</tr>
<tr>
<td>Contributions receivable, less allowance for uncollectible receivables</td>
<td>2019 $144,261; 2018 $81,742</td>
<td>157,755 5,549,882 5,707,637 925,278</td>
</tr>
<tr>
<td>Investments</td>
<td>20,213,130 27,382,448</td>
<td></td>
</tr>
<tr>
<td>Interfund obligations</td>
<td>47,595,578 45,859,812</td>
<td></td>
</tr>
<tr>
<td>Other assets, net of accumulated amortization</td>
<td>2019 $11,885; 2018 $10,805</td>
<td>14,969 98,030 112,999 127,952</td>
</tr>
<tr>
<td>Total assets</td>
<td>$50,133,646 $36,476,894 $86,610,540</td>
<td></td>
</tr>
</tbody>
</table>

(continued)
Virginia Commonwealth University
School of Business Foundation

Without With Totals

Statement of Financial Position (continued)
June 30, 2019, with Comparative Totals as of

Donor Donor Liabilities and Net Assets Restrictions Restrictions 2019 2018 Liabilities
Accounts payable and accrued expenses  $ 153,762 $ 261,017 $ 414,779 $ 481,284 Contract liabilities 524,190 - 524,190 285,557 Due to Virginia Commonwealth University affiliated foundations 2,784 278,550 281,334 408,046 Deposits held for Virginia Commonwealth University - 1,187,982 1,187,982 1,190,624 Due to Virginia Commonwealth University, net of unamortized debt issuance costs 20,468,160 - 20,468,160 21,993,872 Accrued contributions to Virginia Commonwealth University 17,554,011 - 17,554,011 18,718,846

Total liabilities 38,702,907 1,727,549 40,430,456 43,078,229

Net Assets 11,430,739 34,749,345 46,180,084 37,894,355

Total liabilities and net assets $ 50,133,646 $ 36,476,894 $ 86,610,540 $ 80,972,584 See Notes to Financial Statements

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Virginia Commonwealth University School of Business Foundation

Without With Totals

Statement of Activities and Changes in Net Assets Year Ended June 30, 2018

Donor Donor Restrictions Restrictions 2019 2018 Operating Revenue
Contributions $ 259,213 $ 7,820,846 $ 8,080,059 $ 4,403,124 Rental income 2,018,414 - 2,018,414 2,018,414 Course revenue 1,718,513 - 1,718,513 2,039,145 Miscellaneous 11,214 - 11,214 11,050 Net assets released from restrictions 1,787,695 (1,787,695) - - Total operating revenue 5,795,049 6,033,151 11,828,200 8,471,733

Operating Expenses
School of Business Programs 1,890,794 - 1,890,794 2,373,903 Educational Facilities 3,078,515 - 3,078,515 3,165,408 Center for Corporate Education 919,513 - 919,513 880,345 Management & General 224,904 - 224,904 214,533 Fundraising 173,053 -
173,053 175,556 Total operating expenses 6,286,779 - 6,286,779 6,809,745

Changes in net assets from operations (491,730) 6,033,151 5,541,421 1,661,988

Other Changes in Net Assets
Net investment return 801,501 902,931 1,704,432 2,393,933
Unrealized gain on interest rate swap agreement 1,954,959 - 1,954,959 1,002,870 Termination of interest rate swap agreement (1,626,000) - (1,626,000) - Deutsche Bank LIBOR settlement 661,340 - 661,340

1,661,988

Transfers from Virginia Commonwealth University Foundation - 49,577 49,577 168,362

Changes in net assets 1,300,070 6,936,082 8,236,152 5,058,791

Net assets, beginning 10,130,669 27,763,686 37,894,355 32,667,202

Net assets, ending $ 11,430,739 $ 34,749,345 $ 46,180,084

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Virginia Commonwealth University School of Business Foundation

Statement of Functional Expenses Year Ended June 30, 2019, with Comparative Totals for the Year Ended June 30, 2018

School of Center for Total Total Business Educational Corporate Program Management Supporting 2019 2018 Programs Facilities Education Services & General Fundraising Services Total Total Expenses

Distributions to and in support of VCU $ 1,516,538 $ 853,579 $ 74,641 $ 2,444,758 $ - $ - $ 2,444,758 $ 2,927,161 Reimbursement to VCU for personnel expenses - 284,205 284,205 162,272 162,272 446,477 327,383 Depreciation and amortization - 1,341,017 - 1,341,017 - - - 1,341,017 1,341,017

Interest expense - 743,643 - 743,643 - - 743,643 909,382 Interest expense, amortization of debt issuance costs - 138,231 - 138,231 - - - 138,231 10,629 Professional services and fees 221,950 - 433,209 655,159 20,021 57,514 77,535 732,694 812,346 Other expenses 61,751 - 46,553 108,304 17,122 178,994 196,116 304,420 326,989 Supplies and marketing materials 70,468 - 75,760 146,228 - 21,855 21,855 168,083 210,654 Insurance 14,835 - - - - 14,835 6,720 - 6,720 21,555 15,412 Legal and regulatory fees - 2,045 - 2,045 18,769 - 18,769 20,814 21,758 Travel 5,192 - 5,145 10,337 - 1,453 1,453 11,790 11,835 Bad debt 60 - - 60 - - 60 318 1,724 1,018 1,809,794 3,078,515 919,513 5,888,822 224,904 259,816 484,720 6,373,542 6,923,584 Less expenses included with revenues on the statement of activities Gift fees netted against permanent corpus - - - - - - - - (86,763) (86,763) (86,763) (113,839)

Total expenses included in the expense section on the statement of activities $ 1,890,794 $ 3,078,515 $ 919,513 $ 5,888,822 $ 224,904 $ 173,053 $ 397,957 $ 6,286,779 $ 6,809,745 See Notes to Financial Statements Program Services Supporting Services
Virginia Commonwealth University School of Business Foundation

Statements of Cash Flows Years Ended
June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>8,285,729</td>
<td>5,227,153</td>
</tr>
</tbody>
</table>

Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities

2019 2018 Cash Flows
Depreciation and amortization 1,341,017 1,341,017 Interest expense, amortization of debt issuance costs 138,231 10,629 Interest expense, amortization of bond premium (134,984) - Net realized gains on investments (563,881) (2,246,238) Net unrealized losses on investments 216,499 578,038 Unrealized gain on interest rate swap agreement (1,954,959) (1,002,870) Termination of interest rate swap agreement 1,626,000 - Contributions restricted for endowment (6,499,670) (3,145,096) Donated securities (20,710) (130,639) Changes in operating assets Accounts receivable 68,092 (61,114) Contributions receivable (265,193) (154,568) Other assets 13,873 10,943

Changes in operating liabilities Accounts payable and accrued expenses (66,505) (2,313) Contract liabilities 238,633 (24,365) Amounts due to Virginia Commonwealth University affiliated foundations (126,712) 84,867 Accrued contributions to Virginia Commonwealth University (1,164,835) (1,114,034) Net cash provided by (used in) operating activities 1,130,625 (628,590)

Cash Flows from Investing Activities
Purchase of investment securities (13,115,128) (18,811,484) Proceeds from sale of investments 11,915,081 18,518,269 Net cash used in investing activities (1,200,047) (293,215)

Cash Flows from Financing Activities
Receipt of contributions restricted to endowment 1,812,235 3,154,984 Payments to Virginia Commonwealth University under financing agreement (1,200,000) (1,150,000) Net cash provided by financing activities 612,235 2,004,984

Net change in cash and cash equivalents 542,813 1,083,179

Cash and cash equivalents, beginning 7,777,891 6,694,712

Cash and cash equivalents, ending 8,320,704 $ 7,777,891 $

Supplemental Schedule of Cash Flow Information
Cash payments for interest 811,049 $ 903,040 $

Gifts of noncash investments in satisfaction of prior year contributions receivable balances 170,269 $ 55,192 $

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Virginia Commonwealth University School of Business Foundation

Statements of Cash Flows (continued)
Years Ended June 30, 2019 and 2018

Supplemental Schedule of Noncash Investing and Financing Activities
Increase (decrease) in deposits held liability for Virginia Commonwealth University offset by increase (decrease) in
investment assets (2,642) $ 24,902 $

*Decrease in amounts due to Virginia Commonwealth University*

Decrease in amounts due to Virginia Commonwealth University (1,525,712) $ (2,142,241) $ Retirement of series 2012 bonds included in due to Virginia Commonwealth University 18,970,000 - Issuance of series 2018 bonds included in due to Virginia Commonwealth University (18,295,000) - Increase in bond premium included in due to Virginia Commonwealth University, net of unamortized debt issuance costs (2,429,590) - Increase in debt issuance costs included in due to Virginia Commonwealth University, net of unamortized debt issuance costs 128,590 - Amortization of debt issuance costs, series 2012 bonds (131,087) (10,629) Amortization of debt issuance costs, series 2018 bonds (7,144) - Amortization of bond premium 134,984 - Net unrealized gain on interest rate swap agreement 1,954,959 1,002,870 Cash remitted to Virginia Commonwealth University (1,200,000) $ (1,150,000) $

See Notes to Financial Statements

*Virginia Commonwealth University School of Business Foundation*
Note 1. Nature of Organization and Significant Accounting Policies

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

The sole purpose of the Foundation is to provide financial and other support to the School of Business for the benefit of Virginia Commonwealth University.

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.

New Accounting Pronouncements During the year ended June 30, 2019, the Foundation adopted the requirements of new standards issued by the Financial Accounting Standards Board:

(a) Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This guidance is intended to improve the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. The major changes of ASU 2016-14 that impact the Foundation are (1) requiring the presentation of only two net asset classes, where amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions; (2) requiring all non-profits present an analysis of expense by function and nature and disclose a summary of the allocation methods used to allocate costs; (3) requiring the disclosure of quantitative and qualitative information regarding the liquidity and availability of financial assets; (4) presenting investment return net of external investment expenses; and (5) requiring modification of other financial statement reporting requirements and disclosures intended to increase the usefulness of financial statements.
Revenue from Contracts with Customers (Topic 606) established a single, comprehensive model of accounting for revenue from contracts with customers. The core principle of ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Foundation has reviewed its sources of revenue and determined that this guidance applies to course and program related service fees. Those fees contain a single delivery element and revenue is recognized at a single point in time when the program services are rendered. Accordingly, the timing of revenue is not impacted by the new standard.

Comparative financial statements These financial statements include summarized comparative prior-year information in the statement of financial position and the statement of activities and changes in net assets that are not presented by net asset class and do not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2018.

Cash, cash equivalents and cash investments For purposes of reporting the statements of cash flows, the Foundation includes all cash accounts except funds held by investment managers, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Foundation, at times, may have cash in excess of insured limits. The Foundation’s cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2019, the Foundation had cash balances and cash investments that exceeded insurance limits.

Accounts receivable The Foundation extends unsecured credit in the ordinary course of its activities but mitigates the associated credit risk by actively pursuing past due accounts.
Accounts receivable are considered past due if nonpayment exceeds forty-five days from the due date. If necessary, an allowance for uncollectible receivables is recorded based on management’s evaluation of the collectability of individual receivables. Receivables are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance.

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

**Virginia Commonwealth University School of Business Foundation**

*Notes to Financial Statements June 30, 2019*

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

**Investments** Investments in all debt securities and equity securities are stated at fair value based on quoted market prices. Alternative investments include investments in limited partnerships and limited liability corporations (hedge funds, private equity and publicly-traded securities). Alternative investment interests are stated at fair value based on the financial statements and other information received from the general partners of such entities. Fair value is the estimated net realizable value of holdings priced at quoted market value (where market quotations are available), historical cost or other estimates including appraisals. The Foundation believes that the stated value of its alternative investments was a reasonable estimate of its fair value as of June 30, 2019. 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 life of the bonds, which is 13 years, using the straight-line method. Accumulated amortization was $7,144 at June 30, 2019.

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

**Net Assets** Net assets, revenues, gains, and losses are classified based on the existence 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, 2019, the governing board has designated a portion of assets without donor restrictions to support the goals of the Campaign for the VCU School of Business.
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, 2019 consist of contributions with restrictions that support student, faculty, and programmatic initiatives within the VCU School of Business.

Revenue recognition

Contributions - 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 increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contract revenue - Program service fees for non-credit educational courses, programs, and events are recognized when earned, that is, at the substantial completion of program delivery. Program service fees received in advance are deferred to the applicable period in which the related services are performed and included under the caption contract liabilities in the financial statements. For the year ended June 30, 2019, all amounts shown as contract liabilities will be realized within one year. The Foundation does not accept contracts related to the delivery of non-credit programs which extend beyond one year from the statement of financial position date.

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

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

**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.

**Measure of operations** The Foundation reports all activities as changes in net assets from operations, except for investment return, the change in value of the interest rate swap agreement, the sale of assets which are not held for investment, and other changes related to the financing agreement with Virginia Commonwealth University.

**Income taxes** The Organization is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the year ended June 30, 2019. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management has concluded that the Foundation had no significant financial exposure to uncertain tax positions as of June 30, 2019. The tax years of 2015 to 2018 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the year ended June 30, 2019.

**Reclassifications** Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
Note 2. 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 $3,886,345
Accounts receivable 20,893
Contributions receivable 47,815
Endowment appropriations 882,129
Appropriations from board-designated funds 2,082,461

$6,919,643

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 $21,059,501 without donor restrictions. 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.

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 3. Contributions Receivable
Contributions receivable as of June 30, 2019 are expected to be received as follows:

Receivable in less than one year $642,702 Receivable in one to five years $5,319,576 $5,962,278
Less discount (110,380) Less allowance for uncollectible receivables (144,261)

$5,707,637 Discount rates between 1.01% and 2.73% were used in determining the present value of the contributions receivable.

**Note 4. 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.

**Virginia Commonwealth University School of Business Foundation**

*Notes to Financial Statements June 30, 2019*

**Note 4. Investments (Continued)**

The Foundation’s investment portfolio as of June 30, 2019 consists of the following:

<table>
<thead>
<tr>
<th>Gross Cost</th>
<th>Unrealized Losses</th>
<th>Unrealized Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents $4,180,672</td>
<td>$4,180,672</td>
<td>$-</td>
</tr>
<tr>
<td>Equities 20,953,268</td>
<td>23,695,867</td>
<td>(498,099)</td>
</tr>
<tr>
<td>Fixed income 10,031,567</td>
<td>10,114,999</td>
<td>(42,688)</td>
</tr>
<tr>
<td>Alternative investments 8,604,819</td>
<td>9,604,040</td>
<td>(136,728)</td>
</tr>
</tbody>
</table>

$43,770,326 $47,595,578 $(677,515) $4,502,767 The investments as of June 30, 2019 are held as follows:

Pooled investments $47,367,395 Other investments 228,183

$47,595,578 The number of units of participation in the pooled investments at June 30, 2019 was 500,460.0955, with a $94.647695 value per unit.
Pursuant to its limited partnership agreements as of June 30, 2019, the Foundation had commitments of approximately $57,375.

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

Note 5. Fair Value Measurements

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

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.
Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation 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, 2019 is as
F air Value M easur e m e nts at Repor ting Date Using June 30, Measured 2019 Level 1 Level 2 Level 3 at NAV Assets

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 4,180,672 $ 4,180,672</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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</table>

<table>
<thead>
<tr>
<th>Mid Cap</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
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<tbody>
<tr>
<td>2,536,105</td>
<td>2,536,105</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
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<table>
<thead>
<tr>
<th>International</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
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<tbody>
<tr>
<td>10,406,167</td>
<td>10,406,167</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Income:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large Cap</td>
<td>10,753,595</td>
<td>10,753,595</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>US Mid Cap</td>
<td>2,536,105</td>
<td>2,536,105</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>US International</td>
<td>10,406,167</td>
<td>10,406,167</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equities: US Large Cap</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,753,595</td>
<td>10,753,595</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Income:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid Cap</td>
<td>10,406,167</td>
<td>10,406,167</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>10,406,167</td>
<td>10,406,167</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative Investments:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Value</td>
<td>3,569,862</td>
<td>3,569,862</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diversified Strategies</td>
<td>1,430,896</td>
<td>1,430,896</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long/Short Equities</td>
<td>853,408</td>
<td>853,408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Merger Arbitrage/Event Driven</td>
<td>597,639</td>
<td>597,639</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate Funds</td>
<td>648,750</td>
<td>648,750</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Funds</td>
<td>648,750</td>
<td>648,750</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merger Arbitrage/Event Driven</td>
<td>597,639</td>
<td>597,639</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>279,234</td>
<td>279,234</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>NAV Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Value</td>
<td>3,569,862</td>
<td>3,569,862</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long/Short Equities</td>
<td>853,408</td>
<td>853,408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diversified Strategies</td>
<td>1,430,896</td>
<td>1,430,896</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Virginia Commonwealth University School of Business Foundation

Notes to Financial Statements June 30, 2019

Note 5. Fair Value Measurements (Continued)

The reconciliation of activity for Level 3 investments for fiscal year 2019 is as follows:

**Real Estate Assets Funds**

Beginning balance at July 1, 2018 $ 899,399 Sales & Other Dispositions (118,696)

Change in Unrealized Losses (131,953)

Ending Balance at June 30, 2019 $ 648,750 The amount of total losses for the period included in the statement of activities and changes in net assets attributable to the change in unrealized losses relating to level 3 assets still held at the reporting date is $131,953.

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, 2019.
### Virginia Commonwealth University School of Business Foundation Notes to Financial Statements June 30, 2019

**Note 5. Fair Value Measurements (Continued)**

The following table sets forth a summary of the Foundation’s assets valued at net asset value per share, or its equivalent, as of June 30, 2019:

| Frequency Redemption Unfunded (if Currently Notice Fair Value Commitments Eligible) Period | Relative Value | Other 30 days Relative Value | Monthly 30 days Relative Value | Quarterly 45 days Relative Value | Quarterly 60 days Relative Value | Quarterly 66 days Relative Value | Quarterly 75 days Relative Value | Semi-Annually 30 days Diversified Strategies | Monthly 60 days Diversified Strategies | Quarterly 90 days Diversified Strategies | Quarterly 45 days Diversified Strategies | Quarterly 65 days Opportunistic/Macro | Quarterly 45 days Opportunistic/Macro | Quarterly 60 days Opportunistic/Macro | Annually 65 days Long/Short Equities | Monthly 90 days Long/Short Equities | Quarterly 45 days Long/Short Equities | Quarterly 60 days Long/Short Equities | Quarterly 45 days Long/Short Equities | Quarterly 60 days Long/Short Equities | Quarterly 45 days Long/Short Equities | Quarterly 90 days Long/Short Equities | Monthly 45 days Long/Short Equities |
Virginia Commonwealth University School of Business Foundation
Notes to Financial Statements June 30, 2019

Note 5. Fair Value Measurements (Continued)

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

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

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

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

Merger Arbitrage/Event Driven Investment strategies that attempt to profit as a result of stocks and bonds changing in response to certain corporate actions including mergers, shareholder activism, restructurings, share buybacks, spinoffs, etc. Event driven managers typically look to isolate the expected event itself and assess investment opportunities based on their assessment of each event’s ability to create additional value in a security.
**Distressed/Credit** Investment strategies that invest in the assets and liabilities of financially troubled companies, usually at a significant discount to par value. Distressed credit managers often initially invest in the debt of companies that have undergone bankruptcy and later receive an equity stake in the post reorganized company.

*Virginia Commonwealth University School of Business Foundation*

*Notes to Financial Statements June 30, 2019*

**Note 6. Real Estate**

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

Under the authoritative guidance, *Accounting for Contributions Received and Contributions Made*, the Foundation has recorded as a liability an amount equal to the estimated present value of the future rental value of the facility over the initial lease term less the $1 annual rent payments due under the lease. A discount rate of 4.56% was used in determining the present value of the promise to give. Rental income in the amount of $2,018,414 was recorded for the year ended June 30, 2019, with the corresponding reduction in the present value of the accrued contributions included in the caption, Contribution to Virginia Commonwealth University. At June 30, 2019, the estimated present value of the future rental value of the facility was $17,554,011 and is included in the caption, Accrued contributions to Virginia Commonwealth
University.

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

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

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 $20,596,000, with unamortized bond issuance costs of $127,544.
follows:

Fiscal Year Ending June 30, 2020 $ 1,220,000
2021 1,250,000 2022 1,300,000 2023 1,355,000
2024 1,415,000 Thereafter 11,755,000 Less
unamortized debt
issuance costs (121,446) Unamortized premium

on bond issuance 2,294,606

$ 20,468,160

-Virginia Commonwealth University School of Business Foundation
Notes to Financial Statements June 30, 2019-

Note 7. Net Assets with Donor Restrictions

Net assets were restricted by donors for the following purposes at June 30, 2019:

Subject to expenditure for specific purpose:
Scholarships $ 175,400 Programmatic support 5,833,061

Contributions receivable, net, the proceeds from which
have been restricted by donors for
Scholarships 89,769 Programmatic support 325,946

$ 6,424,176

Endowments:
Subject to endowment spending policy and appropriation
Scholarships $ 7,550,515 Programmatic support 7,294,536 Chairs, professorships &
faculty support 8,248,380

Contributions receivable, net - restricted to endowment
Scholarships 1,490,596 Programmatic support 2,206,139 Chairs, professorships &
faculty support 1,437,433

$ 28,227,599

subject to spending policy or appropriation:
Life insurance policy, proceeds of which are designated for
Chairs, professorships & faculty support $ 90,168 Scholarships 7,402
net assets with donor restrictions $ 34,749,345

Note 8. Endowment

The Foundation’s endowment consists of approximately 152 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.

Virginia Commonwealth University School of Business Foundation Notes to Financial Statements June 30, 2019

Note 8. 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 explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
• The investment policies of the Foundation.
The following schedule summarizes the endowment net asset composition by type of fund as of June 30, 2019:

<table>
<thead>
<tr>
<th>Without</th>
<th>With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor</td>
<td>Donor Restrictions</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>$21,059,501</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$28,227,599</td>
</tr>
<tr>
<td>Total endowment funds</td>
<td>$21,059,501</td>
</tr>
</tbody>
</table>

Virginia Commonwealth University School of Business Foundation
Notes to Financial Statements June 30, 2019

Note 8. Endowment (Continued)

The following schedule summarizes the net asset composition by type of fund as of June 30, 2019:

<table>
<thead>
<tr>
<th>Without</th>
<th>With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor</td>
<td>Donor Restrictions</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>$21,059,501</td>
</tr>
<tr>
<td>Donor-restricted funds</td>
<td>$6,521,746</td>
</tr>
<tr>
<td>Unrestricted (deficit) funds</td>
<td>$(9,628,762)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$11,430,739</td>
</tr>
</tbody>
</table>

The following schedule summarizes the changes in endowment net assets for the year ended June 30, 2019:

<table>
<thead>
<tr>
<th>Without</th>
<th>With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor</td>
<td>Donor Restrictions</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$21,820,074</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>735,499</td>
</tr>
<tr>
<td>Contributions</td>
<td>$6,466,070</td>
</tr>
<tr>
<td>Transfer from VCU affiliated foundations</td>
<td>$-</td>
</tr>
<tr>
<td>Addition of board-designated funds</td>
<td>661,340</td>
</tr>
<tr>
<td>Appropriation of Brandcenter assets</td>
<td>$(3,250,276)</td>
</tr>
</tbody>
</table>
Appropriation of endowment assets for expenditure (2,157,412) (745,806) (2,903,218)  
(760,573) 3,304,633 2,544,060  

Endowment net assets,  
end of year $ 21,059,501 $ 28,227,599 $ 49,287,100  

Funds with deficiencies  
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2019.

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**Virginia Commonwealth University School of Business Foundation**

*Notes to Financial Statements June 30, 2019*

**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) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested to produce results that are measured against specific benchmarks while assuming a moderate level of risk. Investment activity is intended to earn a real total return of at least 5%. 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 and how the investment objectives relate to the spending policy* The objective
of the Foundation’s spending policy is to preserve the long-term value of the endowment by balancing spending and reinvestment, while providing a predictable and sustainable level of income to support initiatives and operations of the VCU School of Business. Under this policy, the Foundation appropriates up to 5% of the trailing twelve quarter average market value of the endowment, as of December 31 of the preceding calendar year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

**Note 9. Transfers from Virginia Commonwealth University Foundation**

Included in the statement of activities and changes in net assets for the year ended June 30, 2019 is a transfer from the VCU Foundation in the amount of $49,577. This transfer represents an endowed scholarship fund whose donor-imposed restrictions include criteria that limits the award to VCU School of Business students.

**Note 10. Functionalized 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.

*Virginia Commonwealth University School of Business Foundation*  
*Notes to Financial Statements June 30, 2019*

**Note 11. Economic Dependency**

For the year ended June 30, 2019, approximately 81% of total gross contributions receivable represents promises to give from two donors.

For the year ended June 30, 2019, approximately 62% of total contribution revenue for the year was received from two donors.
Note 12. Deutsche Bank LIBOR Settlement – Snead Hall Bonds

Over the past several years, a group of banks (which includes Deutsche Bank) that compose the “LIBOR Dollar Panel” were sued by a large group of plaintiffs who claimed the Dollar Panel unfairly manipulated LIBOR rates. Virginia Commonwealth University received a portion of the settlement related to that litigation and transferred $661,340 to the Foundation in November 2018, under the amended development and financing agreement.

Note 13. Subsequent Events

Management has evaluated subsequent events through November 8, 2019, the date which the financial statements were available for issue.