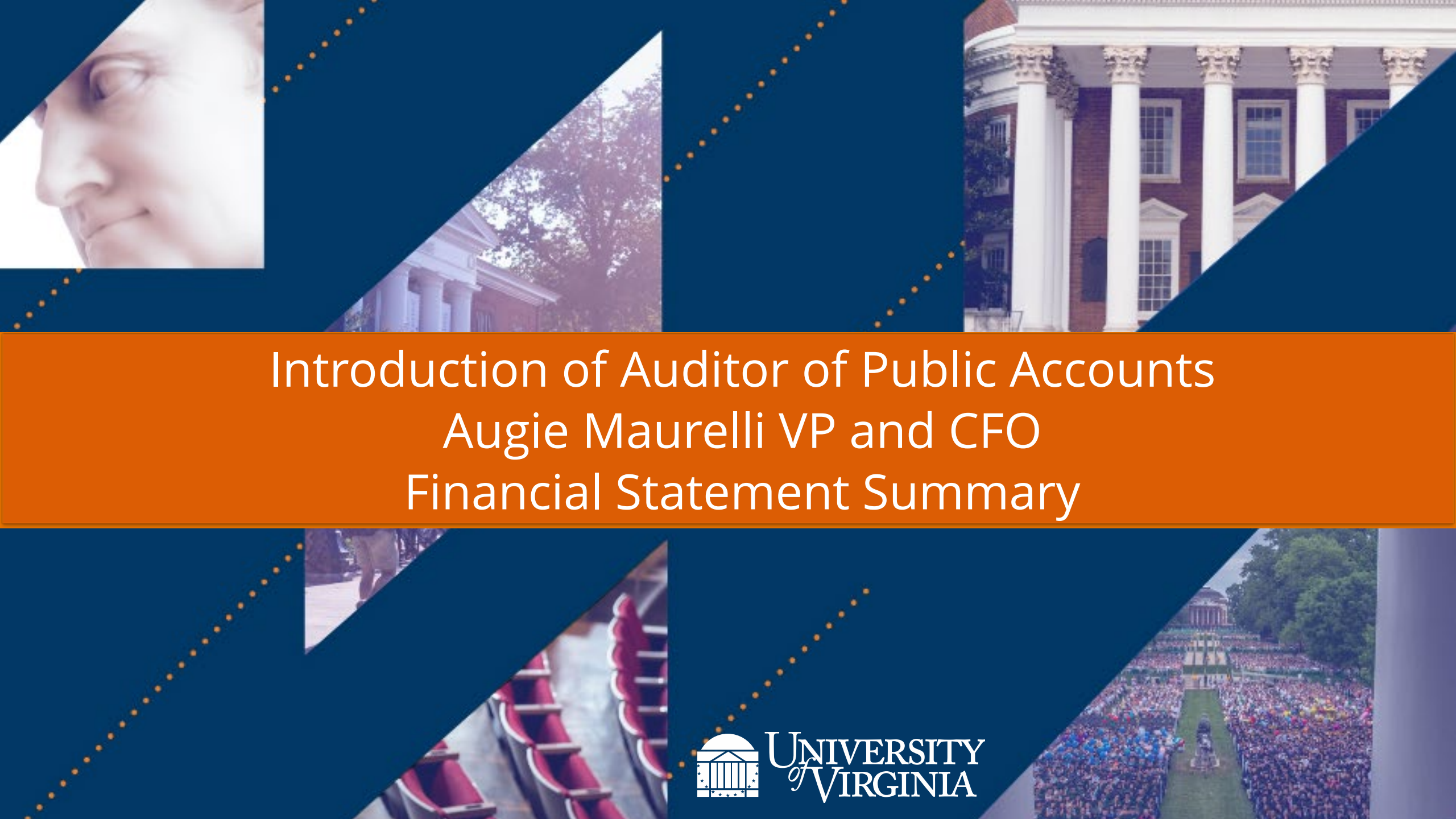




**Board of Visitors**  
**Audit, Compliance, and Risk Committee**  
**December 7, 2023**

December 2023  
Audit,  
Compliance, and  
Risk Committee  
Meeting Agenda

- Remarks by the Committee Chair
- Auditor of Public Accounts Audit and Management Report for FY 2022-2023
- Written Reports
- Closed Session



Introduction of Auditor of Public Accounts  
Augie Maurelli VP and CFO  
Financial Statement Summary



UNIVERSITY  
*of*  
VIRGINIA

# Statement of Net Position

A high-level summary of the UVA Academic Statement of Net Position is presented to the right. This chart appears in the Management Discussion and Analysis section of the report.

**Current assets increased \$79 million**, which is primarily related to \$90M in capital gift pledges receivable to the University.

**Endowment assets now sit at \$7.0 billion**, which is directly related to positive returns in the LTP and new endowment gifts to the University.

**Capital assets are \$5.1 billion** and include the Gilmer Hall and Chemistry Building, Massie Road Utility Extension Infrastructure, and various UVAMC renovations.

**Other noncurrent assets** include \$507.6 million of unspent bond proceeds from the 2020 Series and 2021 Series, long-term receivables, notes, and pledges of \$234.2 million, and \$76.6 million of funds held at UVAF under the Investment and Management Agreement.

SUMMARY OF THE STATEMENT OF NET POSITION <i>(in thousands)</i>	2023	2022*	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	\$ 1,233,444	\$ 1,154,012	\$ 79,432	6.9%
Noncurrent assets				
Endowment investments	6,996,261	7,037,167	(40,906)	(0.6%)
Other long-term investments	3,666,827	3,658,788	8,039	0.2%
Capital assets, net	5,141,261	4,949,452	191,809	3.9%
Other	882,484	996,514	(114,030)	(11.4%)
<b>Total assets</b>	<b>17,920,277</b>	<b>17,795,933</b>	<b>124,344</b>	<b>0.7%</b>
Deferred outflows of resources	130,888	159,264	(28,376)	(17.8%)
<b>Total assets and deferred outflows of resources</b>	<b>18,051,165</b>	<b>17,955,197</b>	<b>95,968</b>	<b>0.5%</b>
Current liabilities	835,243	781,302	53,941	6.9%
Noncurrent liabilities	4,267,800	4,256,258	11,542	0.3%
<b>Total liabilities</b>	<b>5,103,043</b>	<b>5,037,560</b>	<b>65,483</b>	<b>1.3%</b>
Deferred inflows of resources	367,987	530,047	(162,060)	(30.6%)
<b>Total liabilities and deferred inflows of resources</b>	<b>5,471,030</b>	<b>5,567,607</b>	<b>(96,577)</b>	<b>(1.7%)</b>
<b>TOTAL NET POSITION</b>	<b>\$ 12,580,135</b>	<b>\$12,387,590</b>	<b>\$ 192,545</b>	<b>1.6%</b>

# Statement of Net Position (cont'd)

A high-level summary of the UVA Academic Statement of Net Position is presented to the right. This chart appears in the Management Discussion and Analysis section of the report.

**Current liabilities increased by \$53.9 million** due to increases of \$26M in salaries and wages payable and bond principal payments and deferred FICA taxes due in the next fiscal year.

**Noncurrent liabilities increased by \$11.5 million** primarily new leases as well as the implementation of new GASB Statements.

SUMMARY OF THE STATEMENT OF NET POSITION (in thousands)	2023	2022*	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	\$ 1,233,444	\$ 1,154,012	\$ 79,432	6.9%
Noncurrent assets				
Endowment investments	6,996,261	7,037,167	(40,906)	(0.6%)
Other long-term investments	3,666,827	3,658,788	8,039	0.2%
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<b>TOTAL NET POSITION</b>	<b>\$ 12,580,135</b>	<b>\$12,387,590</b>	<b>\$ 192,545</b>	<b>1.6%</b>

# Statement of Revenues, Expenses, and Changes in Net Position

A high-level summary of the UVA Academic Statement of Revenues, Expenses, and Changes in Net Position is presented to the right. This chart appears in the Management Discussion and Analysis section of the report.

**Patient services revenue grew by 13%** due to Community Health operations and increased volume at the Medical Center.

**Investment income was \$706.8 million higher than in the previous year.** This is directly related to returns in UVIMCO – LTP returns were 2.0% in FY23 compared to (4.7%) in FY22.

**Capital gifts and grants were \$18.6 million higher than in the previous year.** UVA received large pledges and capital gifts in FY23 for the Karsh Institute of Democracy, CSC Commons Building, and the Data Science Building.

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION <i>(in thousands)</i>	2023	2022*	INCREASE (DECREASE)	
			AMOUNT	PERCENT
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 690,969	\$ 668,557	\$ 22,412	3.4%
Patient services, net	2,902,577	2,569,317	333,260	13.0%
Sponsored programs	452,569	443,675	8,894	2.0%
Other	283,524	271,352	12,172	4.5%
<b>Total operating revenues</b>	<b>4,329,639</b>	<b>3,952,901</b>	<b>376,738</b>	<b>9.5%</b>
<b>Operating expenses</b>	<b>4,991,196</b>	<b>4,464,639</b>	<b>526,557</b>	<b>11.8%</b>
<b>Operating loss</b>	<b>(661,557)</b>	<b>(511,738)</b>	<b>(149,819)</b>	<b>29.3%</b>
<b>Nonoperating revenues (expenses)</b>				
State appropriations	275,561	215,711	59,850	27.7%
Gifts	231,662	210,477	21,185	10.1%
Investment income	189,831	(516,954)	706,785	136.7%
Pell grants	16,715	15,262	1,453	9.5%
Nonoperating grant revenue	3,044	54,214	(51,170)	(94.4%)
Interest on capital asset-related debt	(127,083)	(129,183)	2,100	1.6%
Build America Bonds (BAB) rebate	9,193	8,097	1,096	13.5%
Other net nonoperating expenses	(8,026)	3,726	(11,752)	(315.4%)
<b>Net nonoperating revenues</b>	<b>590,897</b>	<b>(138,650)</b>	<b>729,547</b>	<b>526.2%</b>
<b>Income before other revenues, expenses, gains, or losses</b>	<b>(70,660)</b>	<b>(650,388)</b>	<b>579,728</b>	<b>(89.1%)</b>
Capital appropriations, gifts, and grants	226,448	207,825	18,623	9.0%
Additions to permanent endowments	36,757	47,477	(10,720)	(22.6%)
<b>Total other revenues</b>	<b>263,205</b>	<b>255,302</b>	<b>7,903</b>	<b>3.1%</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>192,545</b>	<b>(395,086)</b>	<b>587,631</b>	<b>(148.7%)</b>
NET POSITION - BEGINNING OF YEAR	12,387,590	12,757,203	(369,613)	(2.9%)
Error corrections	-	25,473	(25,473)	(100.0%)
<b>NET POSITION - BEGINNING OF YEAR AS RESTATED</b>	<b>12,387,590</b>	<b>12,782,676</b>	<b>(395,086)</b>	<b>(3.1%)</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 12,580,135</b>	<b>\$ 12,387,590</b>	<b>\$ 192,545</b>	<b>1.6%</b>

# Component Units Summary

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**A Combined Statement of Financial Position and Statement of Activities for the UAOs** is included as part of the basic financial statements of the University. This converts the FASB presentation of the UAOs to GASB and includes the 9 largest UAOs and UVA Imaging. Key figures are summarized below:

- **Total investments**, including short term and endowment assets, are now \$14.2 billion as of June 30, 2023. Investment income from the 10 component units increased by \$144.4 million.
- **The Darden Foundation's redevelopment of the Inn at Darden** attributed to an overall \$142.1 increase in capital assets as they placed The Forum Hotel into service.
- **UPG** had an increase of \$33.8M in revenue related to charges for patient services.
- **Investment earnings increased by \$78.1M**, result of UVIMCO having a 2 percent gain compared to a loss in FY22.

Staci Henshaw,  
Auditor of Public  
Accounts

David Rasnic,  
Director of  
Higher Education  
Programs

Auditor of Public Accounts Audit and  
Management Report for FY 2022-2023



# **University of Virginia Audit Results**

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**Presentation to the Board of Visitors  
University of Virginia**

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December 7, 2023

## Changes for Fiscal Year 2023

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- Adoption of GASB Statements
  - No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
  - No. 96 – *Subscription Based IT Agreements*
- UVA Community Health accounted for on GASB basis (FY22 and FY23)
- Workday Implementation

## **Audit Opinions**

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- Unmodified opinion for business-type activities, aggregate discretely presented component units and fiduciary activities in consolidated UVA financial statements
- Unmodified opinion for business-type activities and disclaimer of opinion on financial activity of UVA Imaging (discrete component unit) in UVAMC separate financial statements

## **Audit Opinions**

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- Opinion references the work of other auditors for most University-associated organizations that meet the definition of a component unit

## Internal Control & Compliance

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- Obtain sufficient understanding of internal control to determine nature, timing, and extent of test work to perform
- Separate report on internal control and compliance

## **Internal Control Finding Types**

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- **Material Weakness**
  - A deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
- **Significant Deficiency**
  - A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

## **Improve Governance Structure and Resources Surrounding the Financial Reporting Process**

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- Progress from the prior year
  - Allocated additional resources to financial reporting
  - Defined roles and responsibilities over governance of the consolidation process
  - Established meetings between Medical Center and Academic Division
  - Developed position papers over new GASB standards
  - Engaged auditors to complete audits over unaudited entities

## Significant Audit Adjustments – Medical Center

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- Reclassified \$69.3 million beginning net position to correct presentation and disclosure
  - Recognizes impact of restatement in fiscal year 2022 column
  - Cause: *Inadequate consideration of authoritative guidance*
- Recognized a \$34.4 million payable and \$34.4 million in cash
  - Cause: *Lack of coordination and communication in the consolidation process and insufficient management review*



## Significant Audit Adjustments – Medical Center

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- Reversed a \$10 million liability
  - Cause: *Insufficient management review*
  
- Adjusted accounts receivable and revenue by \$9 million
  - Cause: *Insufficient management review*

## Significant Audit Adjustments – Academic Division

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- Removed \$37.2 million in liabilities
  - Recognizes impact of restatement in fiscal year 2022 column
  - Academic Division analyzed and considered treatment of error
  - Cause: *Solution not implemented timely and in accordance with authoritative guidance*

## **Improve Governance Structure and Resources Surrounding the Financial Reporting Process**

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- **Recommendations**
  - Medical Center should emphasize the need for and importance of accurate financial reporting
  - Enhance year end procedures
    - List of Deliverables
      - Analytical reviews
    - Assigned roles and responsibilities
    - Completion dates
  - Independently research solutions for new and complex transactions

## **Findings & Recommendations – University-Wide**

<b>Finding Title</b>	<b>Responsible Department</b>	<b>First Issued</b>	<b>Compliance Finding?</b>
Improve Governance Structure and Resources Surrounding the Financial Reporting Process	Financial Reporting	2021	No
Improve Processes over Employment Eligibility Verification	University HR	2020	Yes

## Findings & Recommendations – Academic

Finding Title	Responsible Department	First Issued	Compliance Finding?
Complete Annual Review over User Access to University Information Systems	Information Technology Services	2021	Yes
Improve Database Security	Information Technology Services	2023	Yes
Perform Complete Physical Inventory	UVA Finance	2023	Yes

## **Findings & Recommendations – Medical Center**

<b>Finding Title</b>	<b>Responsible Department</b>	<b>First Issued</b>	<b>Compliance Finding?</b>
Complete Annual Access Reviews	Health System Technology Services	2022	Yes
Complete a System Security Plan for Each Sensitive System	Health System Technology Services	2022	Yes
Improve Accounts Payable Controls	Controller’s Office	2023	No
Improve Timekeeping Controls	Controller’s Office	2023	No

## **Other Required Communications**

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- Unusual transactions or significant accounting policies in controversial or emerging issues – Community Health
- Agreed with management's application of accounting principles after adjustments to the financial statements
- There were no significant difficulties encountered
- There were no disagreements with management regarding auditing, accounting, or disclosure matters

## Other Required Communications

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- No indications of fraudulent transactions or illegal acts
- Reviewed the basis for accounting estimates, and any necessary adjustments, and determined estimates appear reasonable based on available information and consistent with prior periods



## **Other Required Communications**

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- No material changes to accounting and reporting policies and standards other than those already mentioned (GASBS 94 and 96)
- No material alternative accounting treatments identified

## **NCAA Agreed Upon Procedures**

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- Starting the fiscal year 2023 NCAA Agreed Upon Procedures required by NCAA Bylaw 3.2.4.17
- A separate report will be distributed to the Board of Visitors in February

## **Upcoming/Ongoing Audit Considerations**

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- GASB 99 – Omnibus
- GASB 100 – Accounting Changes and Error Corrections
- Implementation Guide Question 2021-1 – Capitalization Policy

# Motion for Closed Session

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December 2023  
Audit,  
Compliance, and  
Risk Committee  
Closed Session  
Agenda

- Consideration of the performance of specific administrative personnel arising from the annual financial statement audit conducted by the Auditor of Public Accounts. The relevant exemption to the Virginia Freedom of Information Act authorizing the closed session discussion and consultation described above is provided for in Section 2.2-3711(A)(1) of the Code of Virginia.
- Consultation with UVA Counsel on allegations related to accounting practices in the UVA Medical Center. The relevant exemption to the Virginia Freedom of Information Act authorizing the closed session discussion described above is provided for in Section 2.2-3711(A)(8) of the Code of Virginia.