Medical College of Virginia Foundation

Financial Statements
Years Ended June 30, 2022 and 2021

Medical College of Virginia Foundation

Financial Statements
Years Ended June 30, 2022 and 2021

Medical College of Virginia Foundation

Contents

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

Board of Trustees
Medical College of Virginia Foundation
Richmond, Virginia

We have audited the accompanying financial statements of the **Medical College of Virginia Foundation** ("the Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibility 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 GAAS 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 GAAS, 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 the 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 the 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.

BDO USA, LLP

August 31, 2022

Financial Statements

Medical College of Virginia Foundation

Statements of Financial Position

(in thousands)

June 30,		**2022**		2021
Assets				
Operating investments				
Cash and cash equivalents	$	**13,819**	$	23,250
Short-term investments		**101,066**		108,267
Total operating investments		**114,885**		131,517
Pledges receivable, current		**6,509**		7,639
Total current assets		**121,394**		139,156
Endowment cash		**21,489**		26,202
Endowment long-term investments		**670,894**		695,225
Total endowment investments		**692,383**		721,427
Pledges receivable, non-current, net		**5,129**		9,656
Funds held for others		**2,077**		2,227
Other assets		**6,976**		8,870
Total assets	$	**827,959**	$	881,336
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	**1,477**	$	1,726
Funds held for others		**2,077**		2,227
Obligations under split-interest agreements		**1,371**		1,547
Debt service obligation		**2,920**		3,825
Total liabilities		**7,845**		9,325
Commitments and contingencies				
Net assets				
Without donor restrictions				
Board designated		**66,732**		63,477
Other		**18,409**		26,106
		85,141		89,583
With donor restrictions				
Time and/or purpose		**445,308**		511,740
Perpetuity		**289,665**		270,688
		734,973		782,428
Total net assets		**820,114**		872,011
Total liabilities and net assets	$	**827,959**	$	881,336

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Activities

(in thousands)

Year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support (losses):			
Contributions	$ -	$ 36,038	$ 36,038
Program services and other revenue	13	1,781	1,794
Change in split interest agreements	-	(1,114)	(1,114)
Gain on investments, net	259	2,367	2,626
Realized and unrealized losses on investments	(4,675)	(51,132)	(55,807)
Total revenue, gains and other support (losses)	(4,403)	(12,060)	(16,463)
Net assets released from restrictions	29,747	(29,747)	-
Net assets transferred/reinvested	5,648	(5,648)	-
Expenses:			
Program services	30,548	-	30,548
Supporting services:			
Management and general	4,054	-	4,054
Fundraising	832	-	832
Total supporting services	4,886	-	4,886
Total expenses	35,434	-	35,434
Change in net assets	(4,442)	(47,455)	(51,897)
Net assets, beginning of year	89,583	782,428	872,011
Net assets, end of year	$ 85,141	$ 734,973	$ 820,114

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Activities

(in thousands)

Year ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ -	$ 53,161	$ 53,161
Program services and other revenue	23	3,701	3,724
Change in split interest agreements	-	727	727
Income on investments, net	242	2,335	2,577
Realized and unrealized gains on investments	20,599	193,134	213,733
Total revenue, gains and other support	20,864	253,058	273,922
Net assets released from restrictions	31,813	(31,813)	-
Net assets transferred/reinvested	5,303	(5,303)	-
Expenses:			
Program services	32,823	-	32,823
Supporting services:			
Management and general	3,836	-	3,836
Fundraising	898	-	898
Total supporting services	4,734	-	4,734
Total expenses	37,557	-	37,557
Change in net assets	20,423	215,942	236,365
Net assets, beginning of year	69,160	566,486	635,646
Net assets, end of year	$ 89,583	$ 782,428	$ 872,011

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Functional Expenses

(in thousands)

Year ended June 30, 2022	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 5,773	$ 2,955	$ 75	$ 3,030	$ 8,803
Education, research and general	17,763	-	-	-	17,763
Scholarships and awards	5,494	-	-	-	5,494
Indigent patient care	28	-	-	-	28
Fundraising program support	776	-	-	-	776
Professional fees	-	159	-	159	159
Office expenses	-	202	28	230	230
Publications	-	-	256	256	256
Public relations	-	-	68	68	68
Advertising	-	-	316	316	316
Information systems	-	118	-	118	118
Insurance expense	-	44	-	44	44
Meetings and events	-	263	7	270	270
Other expenses	714	38	82	120	834
Expenses before depreciation	30,548	3,779	832	4,611	35,159
Depreciation	-	275	-	275	275
Total functional expenses	$ 30,548	$ 4,054	$ 832	$ 4,886	$ 35,434

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Functional Expenses

(in thousands)

Year ended June 30, 2021	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 4,807	$ 2,873	$ 26	$ 2,899	$ 7,706
Education, research and general	21,884	-	-	-	21,884
Scholarships and awards	5,142	-	-	-	5,142
Indigent patient care	118	-	-	-	118
Fundraising program support	599	-	-	-	599
Professional fees	-	125	-	125	125
Office expenses	-	159	26	185	185
Publications	-	-	308	308	308
Public relations	-	-	80	80	80
Advertising	-	-	334	334	334
Information systems	-	108	-	108	108
Insurance expense	-	34	-	34	34
Meetings and events	-	113	31	144	144
Other expenses	273	174	93	267	540
Expenses before depreciation	32,823	3,586	898	4,484	37,307
Depreciation	-	250	-	250	250
Total functional expenses	$ 32,823	$ 3,836	$ 898	$ 4,734	$ 37,557

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statements of Cash Flows

(in thousands)

Years ended June 30,	**2022**	2021
Cash flows from operating activities:		
Change in net assets	$ **(51,897)**	$ 236,365
Adjustments to reconcile net change in net assets to net cash used in operating activities:		
Depreciation	**275**	250
Contributions restricted for endowment	**(19,020)**	(33,010)
Net unrealized and realized losses (gains) on investments	**55,807**	(213,733)
Changes in operating assets and liabilities:		
Decrease in pledges receivable, net	**5,657**	7,535
Decrease (increase) in other assets	**1,717**	(851)
(Decrease) increase in accounts payable and accrued expenses	**(249)**	931
Net cash used in operating activities	**(7,710)**	(2,513)
Cash flows from investing activities:		
Purchases of property and equipment	**(98)**	(98)
Purchases of investments, net	**(19,562)**	(15,660)
Net cash used in investing activities	**(19,660)**	(15,758)
Cash flows from financing activities:		
Payments on debt service obligation	**(905)**	(655)
Contributions restricted for endowment	**19,020**	33,010
Obligations on split interest agreements	**(176)**	(250)
Net cash provided by financing activities	**17,939**	32,105
Net (decrease) increase in operating investments cash and cash equivalents	**(9,431)**	13,834
Cash and cash equivalents operating investments		
Beginning of the year	**23,250**	9,416
End of the year	$ **13,819**	$ 23,250
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ **79**	$ 147

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

The mission of the Medical College of Virginia Foundation (the "Foundation") is to inspire, secure and steward philanthropic resources for our Medical College of Virginia (MCV) campus partners: Virginia Commonwealth University (VCU) College of Health Professions, VCU School of Dentistry, VCU School of Medicine, VCU School of Nursing, VCU School of Pharmacy, VCU Massey Cancer Center and VCU Medical Center. This mission is achieved by fundraising, marketing communications, receiving contributions, investing and managing funds, disbursing current funds and a portion of the total return on endowment, and providing information about the activities of MCV and the Foundation.

In October, 2017, the Foundation organized a limited liability company in the name of MCVF Holdings, LLC ("the LLC") to facilitate real estate donations. The LLC is managed solely by the Foundation. The LLC was organized and shall be operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal tax statute, by supporting the charitable and educational activities of the Foundation. No transactions have transpired within the LLC since its inception.

The significant accounting policies followed by the Foundation are described below.

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which include the use of the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Basis of Presentation

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

> *Net assets without donor restrictions* - net assets without donor restrictions represent contributions and the accumulated expendable net income earned on contributions that have not been restricted by donor stipulations. Net assets without donor restrictions also include the Foundation's real and personal property, as well as, board designated net assets. Board designated net assets represent contributions with no donor stipulations as to their purpose which the Foundation's Board of Trustees has invested to provide income for a long but unspecified period of time. Income from board designated net assets is used to support the various programs of the Foundation, including the servicing of the bond obligation. Income earned from Board designated net assets and used to pay interest expense on the bond obligation amounted to $78,618 and $146,724 for the year ended June 30, 2022 and 2021, respectively.

Net assets with donor restrictions – net assets with donor restrictions are contributions with donor-imposed time or purpose restrictions. Net assets with donor restrictions also include contributions with donor stipulations as to their purposes that the Foundation’s Board of Trustees has invested to provide income for a long but unspecified period of time. The income provided from these long-term investments is used in accordance with the donor-specified purposes. Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or when the funds are used for their restricted purposes, and are reported in the statements of activities as net assets released from restrictions.

Net assets with donor restrictions also represent endowment funds to be held in perpetuity. Income from these restricted net assets is recorded until used in accordance with donor stipulations. These donor stipulations generally provide that unexpended restricted income is managed in accordance with the Foundation’s investment policy. Income from perpetual endowments that have no donor stipulations is expended for Foundation purposes at the direction of the Board of Trustees. Net assets transferred / reinvested presented within the statement of activities represents the Foundation’s management fees related administration of the endowment and operating investments.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers cash and cash equivalents to include cash in banks and investments in commercial paper and money market funds in the operating investments with an original maturity of three months or less when purchased. The carrying amount approximates fair value because of the short maturity of those investments. Temporary cash investments in the endowment pool are not considered cash equivalents as the pool is not considered by the Foundation to be liquid.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Foundation places its cash and cash equivalents with financial institutions located in Richmond, Virginia. At times, these balances are in excess of the FDIC insurance limits. Pledges receivable are from individuals, corporations and foundations located primarily in the United States. The Foundation believes its credit risk related to these pledges receivable is limited due to the nature of its donors.

Liquidity and Availability of Funds

The Foundation’s 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, are as follows (in thousands):

	2022	2021
Cash and cash equivalents	**$ 1,041**	$ 1,034
Short-term investments	**7,637**	6,922
	$ 8,678	$ 7,956

The assets listed in the table above are used for general expenditures without any restrictions of the Foundation, which may include expenses for campus programs, general and administrative expenses and fundraising expenses.

The Foundation's liquidity policies and procedures are designed to make financial assets available as expenditures, liabilities and other obligations become due. Assets used to cover program expenses from funds with donor restrictions are maintained in an interest-bearing checking account and a highly liquid short-term investment account. Funds in these accounts are generally available for current expenditures within one business day for the checking account and within 30 business days for the short-term investment account. Liquid assets available for expenditures from funds with donor restrictions at June 30, 2022 was $115.0 million and June 30, 2021 was $132.0 million.

Investments

Investments are reported at fair value based on quoted market prices or, in the case of alternative investments, at estimated fair values provided by the fund managers, or general partners based on quoted market prices, if available, at estimated fair value utilizing net asset values, or other valuation methods. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, net asset value, in many instances may not equal fair value that would be calculated pursuant to FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*.

The cost assigned to investments received by gift is the fair value at the date the gift is received. Unrealized and realized gains and losses are included in the accompanying statements of activities. Investment earnings are reported net of related expenses, such as custodial, commission, and investment advisory fees.

The Foundation records investments in equity securities with a readily determinable fair market value and all investments in debt securities at fair values with gains and losses included in the statements of activities. The Foundation reports investments in securities at published or confirmed market values. Certain limited partnership investments have no readily determinable market value and are valued at fair value estimated by the general partners. Because of the inherent uncertainty of valuation, it is possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with concentrations of investments in one geographic region or certain industries. The limited partnership's ability to liquidate certain investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' securities.

Due to the nature of certain investments, fair market value information is reported in the accompanying financial statements for the periods ended March 31, 2022 and 2021. These assets are invested through Bespoke Private Strategies, LLC, Elliot International Limited and Stonelake Opportunity Partners III, LLC in private investments, real estate funds, and absolute strategies which are not actively traded on public markets and therefore a quarter lag exists in the valuation of these assets. The investments are subjected to audit by various accounting firms with a December 31 fiscal year end. However, the investment statements for the quarter ending June 30, 2022 and 2021 were not available at the time the Foundation's statements were issued. The fair value of these assets at March 31, 2022 plus contributions, less distributions, for the period from April 1, 2022 to June 30, 2022 was approximately $267,158,000. The fair value of these assets at March 31, 2021 plus contributions, less distributions, for the period from April 1, 2021 to June 30, 2021 was approximately $202,993,000.

Operating Investments

The operating investments consists of net assets with donor restrictions that have been derived from contributions for current purposes. The Foundation allocates income annually to each individual fund based on the previous year's earnings. Gains or losses realized are offset against or added to net interest income each year.

Endowment Investments

The financial objective of the endowment, as adopted by the Board of Trustees, is to protect the future purchasing power of the portfolio while providing a stable amount available from the endowment for spending.

An allocable portion of the administrative costs relating to the operating investments held by the Foundation is reimbursed from the endowment investments. The costs of providing investment and other administrative activities have been reported on a functional basis. Accordingly, certain costs have been allocated among the individual funds, both with donor restrictions and without donor restrictions.

Life Income Investments

Gifts in which the Foundation has an irrevocable interest, but that are held in trust and administered by outside agents, have been recorded as gifts with donor restrictions based on the donor stipulations and reported as life income investments. Upon termination of the life interests in the trust, the remainder will be distributed to the Foundation. The life income investments are valued using present value and actuarial techniques to estimate present value of expected future cash flows.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from the observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should utilize valuation models.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs, when available. The hierarchy gives the highest priority to unadjusted quote prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are defined as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation inputs may include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Investments that are included in this category generally include investments in limited partnerships and private equity investments.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

Some of the Foundation's investments may be illiquid and the Foundation may not be able to value the portfolio in responses to changes in economic and other conditions. Some of the investments that are purchased or sold are traded in private, unregistered transactions and are therefore subject to restrictions or resale or otherwise have no established trading market. In addition, should the Foundation be required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which its previously recorded those investments.

Investments valued at Net Asset Value - The Foundation reports certain investments using NAV per share as determined by investment managers under the so called "practical expedient". The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria using this method are met. These investment funds are held as units or interest in institutional funds or limited partnerships, which are stated at NAV or its equivalent. The Foundation uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold at an amount different than NAV. Pursuant to ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*, the Foundation has not categorized these investments in levels within the fair value hierarchy table.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. An allowance is made for uncollectible pledges based on management's judgment and analysis of past collection experience, creditworthiness of donors and other relevant factors.

Funds Held for Others

Funds held for others represent funds received and held by the Foundation as a fiscal agent for others. These funds are entrusted to the Foundation only for the purpose of receiving, holding, investing and disbursing them according to a written agreement that contains the conditions and restriction of the donor or organization that transferred the funds to the Foundation. Expenses and investment income, including investment gains and losses, related to these accounts are not included in the statements of activities. At June 30, 2022 and 2021, the Foundation held assets totaling $1,832,092 and $1,969,572, respectively, on behalf of the VCU Intellectual Property Foundation. At June 30, 2022 and 2021, the Foundation held assets totaling $244,970 and $257,346, respectively, on behalf of the Pan American Trauma Society.

Property and Equipment

Property and equipment, included in other assets, are recorded at cost for purchased items and at fair value for contributed items. The property and equipment balances at years ended June 30, 2022 and 2021 are principally comprised of the *National Register of Historic Places* William Beers House which is valued at $1,125,000 and the William Beers house land valued at $217,000. The remaining net property and equipment balances totaling approximately $310,000 and $450,000 at June 30, 2022 and 2021, respectively, comprises furniture, equipment and software purchased by the Foundation. Acquisition of fixed assets with a cost less than $5,000 are expensed as acquired. Management believes that this policy has an immaterial effect on the Foundation's financial statements. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Useful lives range between three and ten years.

Impairment of Long-Lived Assets

The Foundation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the accompanying statements of activities, to its current fair value.

Split-Interest Agreements

Certain donors have contributed assets to the Foundation and in exchange the donor or other beneficiaries will receive a fixed amount or percentage of assets over their lifetime. The present values of these commitments are liabilities and are classified as obligations under split interest agreements in the accompanying statements of financial position. To determine the actuarial liability, a discount rate of 1.78 percent and 0.68 percent was used for the years ended June 30, 2022 and 2021, respectively. The related assets are classified in the other assets in the accompanying statements of financial position. In November 2019, a reserve fund of $500,000 was established in the annuity investment for the purpose of protecting any future underwater contracts.

Endowment

FASB ASC Topic 958-205, *Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment, donor-restricted term endowments, and the funds designated by the Board of Trustees to function as endowments funds for not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Foundation is subject to the Commonwealth of Virginia's UPMIFA and has adopted FASB ASC Topic 958-205, as required. The Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the cost basis of the original gift at the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, plus any amounts reinvested into the fund through the Foundation's reinvestment process. 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 and (b) the original value of subsequent gifts to the permanent endowment. At times, gifts are donated as an addition to an existing permanent endowment for immediate expenditure, and therefore are classified as temporarily restricted. The remaining portion of the donor-restricted endowment fund that is not classified in 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.

The associated gains and income on donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investing and Spending Policies

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, donor-restricted term endowments, and board-designated endowments. The Foundation invests the endowment assets in a long-term investment pool. 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.

The primary financial objective of the investment policy is to protect capital and grow investment assets to cover projected draws adjusted for inflation. The primary investment objective of the investment policy, as approved by the Board of Trustees, is the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Foundation's spending and investment policies work together to achieve this objective.

Expenses for donor-restricted term endowments and board-designated endowments are charged to the endowments as incurred. The Foundation's spending policy governs the use of resources in the various donor-restricted endowed funds for program expenses and administrative costs. Endowment funds are used for the specified purpose, or over the specified time period, as indicated by the donor.

The Board of Trustees has concluded that payout amounts will equal 70% of the previous year's spending amount, adjusted for inflation by the Higher Education Price Index (HEPI) for the twelve months prior to the start of the fiscal year. In addition, 30% will be equal to 4.25% for both the years ended June 30, 2022 and 2021, respectively of the trailing three-year average market value of the endowment investment pool.

Distributions of this spending amount are based upon the number of units of participation assigned to individual funds in the pool. Draws are used solely for the purposes set forth by the donor in the gift instrument, subject to the submission of a budget that has been reviewed and endorsed by executive management and approved by the Foundation's Audit Committee. Spending on gifts received in the previous fiscal year receive a pro-rated amount based on the number of whole months each gift was included in the fund. The Foundation has adopted a maximum per unit ceiling for annual endowment spending of 4.25 percent for each of the years ended June 30, 2022 and 2021. 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 that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Classification by Individual Fund

Foundation accounts are established by donors to support specific purposes, such as scholarships, research, or faculty positions. These accounts are identified as individually named funds. Perpetual endowment and long-term investment funds may bear a commemorative name assigned by the donor(s). Contributions for current purposes will be expended in their entirety over a finite period of time and are generally not assigned a commemorative name.

Revenue Recognition

Contributions are reported in accordance with FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before the Foundation is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise. The Foundation had no conditional contributions outstanding as of June 30, 2022.

Contributed Services

A substantial number of unpaid volunteers make significant contributions of their time to enhance the Foundation's programs. Contributed services received should be recognized if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. The value of this contributed time is not subject to objective measurement or valuation and does not meet the stated criteria, therefore the Foundation does not record such value in its financial statements since the criteria for recognition is not met in accordance with ASC Topic 958-605-25, *Not-For-Profit Entities-Revenue Recognition*.

Certain Foundation and VCU school personnel provide shared services between entities. The net contributed services for the years ended June 30, 2022 and 2021, were not material and have been reflected in the revenue and expenses in the statements of activities.

Recent Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The Foundation adopted ASU 2020-07 during the year ended June 30, 2022 under the retrospective basis. The adoption of the ASU had no material impact on the financial statements for the year end June 30, 2022.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. The guidance is effective for the Foundation for the fiscal year ending June 30, 2023. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Foundation continues to evaluate the effect that adoption of ASU 2016-02 will have on the Foundation's financial statements.

Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The Foundation charges direct expenses incurred for a specific function directly to the program or the supporting service category. These costs are those that can be identified as being incurred specifically for the activities of that program or supporting service.

Expenses

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Management Fees

Investment income on the operating and endowment investments is reported net of identifiable management fees based on information provided by the investment managers.

Advertising

The Foundation expenses general advertising costs as incurred. Total advertising costs expensed during the years ended June 30, 2022 and 2021, were $316,000 and $334,000, respectively.

2. Tax Status

The Foundation has qualified as an exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Foundation follows the provisions of ASC Topic 740-10, *Income Taxes*. Management has evaluated the effect of uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2022 and 2021. The Foundation is not currently under audit by any tax jurisdiction. The Foundation is no longer subject to U.S. federal or state examinations by tax authorities for years before fiscal year ended June 30, 2019.

3. Pledges Receivable

Net pledges receivable, in the accompanying statements of financial position, include the following unconditional promises to give at June 30 (in thousands):

		2022		2021
Amounts due in:				
Less than one year	**$**	**6,509**	$	7,639
One to five years		**5,991**		11,303
More than five years		**652**		7
Subtotal		**13,152**		18,949
Less: allowance for uncollectible accounts and discount to present value		**(1,514)**		(1,654)
Subtotal		**11,638**		17,295
Less: current portion of pledges receivable		**(6,509)**		(7,639)
Non-current portion of pledges receivable	**$**	**5,129**	$	9,656

The discounts on those amounts are computed using a risk-free interest rate of 3.14 percent and 2.06 percent at June 30, 2022 and 2021, respectively. Amortization of the discount, which management deemed immaterial for disclosure, is included in contributions revenue.

4. Other Assets

Other assets are as follows at June 30 (in thousands):

		2022		2021
Life income investments	**$**	**2,283**	$	3,016
Property and equipment, net of $1,757 and $1,482, respectively, of accumulated depreciation		**1,652**		1,829
Life insurance receivables		**452**		562
Annuities		**2,304**		3,320
Other assets		**285**		143
	$	**6,976**	$	8,870

The Foundation is a remainder beneficiary of several irrevocable charitable remainder unitrust agreements ("Unitrusts"), which are included as a component of life income investments in the table above. Under the agreements, the assets of the trust are contributed to the Foundation upon the death of the donor and/or donor's spouse. Such Unitrust assets are held and maintained by third-party trustees until such time arises.

Unitrusts generally pay an annual benefit to the trust grantors throughout their lives based on a percentage of the fair value of the trust's assets each year as defined by the trust agreement.

5. Investments

Investments, at fair value, consist of the following at (in thousands):

June 30,	**2022**	2021
Alternative investments	$ **360,553**	$ 430,239
Private investments	**243,444**	182,799
Fixed income securities	**123,115**	131,942
Equities	**43,097**	56,978
Cash and cash equivalents	**37,059**	50,986
	807,268	852,944
Less: short-term investments	**(114,885)**	(131,517)
Total	$ **692,383**	$ 721,427

The following schedule summarizes the investment return (in thousands):

Years ended June 30,	**2022**	2021
Interest and dividends, net	$ **2,626**	$ 2,577
Unrealized (losses) gains	**(63,336)**	197,703
Realized gains	**7,529**	16,030
Total investment return, net	$ **(53,181)**	$ 216,310

Short-term operating investments are composed of the following at June 30 (in thousands):

	2022	2021
Fixed income securities	$ **89,212**	$ 94,724
Equities	**11,854**	13,543
Cash and cash equivalents	**13,819**	23,250
	$ **114,885**	$ 131,517

Long-term investments in the endowment are composed of the following at June 30 (in thousands):

	2022	2021
Alternative investments	**$ 360,553**	$ 430,239
Private investments	**243,444**	182,799
Fixed income securities	**33,903**	37,218
Equities	**31,243**	43,435
Cash and cash equivalents	**23,240**	27,736
	$ 692,383	$ 721,427

6. Fair Value Instruments

Fair Value on a Non-Recurring Basis

The fair value of the Foundation's financial instruments that are not measured at fair value on a recurring basis as of the year ended June 30 (in thousands):

	2022		2021	
Description	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Pledges receivable	**$ 11,638**	**$ 13,152**	$ 17,295	$ 18,949
Liabilities:				
Debt service obligations	**$ 2,920**	**$ 2,920**	$ 3,825	$ 3,825

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value given the short-term nature of the financial instruments or conversely based a non-recurring assessment of fair value:

Pledges receivable: Contributions receivable are recorded at fair value when the notice of intent is received. The fair value of contributions receivable is estimated by discounting the estimated future cash flows to their present values, using the risk-free rates of interest at the date of the respective statements of financial position.

Debt service obligation: The fair value of the Foundation's note payable has been estimated based on remaining maturities and variable interest rate of the note payable. Also see Note 7.

Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at June 30, 2022, include the following (in thousands):

	As of June 30, 2022				
	Assets Measured At Net Asset Value	Fair Value Hierarchy Level			
Description		Level 1	Level 2	Level 3	Total
Alternative investments					
Absolute strategies	$ 77,969	$ -	$ -	$ 14,513	$ 92,482
Hedged equity	76,148	-	-	33,148	109,296
Long only equity					
Domestic equity	15,975	-	7,870	-	23,845
Global equity	13,987	-	21,060	-	35,047
International equity	68,794	-	24,618	6,471	99,883
Private investments					
Absolute strategies	-	-	-	5,772	5,772
Private investments	-	-	-	234,215	234,215
Real estate	2,211	-	-	1,246	3,457
Fixed income securities					
Corporate obligations	-	-	16,457	-	16,457
Mortgage and asset-backed securities	-	-	21,303	-	21,303
Municipal obligations	-	-	132	-	132
U.S. Govt obligations and agency bonds	-	-	85,223	-	85,223
Equities					
Domestic equity	-	24,203	-	-	24,203
Large cap	-	-	11,854	-	11,854
Long only equity	7,040	-	-	-	7,040
Cash and cash equivalents					
Cash	-	35,308	-	-	35,308
STIF & money market funds	-	1,751	-	-	1,751
Total investments	$ 262,124	$ 61,262	$ 188,517	$ 295,365	$ 807,268
Funds held for others	$ -	$ 2,077	$ -	$ -	$ 2,077
Annuities	$ -	$ 2,304	$ -	$ -	$ 2,304
Liabilities					
Obligations under split-interest agreements	$ -	$ -	$ 1,371	$ -	$ 1,371
Funds held for others	$ -	$ -	$ 2,077	$ -	$ 2,077

*Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2021, include the following (in thousands):

	As of June 30, 2021				
	Assets Measured At Net Asset Value	Fair Value Hierarchy Level			
Description		Level 1	Level 2	Level 3	Total
Alternative investments					
Absolute strategies	$ 80,089	$ -	$ -	$ 9,126	$ 89,215
Hedged equity	91,147	-	-	29,114	120,261
Long only equity					
Domestic equity	35,974	-	10,680	-	46,654
Global equity	13,831	-	27,236	-	41,067
International equity	89,231	-	32,289	11,522	133,042
Private investments					
Absolute strategies	-	-	-	5,357	5,357
Private investments	-	-	-	174,325	174,325
Real estate	2,347	-	-	770	3,117
Fixed income securities					
Corporate obligations	-	-	19,473	-	19,473
Mortgage and asset-backed securities	-	-	20,968	-	20,968
Municipal obligations	-	-	164	-	164
U.S. Govt obligations and agency bonds	-	-	91,337	-	91,337
Equities					
Domestic equity	-	9,958	-	-	9,958
Equity securities	-	19,981	-	-	19,981
Foreign common & ADR	-	2,814	-	-	2,814
Large cap	-	-	13,543	-	13,543
Long only equity	9,707	-	-	-	9,707
Real estate investment trusts	-	975	-	-	975
Cash and cash equivalents					
Cash	-	49,452	-	-	49,452
STIF & money market funds	-	1,534	-	-	1,534
Total investments	$ 322,326	$ 84,714	$ 215,690	$ 230,214	$ 852,944
Funds held for others	$ -	$ 2,227	$ -	$ -	$ 2,227
Annuities	$ -	$ 3,320	$ -	$ -	$ 3,320
Liabilities					
Obligations under split-interest agreements	$ -	$ -	$ 1,547	$ -	$ 1,547
Funds held for others	$ -	$ -	$ 2,227	$ -	$ 2,227

*Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Net Asset Value per Share

In accordance with FASB ASU 2009-12, the Foundation expanded disclosure to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable. The table below presents investments valued at NAV as of June 30, 2022 (in thousands):

Classification		Redemption Terms	Unfunded Commitments	Notice Period (Days)
Absolute strategies (a)	$ **77,969**	Quarterly, Semi-Monthly, Semi-Annually, Annually, Every 2 Years	$ 4,500	15-120 days
Hedged equity (b)	**76,148**	Quarterly, Semi-Annually, Illiquid	-	60-90 days; Illiquid
Domestic equity (c)	**23,015**	Daily, Quarterly, Every 3 years	-	1-60 days
Global equity (d)	**13,987**	Quarterly	-	60-90 days
International equity (e)	**68,794**	Daily, Quarterly, Annually, Every 4 Years	-	14-120 days
Real estate (f)	**2,212**	Illiquid	-	Illiquid
Total at NAV	$ **262,124**		$ 4,500	

(a) Absolute strategies seek to generate strong positive investment returns while exhibiting lower volatility than the portfolio in aggregate. Absolute strategies employ event-driven and/or value driven investment styles to produce returns which may include credit-oriented investments or multi-strategy investments as well as global, domestic only and international only strategies. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

(b) Hedged equity includes investments in hedge funds that invest both long and short in various domestic and international common stocks. Management of the hedge fund has the ability to shift from value to growth strategies, from small to large capitalization, and from a net short position to a net long position. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

(c) Domestic equity includes both passive and active strategies specific to the United States. Passive strategies can include, but are not limited to, index funds, ETFs, swaps and other derivative products utilized to add or reduce the directionality beta of the portfolio. Active strategies will seek to generate additional return relative to market. Active domestic equity investment strategies can include long-only and long-biased managers encompassing direct manager relationships, equity funds of funds and funds of hedge funds. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

(d) Global equity includes both passive and active strategies. Passive strategies can include, but are not limited to, index funds, ETFs, swaps and other derivative products utilized from time to time to add or reduce the directionality beta of the portfolio. Active strategies will seek to generate additional return relative to market. Active equity investment strategies can include long-only and long-biased managers encompassing direct manager relationships, equity funds of funds and funds of hedge funds. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

(e) International equity includes investments in developed international, or emerging international markets focus, but global strategies may also be employed and limited private investments may occur. International equity may include both passive and active equity strategies as well as derivative strategies. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

(f) Real estate investments are designed to provide equity-like returns while providing a hedge against inflationary pressures. Real estate investments include public or private real estate. Typically invested in illiquid structures with a long-time horizon. The redemption policies of each fund vary within the terms stated as to the conditions set forth within the offering memorandum of the respective investment.

Level 3 Gains and Losses

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), a reconciliation is required of the beginning and ending balances, separately, for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's investment assets measured at fair value on a recurring basis using significant unobservable inputs (in thousands):

		Total
Balance at June 30, 2020	$	148,572
Transfers from NAV to Level 3		-
Purchases		17,988
Sales		(21,467)
Unrealized gains		85,121
Fees		-
Balance at June 30, 2021	$	230,214
Transfers from NAV to Level 3		**-**
Purchases		**26,629**
Sales		**(11,934)**
Unrealized gains		**50,590**
Fees		**(134)**
Balance at June 30, 2022	**$**	**295,365**

Level 3 Unfunded Commitments

Private investments, real estate and absolute strategies had unfunded commitments of approximately $94,045,000, $765,000 and $11,572,000, respectively at June 30, 2022.

Liquidity Considerations

The Foundation's investments classified as Level 3 and those measured at NAV are subject to restrictions on the frequency of redemptions. At June 30, 2022 and 2021, the redemption limits and related amounts were as follows (in thousands):

June 30,	2022	2021
Daily	**$ 13,743**	$ 19,748
Semi-Monthly	**9,303**	10,085
Quarterly	**161,472**	172,833
Semi-Annually	**44,637**	53,348
Annually	**47,307**	54,953
Every 2 years	**19,570**	22,199
Every 3 years	**7,866**	24,804
Every 4 years	**6,775**	10,697
Illiquid investments	**246,816**	183,873
	$ 557,489	$ 552,540

7. Debt Service Obligation

On September 15, 2003, the Foundation entered into the Massey Cancer Center Development and Financing Agreement (the "Agreement") with Virginia Commonwealth University ("VCU"). The Agreement set forth the plan for the construction of an addition to the Massey Cancer Center and the financing mechanisms to be used to fund the construction. Included in the financing were tax-exempt general revenue pledge bonds in the amount of $13,500,000 that were issued by Virginia College Building Authority. The debt agreement has non-financial covenants as defined in the agreement. VCU is responsible for fulfilling the debt service requirements of the bonds; however, in the Agreement, the Foundation unconditionally agreed to pay to VCU an amount equal to all debt service on the bonds in semi-annual installments. During 2022 and 2021, total debt service payments, including variable interest charged at a rate of 2.7 percent and 3.83 percent, amounted to $983,618 and $956,724, respectively.

The present values of future maturities of the debt service obligation, which expires on September 1, 2025, are as follows at June 30, 2022 (in thousands):

Years ending June 30,	
2023	$ 985
2024	970
2025	965
	$ 2,920

8. Net Assets

Net assets with donor restrictions are available for the following purposes at June 30 (in thousands):

		2022		2021
Subject to expenditure for specified purpose:				
Funds to support current operations and ongoing investment to support MCV schools and departments	$	**232,171**	$	267,519
Subject to the passage of time:				
Funds to support operations and ongoing investment to support MCV schools and departments		**11,638**		17,295
Subject to endowment spending policy and appropriation:				
Permanently restricted endowment gifts required to be retained by donor to support ongoing operations of MCV schools and departments		**289,665**		270,688
Accumulated investment gains on endowment funds		**201,499**		226,926
	$	**734,973**	$	782,428

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time releasing time restrictions as follows (in thousands):

		2022		2021
Faculty salaries and support	$	**5,773**	$	4,669
Education, research, and general		**17,763**		21,884
Scholarships and awards		**5,469**		5,142
Indigent patient care		**28**		118
Other		**714**		-
	$	**29,747**	$	31,813

9. Other Matters

Contributions totaling $1,415,721 and $1,336,643 were received during the years ended June 30, 2022 and 2021, respectively, from certain related-party private practice groups to be used for the benefit of specific departments of MCV with $1,375,721 and $730,143 included in purpose restricted funds and $40,000 and $606,500 in permanently restricted endowment gifts, respectively. Other revenue totaling $0 and $2,500,000 were received during the years ended June 30, 2022 and 2021, respectively, from MCV Hospitals for the Value and Efficiency Teaching and Research (VETAR) Fund to support academic and research programs in the School of Medicine.

The Foundation has an institutional advisory services agreement with an investment advisory firm partially owned by one of its now former board members, who resigned from the board in March 2020. The Foundation paid $993,492 and $856,413 in 2022 and 2021, respectively, under this agreement to the investment advisory firm. In addition, the Foundation paid $152,330 and $6,000 in 2022 and 2021, respectively, to a firm partially owned by one of its board members to perform recruiting and accounting services.

Risk and Uncertainties

The Foundation's financial condition, operations, and liquidity have not been significantly impacted by the global pandemic. The global pandemic of COVID-19 continues to rapidly evolve, and the Foundation will continue to monitor the COVID-19 situation closely. Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse impact on the Foundation's results of future operations, financial position, and liquidity in fiscal year 2023.

10. Retirement Plans

Effective July 1, 2008, the Foundation established a 401(k) Plan (the "Plan") to provide retirement benefits to its employees. Employees may contribute up to 100% of their annual compensation to the Plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service (IRS). The Plan provides a 5% safe harbor, non-elective contribution and a 5% profit sharing contribution, equal to 10% of each employee's compensation. All safe harbor non-elective contributions, discretionary matching and profit-sharing contributions vest immediately. The Foundation made 401(k) contributions of $204,021 for the year ended June 30, 2022 and had $17,497 accrued at June 30, 2022. The Foundation made 401(k) contributions of $201,632 for the year ended June 30, 2021 and had $18,235 accrued at June 30, 2021.

The Foundation established a self-administered 457(b) deferred compensation plan effective January 1, 2019 that allows the Foundation to address a contractual commitment to an employee by contributing to the 457(b) plan once the IRS maximum contribution amount has been reached in the 401(k) plan. The total accrued 457(b) plan liability for the fiscal year ended June 30, 2022 and June 30, 2021 was $29,533 and $22,892, respectively.

11. Endowment Funds

At June 30, 2022 and 2021, the Foundation's endowment consists of 1,210 and 1,164, respectively, individual named funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds with Deficits

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. The funds identified had a fair value of $20,849,162 and $2,656,671 and original gifts of $24,066,724 and $3,093,127 at June 30, 2022 and 2021, respectively. In accordance with U.S. GAAP, deficiencies of this nature that are reported in assets without donor restrictions were $(3,217,562) and $(436,456) at June 30, 2022 and 2021, respectively. These deficiencies resulted largely from unfavorable market fluctuations that occurred after the establishment of the endowments. The Foundation's policy is to apply its spending policy to the underwater endowments consistent with all other endowments.

Endowment net asset composition

By type of fund was as follows at June 30, 2022 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	**$ 66,732**	**$ -**	**$ 66,732**
Donor-restricted endowments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	**-**	**289,665**	**289,665**
Accumulated investment gains	**-**	**201,499**	**201,499**
Total funds	**$ 66,732**	**$ 491,164**	**$ 557,896**

Changes in endowment net assets were as follows for the year ended June 30, 2022 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ 63,477**	**$ 497,614**	**$ 561,091**
Investment loss, net	**(4,306)**	**(32,114)**	**(36,420)**
Contributions and other income	**-**	**19,020**	**19,020**
Transfers	**8,263**	**21,581**	**29,844**
Appropriation of endowment assets for expenditure	**(702)**	**(14,937)**	**(15,639)**
Endowment net assets, end of year	**$ 66,732**	**$ 491,164**	**$ 557,896**

By type of fund was as follows at June 30, 2021 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	$ 63,477	$ -	$ 63,477
Donor-restricted endowments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	270,688	270,688
Accumulated investment gains	-	226,926	229,926
Total funds	$ 63,477	$ 497,614	$ 561,091

Changes in endowment net assets were as follows for the year ended June 30, 2021 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 43,158	$ 343,169	$ 386,327
Investment return, net	20,295	141,809	162,104
Contributions and other income	24	32,302	32,302
Transfers	-	(13,232)	(13,232)
Appropriation of endowment assets for expenditure	-	(6,434)	(6,434)
Endowment net assets, end of year	$ 63,477	$ 497,614	$ 561,091

12. Commitments and Contingencies

From time to time, the Foundation is involved in litigation that it considers to be in the normal course of business. The Foundation is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition, results of operations, or cash flows.

13. Indemnification

The Foundation has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Foundation's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Foundation has a Director and Officer insurance policy that further limits its exposure and enables the Foundation to recover a portion of any future amounts paid.

14. Subsequent Events

In accordance with FASB ASC Topic 855, *Subsequent Events*, management has evaluated any events or transactions occurring after June 30, 2022, the statement of financial position date, through August 31, 2022, the date the financial statements were available to be issued, and noted that there have been no such events or transactions which would require adjustments to or disclosure in the Foundation's financial statements for the year ended June 30, 2022.