

Medical College of Virginia Foundation

Financial Statements
Years Ended June 30, 2025 and 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Medical College of Virginia Foundation

Financial Statements
Years Ended June 30, 2025 and 2024

Medical College of Virginia Foundation

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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, 2025 and 2024, 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, 2025 and 2024, 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 available to be issued.

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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, P.C.

September 10, 2025

Financial Statements

Medical College of Virginia Foundation

Statements of Financial Position

(in thousands)

<i>June 30,</i>	2025	2024
Assets		
Operating investments		
Cash and cash equivalents	\$ 11,975	\$ 2,402
Short-term investments	121,991	128,631
Total operating investments	133,966	131,033
Pledges receivable, current	3,311	2,460
Right-of-use asset - operating lease, current	320	-
Total current assets	137,597	133,493
Endowment cash	12,913	7,554
Endowment long-term investments	890,119	814,382
Total endowment investments	903,032	821,936
Pledges receivable, non-current, net	5,826	4,628
Funds held for others	2,655	2,416
Right-of-use asset - operating lease, non-current	1,502	-
Other assets	8,918	7,704
Total assets	\$ 1,059,530	\$ 970,177
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 5,210	\$ 4,150
Funds held for others	2,655	2,416
Obligations under split-interest agreements	1,237	1,267
Lease liability - operating lease	1,813	-
Debt service obligation	-	965
Total liabilities	10,915	8,798
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated	64,653	62,098
Other	12,818	10,751
	77,471	72,849
With donor restrictions		
Time and/or purpose	611,800	563,211
Perpetuity	359,344	325,319
	971,144	888,530
Total net assets	1,048,615	961,379
Total liabilities and net assets	\$ 1,059,530	\$ 970,177

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Activities

(in thousands)

<i>Year ended June 30, 2025</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 2	\$ 41,287	\$ 41,289
Program services and other revenue	295	26,915	27,210
Change in split interest agreements	-	439	439
Income on investments, net	414	5,600	6,014
Realized and unrealized gains on investments	6,225	87,653	93,878
Total revenue, gains and other support	6,936	161,894	168,830
Net assets released from restrictions	70,417	(70,417)	-
Expenses:			
Program services	73,540	-	73,540
Supporting services:			
Management and general	6,736	-	6,736
Fundraising	1,318	-	1,318
Total supporting services	8,054	-	8,054
Total expenses	81,594	-	81,594
Change in net assets before transfer	(4,241)	91,477	87,236
Net assets transferred	8,863	(8,863)	-
Change in net assets	4,622	82,614	87,236
Net assets, beginning of year	72,849	888,530	961,379
Net assets, end of year	\$ 77,471	\$ 971,144	\$ 1,048,615

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Activities

(in thousands)

<i>Year ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 1	\$ 35,037	\$ 35,038
Program services and other revenue	185	11,614	11,799
Change in split interest agreements	-	394	394
(Loss) income on investments, net	(5)	377	372
Realized and unrealized gains on investments	6,420	86,190	92,610
Total revenue, gains and other support	6,601	133,612	140,213
Net assets released from restrictions	57,492	(57,492)	-
Expenses:			
Program services	58,270	-	58,270
Supporting services:			
Management and general	5,634	-	5,634
Fundraising	1,258	-	1,258
Total supporting services	6,892	-	6,892
Total expenses	65,162	-	65,162
Change in net assets before transfer	(1,069)	76,120	75,051
Net assets transferred	7,307	(7,307)	-
Change in net assets	6,238	68,813	75,051
Net assets, beginning of year	66,611	819,717	886,328
Net assets, end of year	\$ 72,849	\$ 888,530	\$ 961,379

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Functional Expenses

(in thousands)

<i>Year ended June 30, 2025</i>	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 19,166	\$ 4,815	\$ 64	\$ 4,879	\$ 24,045
Education, research and general	44,063	-	-	-	44,063
Scholarships and awards	9,754	-	-	-	9,754
Fundraising program support	485	-	8	8	493
Professional fees	-	258	-	258	258
Office expenses	-	819	93	912	912
Publications	-	-	310	310	310
Public relations	-	-	205	205	205
Advertising	-	-	386	386	386
Information systems	-	325	-	325	325
Insurance expense	-	65	-	65	65
Meetings and events	-	175	250	425	425
Other expenses	72	15	2	17	89
Expenses before depreciation	73,540	6,472	1,318	7,790	81,330
Depreciation	-	264	-	264	264
Total functional expenses	\$ 73,540	\$ 6,736	\$ 1,318	\$ 8,054	\$ 81,594

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statement of Functional Expenses

(in thousands)

<i>Year ended June 30, 2024</i>	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 19,193	\$ 4,300	\$ 31	\$ 4,331	\$ 23,524
Education, research and general	29,746	-	-	-	29,746
Scholarships and awards	8,685	-	-	-	8,685
Fundraising program support	438	-	18	18	456
Professional fees	-	182	-	182	182
Office expenses	-	375	90	465	465
Publications	-	-	351	351	351
Public relations	-	-	147	147	147
Advertising	-	-	353	353	353
Information systems	-	305	-	305	305
Insurance expense	-	64	-	64	64
Meetings and events	-	233	264	497	497
Other expenses	208	41	4	45	253
Expenses before depreciation	58,270	5,500	1,258	6,758	65,028
Depreciation	-	134	-	134	134
Total functional expenses	\$ 58,270	\$ 5,634	\$ 1,258	\$ 6,892	\$ 65,162

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Statements of Cash Flows

(in thousands)

<i>Years ended June 30,</i>	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 87,236	\$ 75,051
Adjustments to reconcile net change in net assets to net cash used in operating activities:		
Depreciation and amortization	264	134
Noncash lease expense	232	-
Contributions restricted for endowment	(14,334)	(16,336)
Net unrealized and realized gains on investments	(93,878)	(92,610)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable, net	(2,049)	2,920
(Increase) decrease in other assets	(381)	200
Increase in accounts payable and accrued expenses	1,060	2,710
Principal reduction in lease liability - operating lease	(241)	-
Net cash used in operating activities	(22,091)	(27,931)
Cash flows from investing activities:		
Purchases of property and equipment	(1,097)	(129)
Proceeds from sale of investments	127,597	32,669
Purchases of investments	(108,175)	(27,556)
Net cash provided by investing activities	18,325	4,984
Cash flows from financing activities:		
Payments on debt service obligation	(965)	(970)
Contributions restricted for endowment	14,334	16,336
Obligations on split interest agreements	(30)	(105)
Net cash provided by financing activities	13,339	15,261
Net increase (decrease) in operating investments cash and cash equivalents	9,573	(7,686)
Cash and cash equivalents operating investments		
Beginning of the year	2,402	10,088
End of the year	\$ 11,975	\$ 2,402
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2	\$ 4
Noncash items:		
Operating lease asset obtained in exchange for new operating lease liability	\$ 2,054	\$ -

See accompanying notes to financial statements.

Medical College of Virginia Foundation

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Medical College of Virginia Foundation (the “Foundation”) supports and fosters Virginia Commonwealth University (VCU) and VCU Health through philanthropy, stewardship, innovation, communications and collaboration. 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 VCU Health 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 (see Note 7).

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

Medical College of Virginia Foundation

Notes to Financial Statements

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. Beginning July 1, 2022, income from net assets with donor restrictions is used to support servicing of the bond obligation. For the years ended June 30, 2025 and 2024, income totaling \$2,296 and \$4,732 was used to pay interest on the bond obligation, respectively.

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. The Foundation's administrative fee charged to the endowment investments totaled \$7,648,353 and \$7,260,828 for the years ended June 30, 2025 and 2024, respectively. The Foundation's administrative fee charged to the operating investments totaled \$720,657 and \$658,108 for the years ended June 30, 2025 and 2024, respectively.

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, investments 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 receivables 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.

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.

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

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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.

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):

<i>June 30,</i>		2025		2024
Cash and cash equivalents	\$	581	\$	171
Short-term investments		9,674		9,143
	\$	10,255	\$	9,314

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, 2025 was \$122.0 million and June 30, 2024 was \$128.6 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.

Due to the nature of certain investments, fair market value information is reported in the accompanying financial statements for the periods ended March 31, 2025 and 2024. These assets

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are invested through Bespoke Private Strategies, LP, Stonelake Opportunity Partners III, LP, Elliott International and Property Holdings III, V, VI, 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, 2025 and 2024 were not available at the time the Foundation's statements were issued. The fair value of these assets at March 31, 2025 plus contributions, less distributions, for the period from April 1, 2025 to June 30, 2025 was approximately \$302,825,445. The fair value of these assets at March 31, 2024 plus contributions, less distributions, for the period from April 1, 2024 to June 30, 2024 was approximately \$290,158,000.

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

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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.

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

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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, 2025 and 2024, the Foundation held assets totaling \$2,362,890 and \$2,143,177, respectively, on behalf of the VCU Intellectual Property Foundation. At June 30, 2025 and 2024, the Foundation held assets totaling \$292,359 and \$272,895, 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, 2025 and 2024 are comprised of the *National Register of Historic Places* William Beers House which is valued at approximately \$978,000 and \$1,056,000, respectively, and the William Beers house land valued at \$217,000. The remaining net property and equipment balances totaling approximately \$1,016,000 and \$116,000 at June 30, 2025 and 2024, 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.

Prepaid Expenses

Prepaid expenses consist primarily of payments made to third-party vendors before services are performed for events, board meetings, premiums for insurance, and implementation costs of a cloud computing arrangement (CCA) related to SAP S4/HANA. Prepaid expenses are included in other assets on the statement of financial position.

The Foundation capitalizes certain costs related to the implementation costs of a cloud computing arrangement (CCA) related to SAP S4/HANA for the year ended June 30, 2025. The types of costs capitalized during the application development stage includes configuration and customization activities; during this stage, certain costs capitalized include employee compensation and fees paid to the CCA service provider and other third-party vendors providing implementation services. These may also include travel expenses directly associated with providing implementation services.

Costs related to preliminary project planning and post-implementation activities are expensed as incurred. The Foundation capitalized \$1,091,733 of the implementation costs during the year ended June 30, 2025. Such amounts will be amortized using the straight-line method.

The commencement date for amortization of capitalized CCA implementation begins when the CCA is ready for its intended use. There was no associated amortization expense for the CCA for the years ended June 30, 2025 and 2024 as the CCA has not been placed into service as of June 30, 2025.

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Notes to Financial Statements

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 5.02% and 5.22% was used for the years ended June 30, 2025 and 2024, 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

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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, 2025 and 2024, 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 Investment 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% for each of the years ended June 30, 2025 and 2024. 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 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

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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 and grants, are recognized only when the conditions on which they depend are substantially met and the contribution and/or grant becomes 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 promises to give outstanding as of June 30, 2025 and 2024.

Program services are primarily training events where revenue is recorded when the training occurs. Other revenues are generally non-recurring grant agreements that include a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Foundation was the recipient of such grants during the years ended June 30, 2025 and 2024 where barriers were met resulting in \$24,415,853 and \$9,892,517 of related grant revenue respectively.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Foundation assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Foundation's right to control the use of an identified asset for a period of time in exchange for consideration. The Foundation determines whether the lease classification is an operating, sales-type lease or direct financing lease at the commencement date.

A right-of-use asset represents the Foundation's right to use an underlying asset and a lease liability represents the Foundation's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. As a nonprofit entity, the Foundation uses a risk-free discount rate for leases and leasehold improvements, determined using a period comparable with that of the lease term for all leases.

The Foundation has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed or variable based on an index or rate. Non-lease components that are not fixed are expensed as incurred as variable lease payments.

The Foundation's lease terms may include options to extend or terminate the lease. The Foundation generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Foundation will exercise those options. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, the Foundation elected to exclude leases with terms of 12 months or less (short-term) and/or under \$50,000 threshold from the statement of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease.

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If a contract contains a specified right of use asset that will be used during the contract term, exceeding 12 months and/or under the \$50,000 threshold, and the Foundation has the control of the asset, it will be considered an embedded lease. As of June 30, 2025, the Foundation does not have material embedded leases that are recognized as right-of-use assets.

Functional Allocation of Expenses

The Foundation incurs certain expenses that are general and administrative in nature. These expenses may be related to VCU and VCU Health programs and supporting activities, or to the Foundation's own business operations, and are classified accordingly. The costs of delivering the Foundation's programs and activities are presented on a functional basis in the statements of activities. Per the Foundation's accounting policy regarding endowment investment management, related fees are netted against the investment earnings.

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.

Program Services

The Foundation provides financial support to VCU and VCU Health campus partners in the following program service areas: faculty salaries and support, education and research, scholarships and awards, fundraising program support, and other operational expenses.

Supporting Services: Management and General & Fundraising

The Foundation incurs management, fundraising, and general expenditures internally related to operational salaries, professional fees, office expenses, publications, public relations, advertising, information systems, insurance, meetings and events, and other miscellaneous operating expenses.

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, 2025 and 2024, were \$386,353 and \$357,000, respectively.

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

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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, 2025 and 2024, were not material and have been reflected in the revenue and expenses in the statements of activities.

Recent Accounting Pronouncements Not Yet Adopted

On June 30, 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendments in ASU 2022-03 are intended to increase comparability of financial information across reporting entities that have investments in equity securities measured at fair value that are subject to contractual restrictions on the holder of the equity security preventing the sale of those securities. Additionally, the ASU introduces new disclosure requirements to provide investors with information about contractual sale restrictions including the nature and remaining duration of the restrictions. ASC 820, *Fair Value Measurement*, indicates that, when measuring the fair value of an asset or a liability, a reporting entity should consider the characteristics of the asset or liability, including restrictions on the sale of the asset or liability, if a market participant also would take those characteristics into account. Key to that determination is the unit of account for the asset or liability being measured at fair value. The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security on the holder of the equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. In these situations, the amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. Conversely, if a contractual restriction on the sale of the equity security is on the equity security itself, that contractual restriction is considered in measuring fair value. The amendments are effective for fiscal years beginning after December 15, 2024. The Foundation continues to evaluate the effect the adoption of ASC 2022-03 will have on the financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. The ASU requires organizations to provide additional, disaggregated disclosures for income taxes paid, along with information about income from continuing operations before income tax expense on a disaggregated basis. Certain other disclosure requirements were eliminated. This update is effective for annual periods beginning after December 15, 2025. The Foundation continues to evaluate the potential impact of this ASU.

The Foundation has assessed other accounting pronouncements issued or effecting during the years ended June 30, 2025 and 2024, and deemed they were not applicable to the Foundation and are not anticipated to have a material effect on the financial statements.

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, 2025 and 2024. The Foundation is not currently under audit by any tax jurisdiction. The Foundation is no

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longer subject to U.S. federal or state examinations by tax authorities for years before fiscal year ended June 30, 2022.

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):

	2025	2024
Amounts due in:		
Less than one year	\$ 4,000	\$ 2,460
One to five years	6,171	5,302
More than five years	262	377
Subtotal	10,433	8,139
Less: allowance for uncollectible accounts and discount to present value	(1,296)	(1,051)
Subtotal	9,137	7,088
Less: current portion of pledges receivable	(3,311)	(2,460)
Non-current portion of pledges receivable	\$ 5,826	\$ 4,628

The discounts on those amounts are computed using a risk-free interest rate of 4.78% and 4.51% at June 30, 2025 and 2024, 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):

	2025	2024
Life income investments	\$ 2,308	\$ 3,389
Property and equipment, net of \$2,296 and \$2,168, respectively, of accumulated depreciation	2,211	1,389
Prepaid expenses - cloud computing arrangement	1,092	-
Life insurance receivables	510	479
Annuities	2,332	2,273
Other assets	465	174
	\$ 8,918	\$ 7,704

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.

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5. Investments

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

<i>June 30,</i>	2025	2024
Alternative investments	\$ 438,187	\$ 456,792
Private investments	275,791	256,237
Fixed income securities	186,014	150,765
Equities	109,471	77,734
Cash and cash equivalents	27,535	11,441
	1,036,998	952,969
Less: short-term investments	(133,966)	(131,033)
Total	\$ 903,032	\$ 821,936

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

<i>Years ended June 30,</i>	2025	2024
Interest and dividends	\$ 8,723	\$ 3,945
Fees and other taxes	(2,709)	(3,573)
Unrealized gains	87,074	90,553
Realized gains	6,804	2,057
Total investment return, net	\$ 99,892	\$ 92,982

Fees and other taxes include unrelated business income taxes resulting from partnership income of \$0 and \$122,337 for the years ended June 30, 2025 and 2024, respectively. Additionally, investment manager fees of \$1,619,209 and \$2,479,504 as presented within their investment statements in addition to investment advisory fees of \$1,090,071 and \$971,222 for the years ended June 30, 2025 and 2024, respectively.

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

	2025	2024
Fixed income securities	\$ 109,478	\$ 115,663
Equities	12,513	12,968
Cash and cash equivalents	11,975	2,402
	\$ 133,966	\$ 131,033

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

	2025	2024
Alternative investments	\$ 438,187	\$ 456,792
Private investments	275,791	256,237
Fixed income securities	76,536	35,102
Equities	96,958	64,766
Cash and cash equivalents	15,560	9,039
	\$ 903,032	\$ 821,936

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):

	2025		2024	
Description	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Pledges receivable	\$ 9,137	\$ 10,433	\$ 7,088	\$ 8,139
Liabilities:				
Debt service obligations	\$ -	\$ -	\$ 965	\$ 965

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. See Note 7.

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Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at June 30, 2025, include the following (in thousands):

Description	As of June 30, 2025				
	Assets Measured At Net Asset Value	Fair Value Hierarchy Level			Total
		Level 1	Level 2	Level 3	
Alternative investments					
Absolute strategies	\$ 65,555	\$ -	\$ -	\$ 28,875	\$ 94,430
Hedged equity	111,266	-	-	38,705	149,971
Domestic equity	11,065	-	16,564	-	27,629
Global equity	26,383	-	32,204	98	58,685
International equity	97,287	-	10,185	-	107,472
Private investments					
Absolute strategies	-	-	-	3,546	3,546
Private investments	-	-	-	269,303	269,303
Real estate	1,465	-	-	1,477	2,942
Fixed income securities					
Corporate obligations	-	20,380	13,687	-	34,067
Mortgage and asset-backed Securities	-	-	54,441	-	54,441
Municipal obligations	-	-	266	-	266
U.S. Govt obligations and agency bonds	-	20,217	77,023	-	97,240
Equities					
Large cap	-	-	12,514	-	12,514
Long only equity	12,008	84,949	-	-	96,957
Cash and cash equivalents					
Cash	-	8,450	-	-	8,450
STIF & money market funds	-	18,099	986	-	19,085
Total investments	\$ 325,029	\$ 152,095	\$ 217,870	\$ 342,004	\$ 1,036,998
Funds held for others	\$ -	\$ 2,655	\$ -	\$ -	\$ 2,655
Annuities	\$ -	\$ 2,332	\$ -	\$ -	\$ 2,332
Liabilities					
Obligations under split-interest agreements	\$ -	\$ -	\$ 1,237	\$ -	\$ 1,237
Funds held for others	\$ -	\$ -	\$ 2,655	\$ -	\$ 2,655

*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.

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Assets and liabilities measured at fair value on a recurring basis at June 30, 2024, include the following (in thousands):

Description	As of June 30, 2024				
	Assets Measured At Net Asset Value	Fair Value Hierarchy Level			Total
		Level 1	Level 2	Level 3	
Alternative investments					
Absolute strategies	\$ 78,201	\$ -	\$ -	\$ 26,200	\$ 104,401
Hedged equity	98,782	-	-	35,697	134,479
Domestic equity	9,157	-	13,287	-	22,444
Global equity	21,939	-	27,268	266	49,473
International equity	85,830	-	29,212	6,750	121,792
Fixed Income	-	-	24,203	-	24,203
Private investments					
Absolute strategies	-	-	-	5,290	5,290
Private investments	-	-	-	247,642	247,642
Real estate	1,919	-	-	1,386	3,305
Fixed income securities					
Corporate obligations	-	-	14,861	-	14,861
Mortgage and asset-backed securities	-	-	43,647	-	43,647
Municipal obligations	-	-	118	-	118
U.S. Govt obligations and agency bonds	-	5,536	86,603	-	92,139
Equities					
Large cap	-	-	12,968	-	12,968
Long only equity	10,450	54,316	-	-	64,766
Cash and cash equivalents					
Cash	-	10,011	-	-	10,011
STIF & money market funds	-	1,430	-	-	1,430
Total investments	\$ 306,278	\$ 71,293	\$ 252,167	\$ 323,231	\$ 952,969
Funds held for others	\$ -	\$ 2,416	\$ -	\$ -	\$ 2,416
Annuities	\$ -	\$ 2,273	\$ -	\$ -	\$ 2,273
Liabilities					
Obligations under split-interest agreements	\$ -	\$ -	\$ 1,267	\$ -	\$ 1,267
Funds held for others	\$ -	\$ -	\$ 2,416	\$ -	\$ 2,416

*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 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.

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The table below presents investments valued at NAV as of June 30, 2025 (in thousands):

Classification		Redemption Terms	Unfunded Commitments	Notice Period (Days)
Absolute strategies (a)	\$ 65,555	Quarterly, Semi-Monthly, Annually, Every 2 Years, Illiquid	\$ -	15-120 days; Illiquid
Hedged equity (b)	111,266	Quarterly, Semi- Annually, Illiquid	-	60-90 days; Illiquid
Domestic equity (c)	23,073	Daily, Every 3 years	-	3-60 days
Global equity (d)	26,383	Quarterly	-	60-90 days
International equity (e)	97,287	Daily, Quarterly, Annually, Every 2 Years	-	14-120 days
Real estate (f)	1,465	Illiquid	541	Illiquid
Total at NAV	\$ 325,029		\$ 541	

- (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.

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- (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, 2023	\$ 302,587
Transfers from NAV to Level 3	-
Purchases	19,509
Sales	(29,737)
Unrealized gains	31,197
Fees	(325)
Balance at June 30, 2024	\$ 323,231
Transfers from NAV to Level 3	-
Purchases	26,944
Sales	(29,936)
Realized losses	(2,346)
Unrealized gains	24,417
Fees	(306)
Balance at June 30, 2025	\$ 342,004

Level 3 Unfunded Commitments

Private investments, real estate and absolute strategies had unfunded commitments of approximately \$114,062,000, \$360,000 and \$11,572,000 respectively at June 30, 2025.

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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, 2025 and 2024, the redemption limits and related amounts were as follows (in thousands):

<i>June 30,</i>	2025	2024
Daily	\$ 12,008	\$ 10,450
Semi-Monthly	-	8,913
Quarterly	217,466	207,193
Semi-Annually	50,319	44,041
Annually	53,306	52,772
Every two years	34,214	30,272
Every three years	10,776	8,934
Illiquid investments	288,944	266,934
	\$ 667,033	\$ 629,509

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 2025 and 2024, total debt service payments, including variable interest charged at a rate of 0.5% and 0.5%, amounted to \$965,000 and \$974,732, respectively.

On August 29, 2024, the Foundation made the final payment due under the debt service obligation. The Foundation has received written confirmation from the VCU Treasurers' Office that the Foundation's financial obligation under the debt service agreement has been satisfied in full as of September 1, 2024.

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8. Net Assets

	2025	2024
<i>Subject to expenditure for specified purpose:</i>		
Funds designated for use by campus business units	\$ 125,868	\$ 127,686
<i>Subject to the passage of time:</i>		
Charitable gift annuities	1,095	1,006
<i>Subject to endowment spending policy and appropriation:</i>		
Permanently restricted endowment gifts required to be retained by donor to support ongoing operations of VCU and VCU Health schools and departments	359,344	325,319
Accumulated investment gains on endowment funds	484,837	434,519
	\$ 971,144	\$ 888,530

During the years ended June 30, 2025 and 2024, 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):

	2025	2024
Faculty salaries and support	\$ 18,969	\$ 18,982
Education, research, and general	41,627	29,752
Scholarships and awards	9,754	8,685
Other	67	73
	\$ 70,417	\$ 57,492

During the years ended June 30, 2025 and 2024, changes approximating \$8.8 million and \$7.3 million were made with respect to the underlying net assets, including without donor restriction and with donor restriction, based on changes in donors' intentions and obtaining contemporaneous documentation.

9. Other Matters

Contributions totaling \$1,488,403 and \$2,234,458 were received during the years ended June 30, 2025 and 2024, respectively, from certain related-party private practice groups to be used for the benefit of specific departments of VCU and VCU Health with \$253,403 and \$1,199,562 included in purpose restricted funds and \$1,235,000 and \$1,034,896 in permanently restricted endowment gifts, respectively.

The Foundation has an institutional advisory services agreement with an investment advisory firm partially owned by one of its former board members. The Foundation paid \$ 1,090,071 and \$971,222 in 2025 and 2024, respectively, under this agreement to the investment advisory firm. The service agreement ended during the year ended June 30, 2025.

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Notes to Financial Statements

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 \$353,757 for the year ended June 30, 2025 and had \$15,067 accrued at June 30, 2025. The Foundation made 401(k) contributions of \$285,895 for the year ended June 30, 2024 and had \$16,408 accrued at June 30, 2024.

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, 2025 and 2024 was \$98,890 and \$75,521, respectively.

11. Endowment Funds

At June 30, 2025 and 2024, the Foundation’s endowment consists of 1,280 and 1,236, 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 \$3,564,649 and \$14,404,554 and original gifts of \$4,764,512 and \$15,203,153 at June 30, 2025 and 2024, respectively. In accordance with U.S. GAAP, deficiencies of this nature that are reported in assets without donor restrictions were \$(1,199,863) and \$(798,599) at June 30, 2025 and 2024, 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.

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Notes to Financial Statements

Endowment net asset composition

By type of fund was as follows at June 30, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 64,653	\$ -	\$ 64,653
Donor-restricted endowments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	359,344	359,344
Accumulated investment gains	-	484,537	484,537
Total funds	\$ 64,653	\$ 843,881	\$ 908,534

Changes in endowment net assets were as follows for the year ended June 30, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 62,098	\$ 759,838	\$ 821,936
Investment gain, net	6,731	91,367	98,098
Contributions and other income	2	13,353	13,355
Transfers	(3,678)	(5,259)	(8,937)
Appropriation of endowment assets for expenditure	(500)	(15,418)	(15,918)
Endowment net assets, end of year	\$ 64,653	\$ 843,881	\$ 908,534

The endowment net assets balances above include endowment related receivables totaling \$5,502,095 as of June 30, 2025.

By type of fund was as follows at June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment funds	\$ 62,098	\$ -	\$ 62,098
Donor-restricted endowments:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	325,319	325,319
Accumulated investment gains	-	434,519	434,519
Total funds	\$ 62,098	\$ 759,838	\$ 821,936

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Notes to Financial Statements

Changes in endowment net assets were as follows for the year ended June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 58,282	\$ 684,472	\$ 742,754
Investment gain, net	6,503	79,385	85,888
Contributions and other income	1	16,325	16,326
Transfers	(2,688)	(6,562)	(9,250)
Appropriation of endowment assets for expenditure	-	(13,782)	(13,782)
Endowment net assets, end of year	\$ 62,098	\$ 759,838	\$ 821,936

The endowment net assets balances above include endowment related receivables totaling \$4,022,290 as of June 30, 2024.

12. Leases

Operating Lease

The Foundation has entered into a non-cancelable operating lease agreement for office space commencing on September 1, 2024. The lease term is 72 months and includes an option to extend. The Foundation was not reasonably certain to exercise the option, therefore the additional term was not included in the determination of the lease liability and right-of-use asset. The Foundation does not have any material office space subleases.

Rental payments under the lease include base rental amounts for the terms of the lease and are made monthly in advance. The lease contains variable costs (e.g., utilities, real estate taxes, operating expenses such as janitorial and common area maintenance, water, and insurance) for expenses which are not based on an index or rate. These variable lease payments are determined based on actual expenses incurred by the lessor and passed to the Foundation on a periodic basis. The Foundation expenses these nonlease components as incurred.

Operating lease expense in the statements of activities for the years ended June 30, 2025, which is included in "office expenses" within the statements of functional expenses, was approximately \$366,000.

The weighted-average remaining lease term and discount rate related to the Foundation's lease liabilities as of June 30, 2025, were:

June 30, 2025

Weighted average remaining lease term	63 Months
Weighted average discount rate	3.73%

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Aggregate remaining maturities of lease liabilities as of June 30, 2025, are as follows:

Years ending December 31,

2026	\$	363,957
2027		374,876
2028		386,122
2029		397,706
Thereafter		478,242
Total operating lease payments		2,000,903
Less: imputed interest		(187,900)
Total operating lease liabilities		\$ 1,813,003

13. 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.

14. 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.

15. Subsequent Events

In accordance with ASC Topic 855, *Subsequent Events*, management has evaluated any events or transactions occurring after June 30, 2025, the statement of financial position date, through September 10, 2025, 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, 2025.