



# BOARD OF VISITORS AUDIT, COMPLIANCE, AND RISK COMMITTEE

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January 16, 2024

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# AGENDA

- UVA Organizational Structure
- FY23 Financial Statements
- Financial Metrics
- Enterprise Risk Management - Finance



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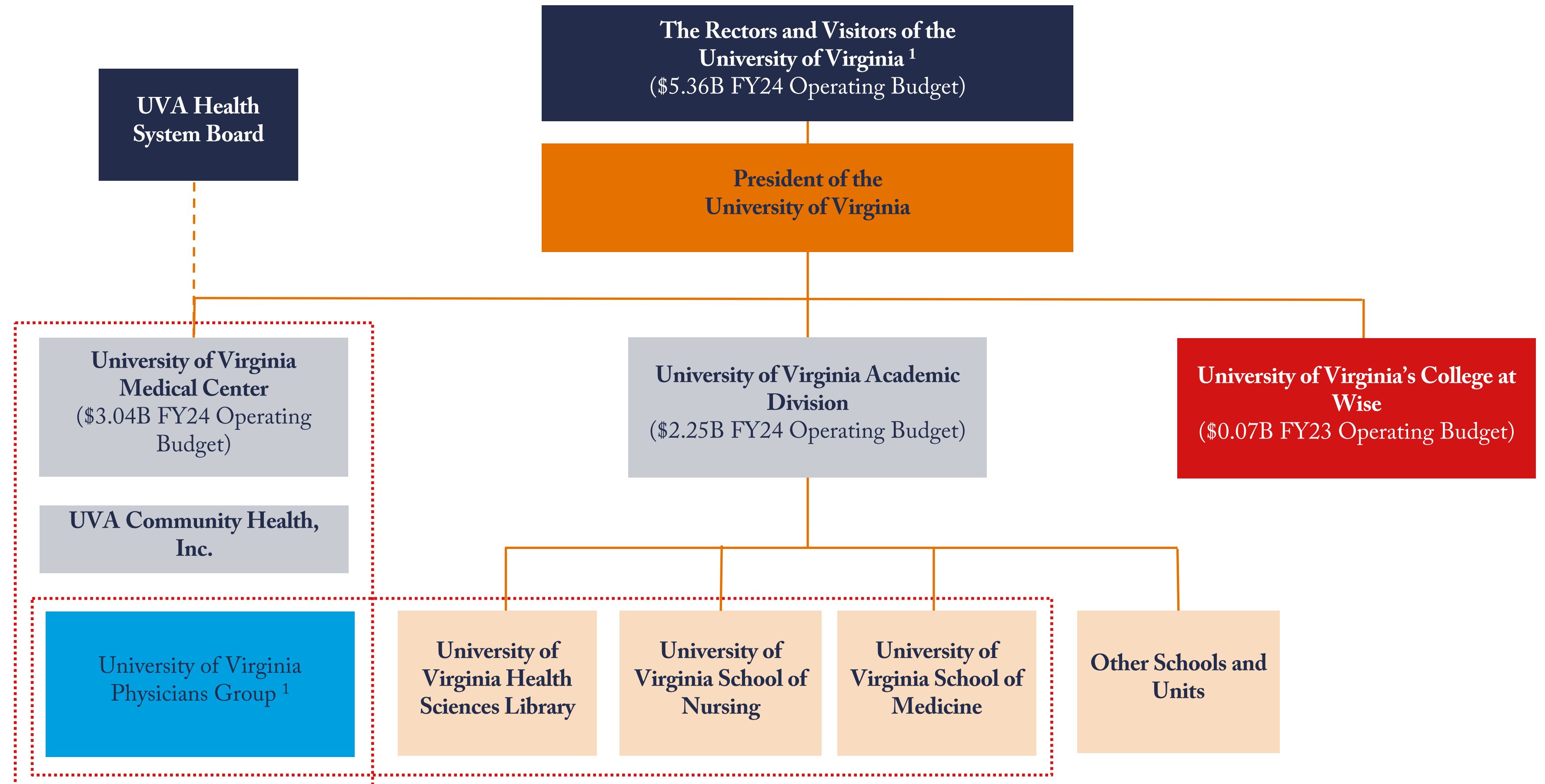
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# UVA ORGANIZATIONAL STRUCTURE



# UVA ORGANIZATIONAL STRUCTURE

The University of Virginia is comprised of the Academic Division, College at Wise, and Medical Center. The Rector and Visitors are appointed by the Governor and confirmed by the General Assembly.



For purposes of this chart, the entities highlighted in the red box above are collectively referred to as “UVA Health”

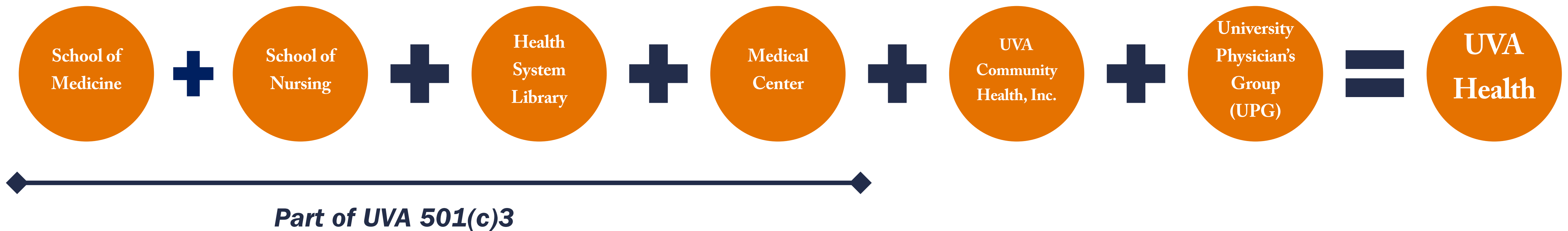
<sup>1</sup> Separate 501(c)3.

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# UVA HEALTH OPERATIONAL ORGANIZATION

UVA Health's success is highly dependent on aligned strategic, operational, and financial objectives.



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# UVA LEGAL STRUCTURE

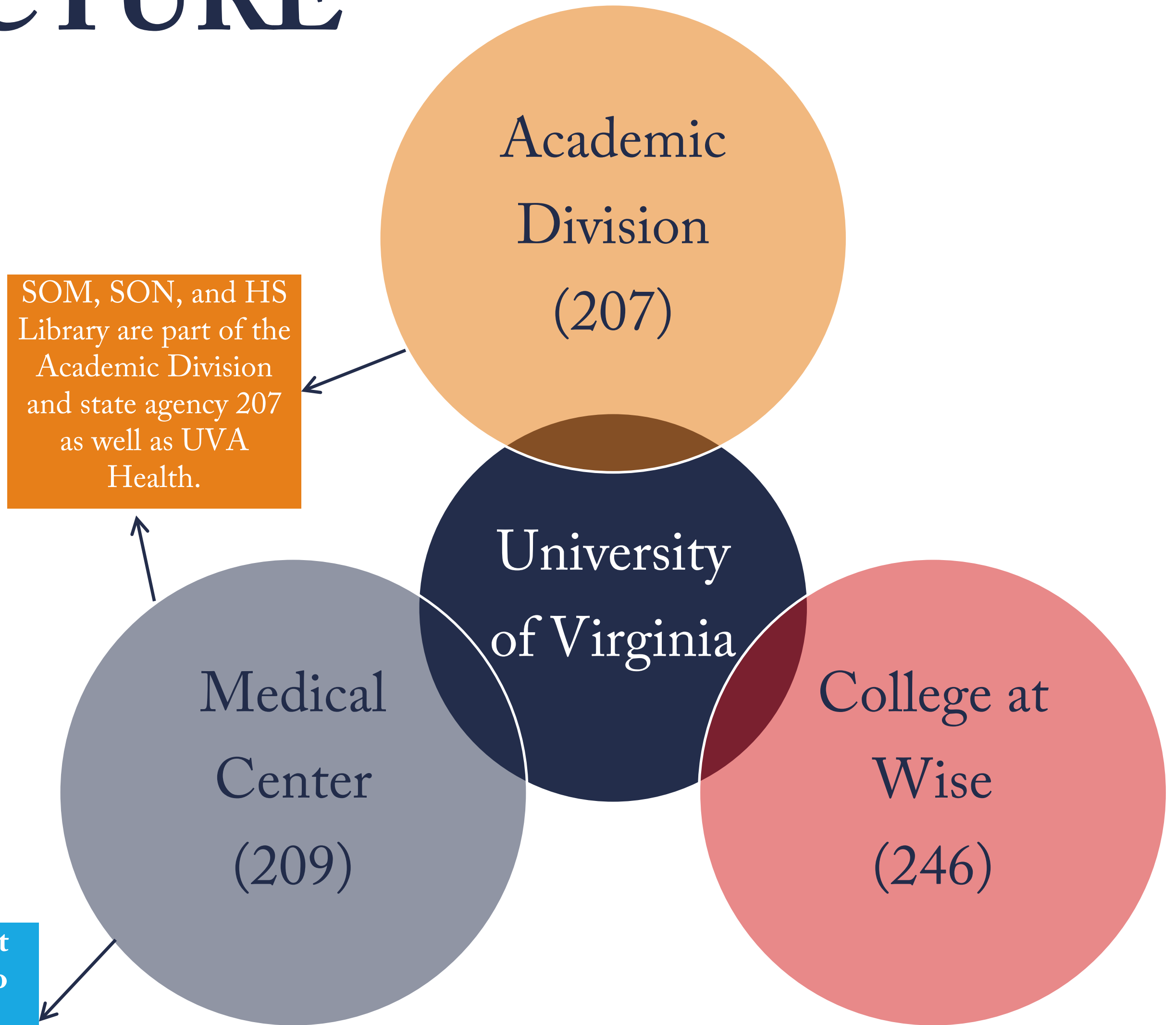
UVA is an independent 501(c)3, governed by the Rector and Visitors and including three state agencies.

External reporting requirements include:

- Audited financial statements
- Commonwealth of Virginia / IRS
- Rating Agencies / External Lenders

UPG is an independent 501(c)3 under MOU to UVA as a University-Associated Organization (UAO).

SOM, SON, and HS Library are part of the Academic Division and state agency 207 as well as UVA Health.



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# UVA CONSOLIDATED CREDIT STRUCTURE

## General Revenues for University-Issued Debt

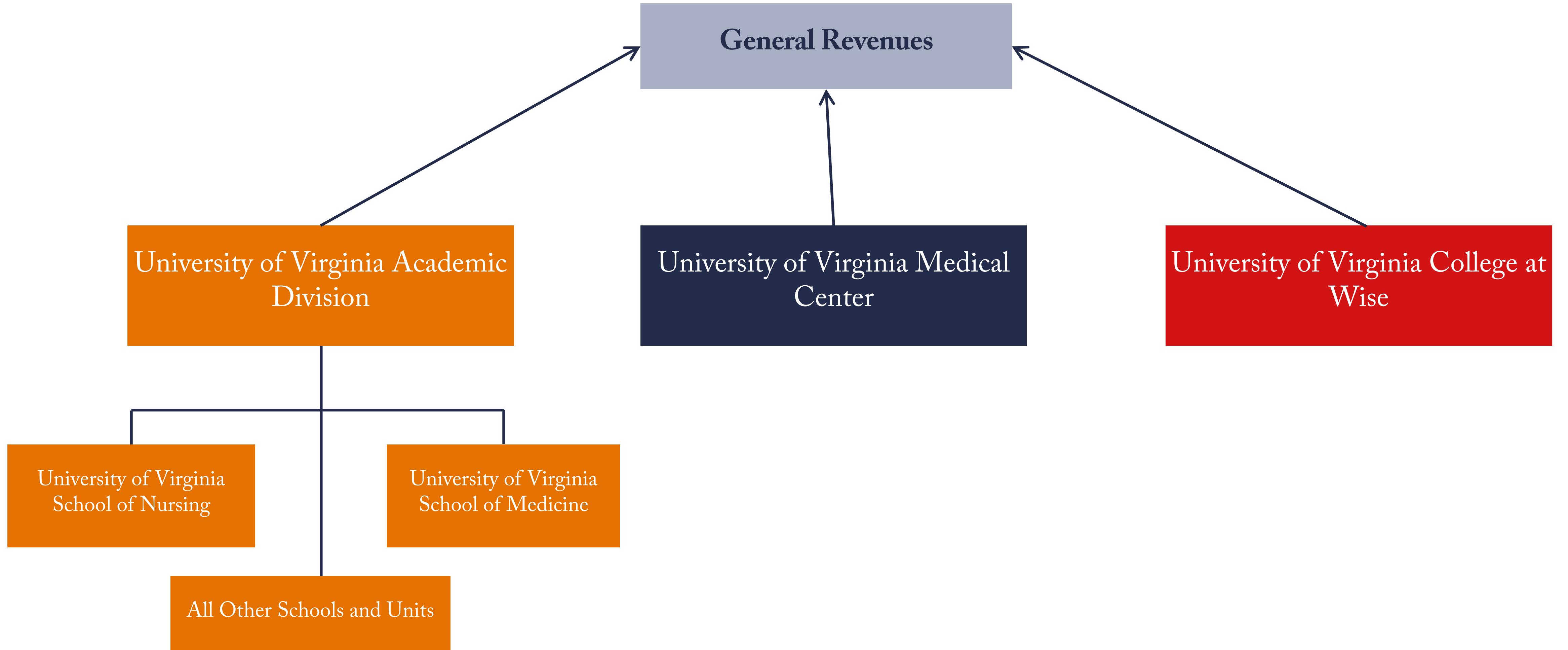
- Investors are pledged all revenues available to the University which are not devoted to other purposes as defined by the Master Resolution or provisions of any Qualifying Senior Obligation for the payment of principal and interest for outstanding debt.
- The UVA Physicians Group (UPG) and other affiliated organizations issue and secure their own debt, which can impact UVA's overall credit rating. Lenders require a letter of support from the University.

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# UVA CONSOLIDATED CREDIT STRUCTURE

## General Revenues for University-Issued Debt

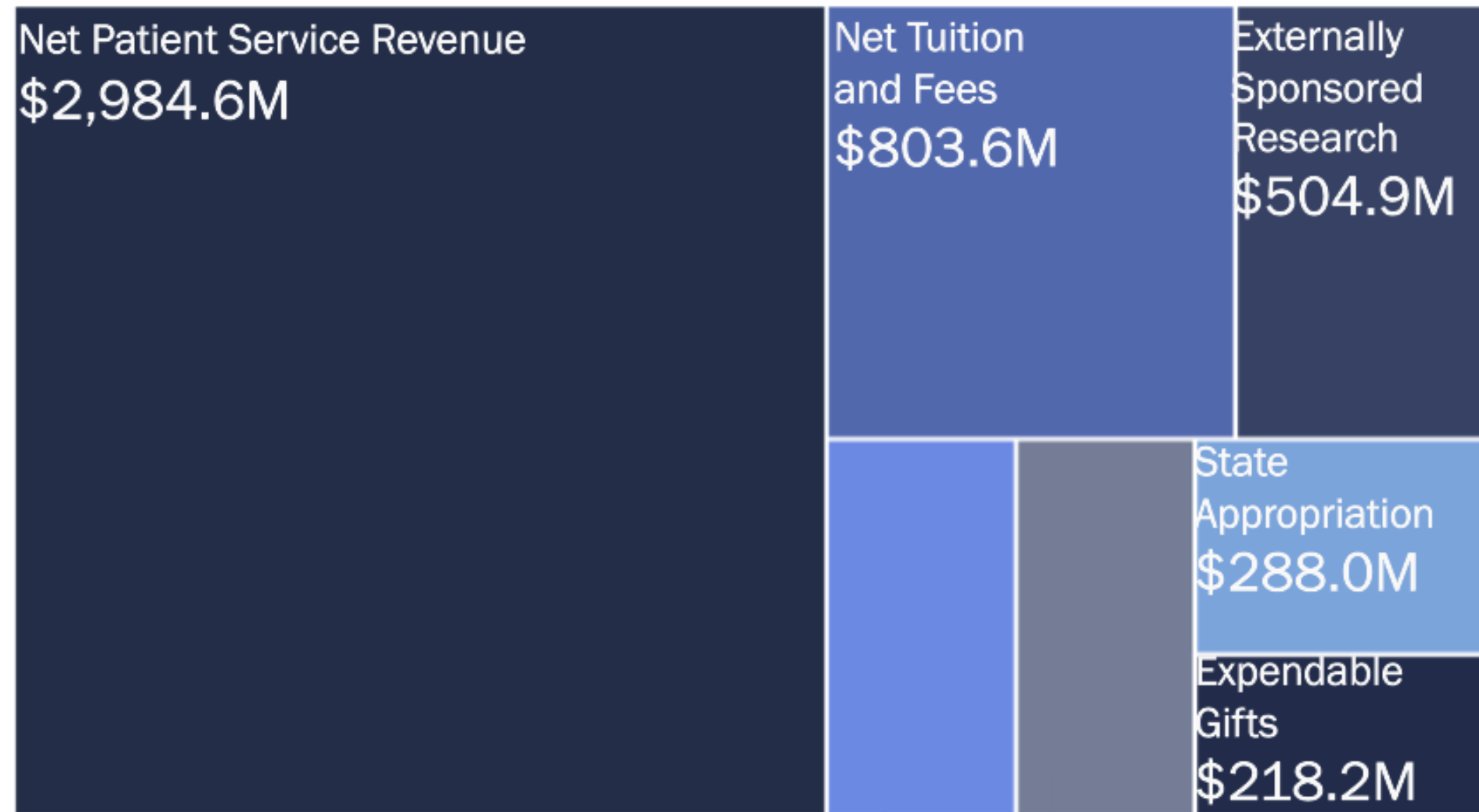




# UVA FINANCIAL FRAMEWORK

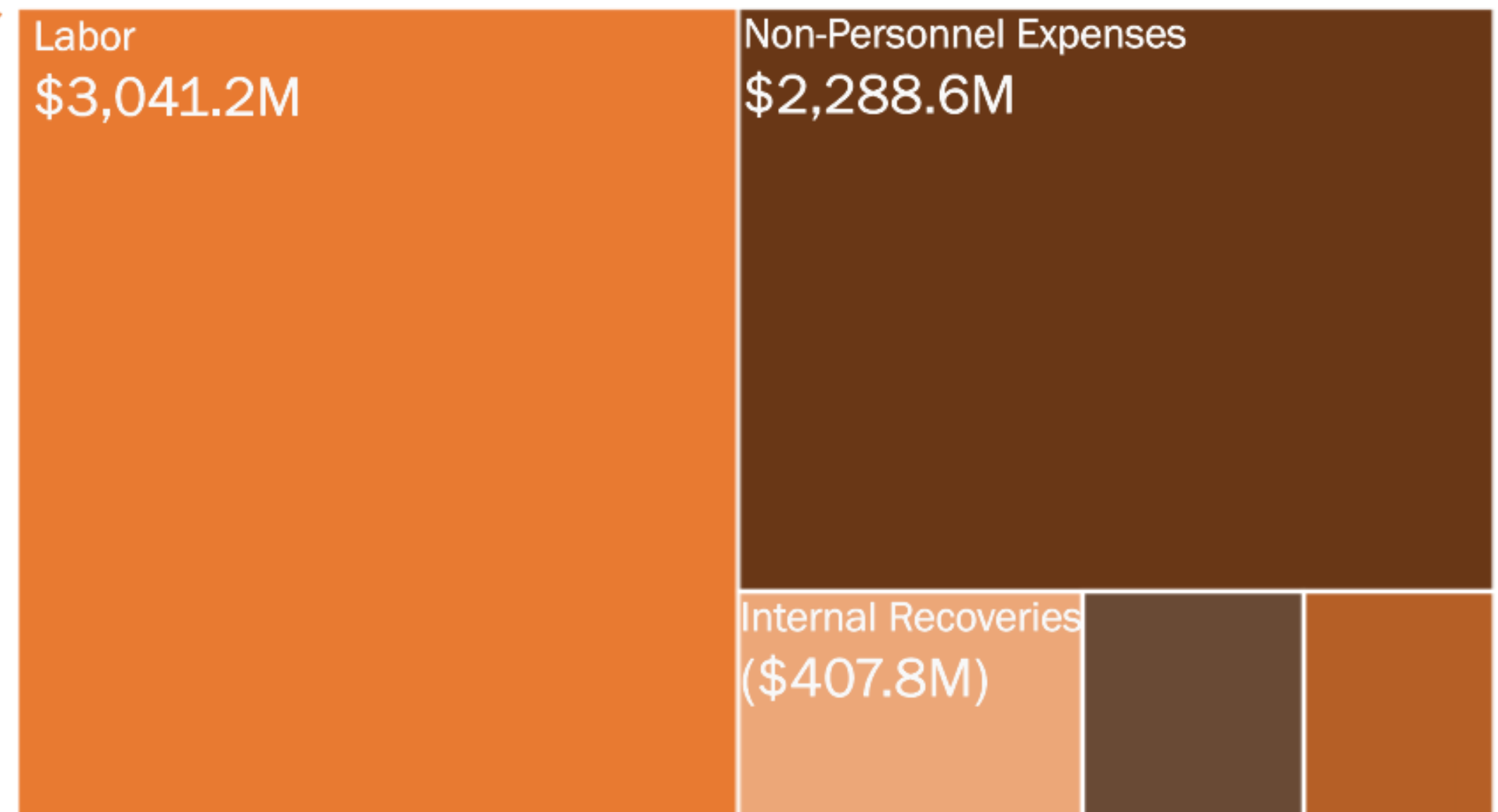
## FY2024 Budgeted Operating Sources & Uses

**\$5.4B** Sources



Sales, Services, Interest and Other  
\$321.3M  
Endowment Distribution/Admin Fee  
\$303.9M

**\$5.4B** Uses & Transfers



Financial Aid  
\$261.7M  
Internal Debt Service, Transfers, and Other  
\$226.7M

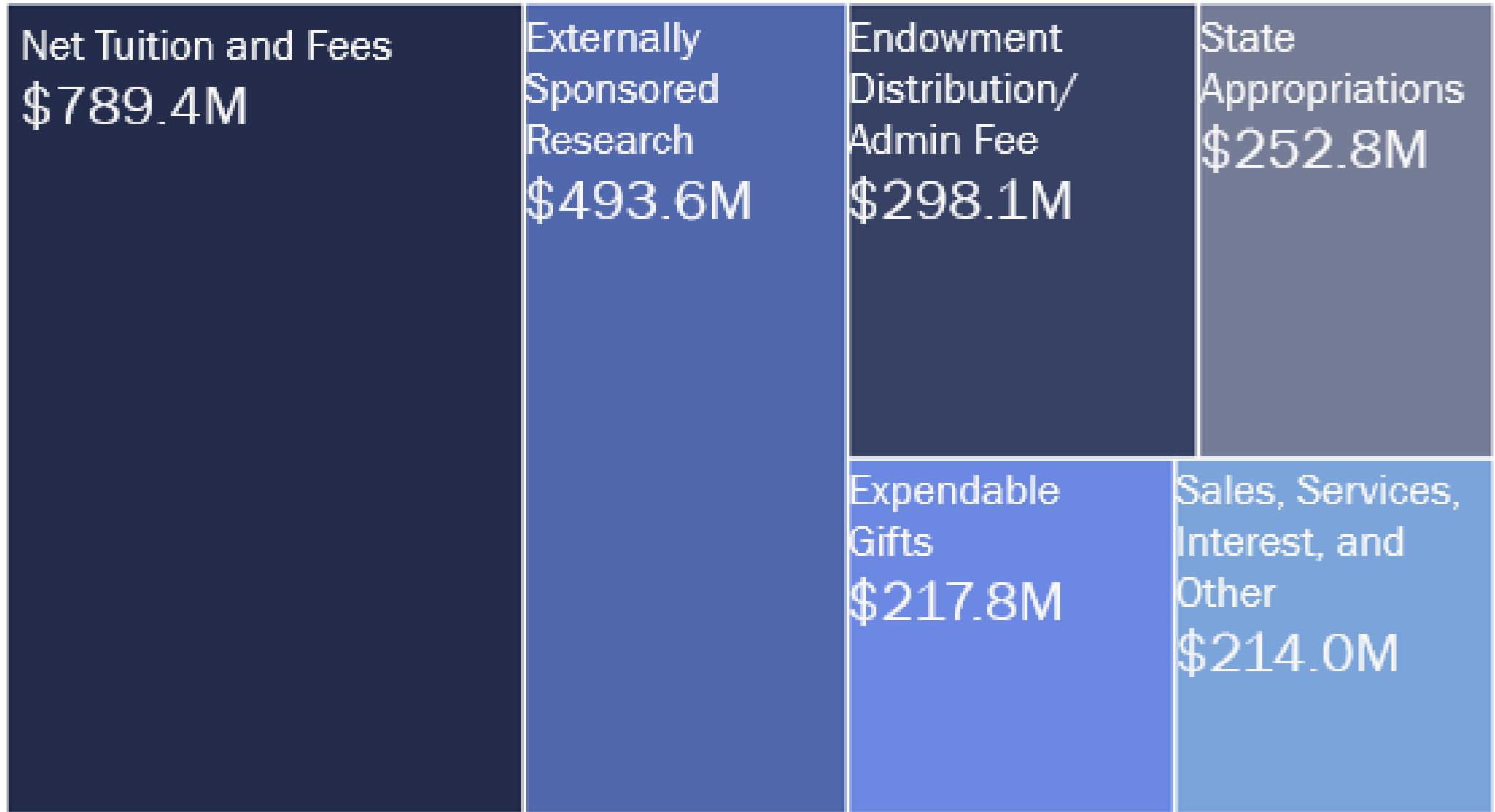
**Net Resources Directed Toward:**

- Operating & Capital Reserves
- Capital Infrastructure
- Strategic Initiatives

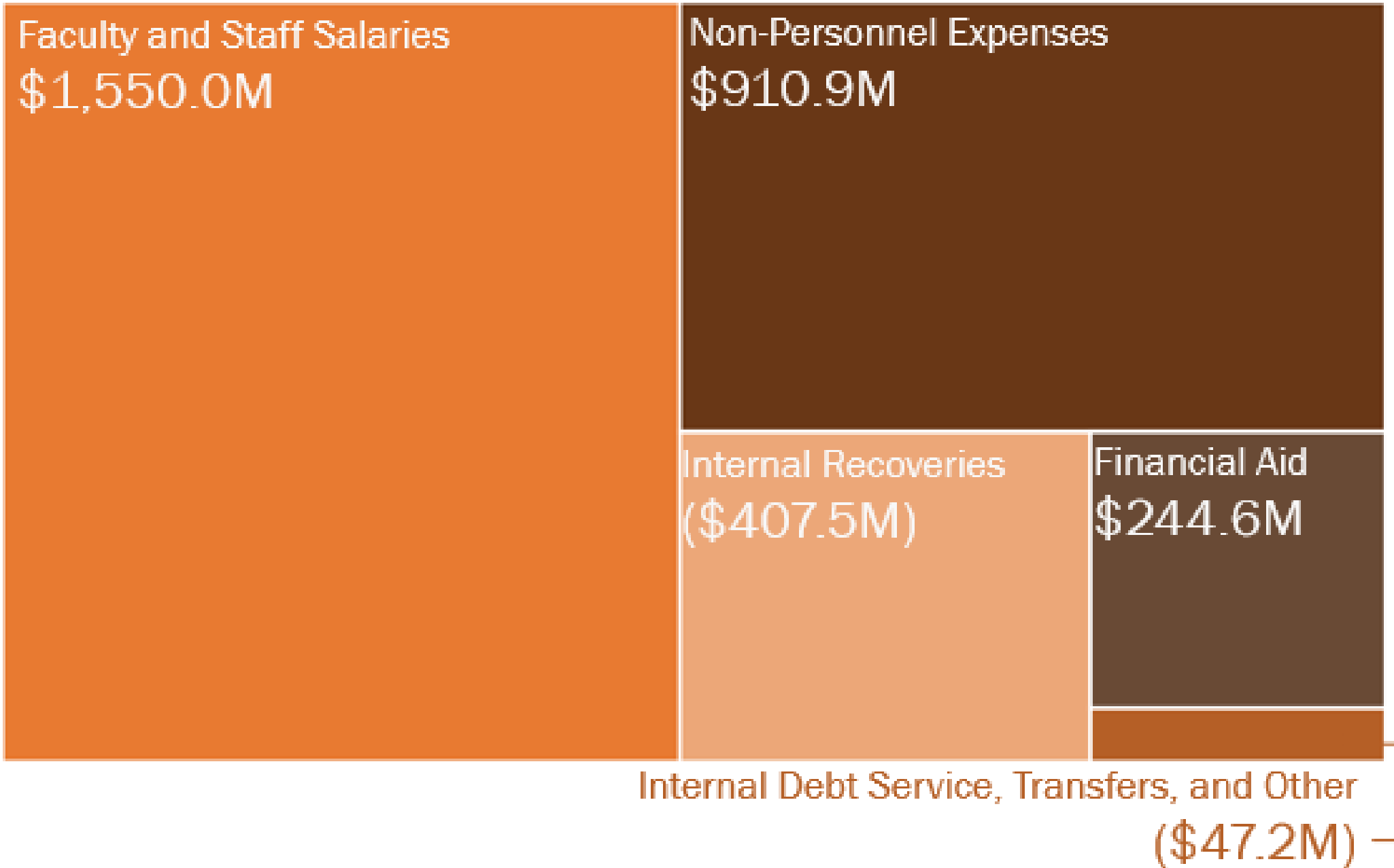
# UVA ACADEMIC DIVISION

## FY2024 Budgeted Operating Sources & Uses

### \$2.3B Sources



### \$2.3B Uses & Transfers



### Net Resources Directed Toward:

- Operating & Capital Reserves
- Capital Infrastructure
- Strategic Initiatives

# UVA MEDICAL CENTER

## FY2024 Budgeted Operating Sources & Uses

**\$3.1B Sources**

Net Patient Service Revenue  
\$2,984.6M

Other Revenue  
\$102.3M

**\$3.1B Uses & Transfers**

Labor  
\$1,453.9M

Supplies, Utilities, and Other  
\$1,361.1M

Depreciation  
\$182.7M

Health System Transfers  
\$51.0M

Interest  
\$34.2M

One-Time Community Health Integration  
\$5.0M

**Net Resources Directed Toward:**

Operating &  
Capital Reserves

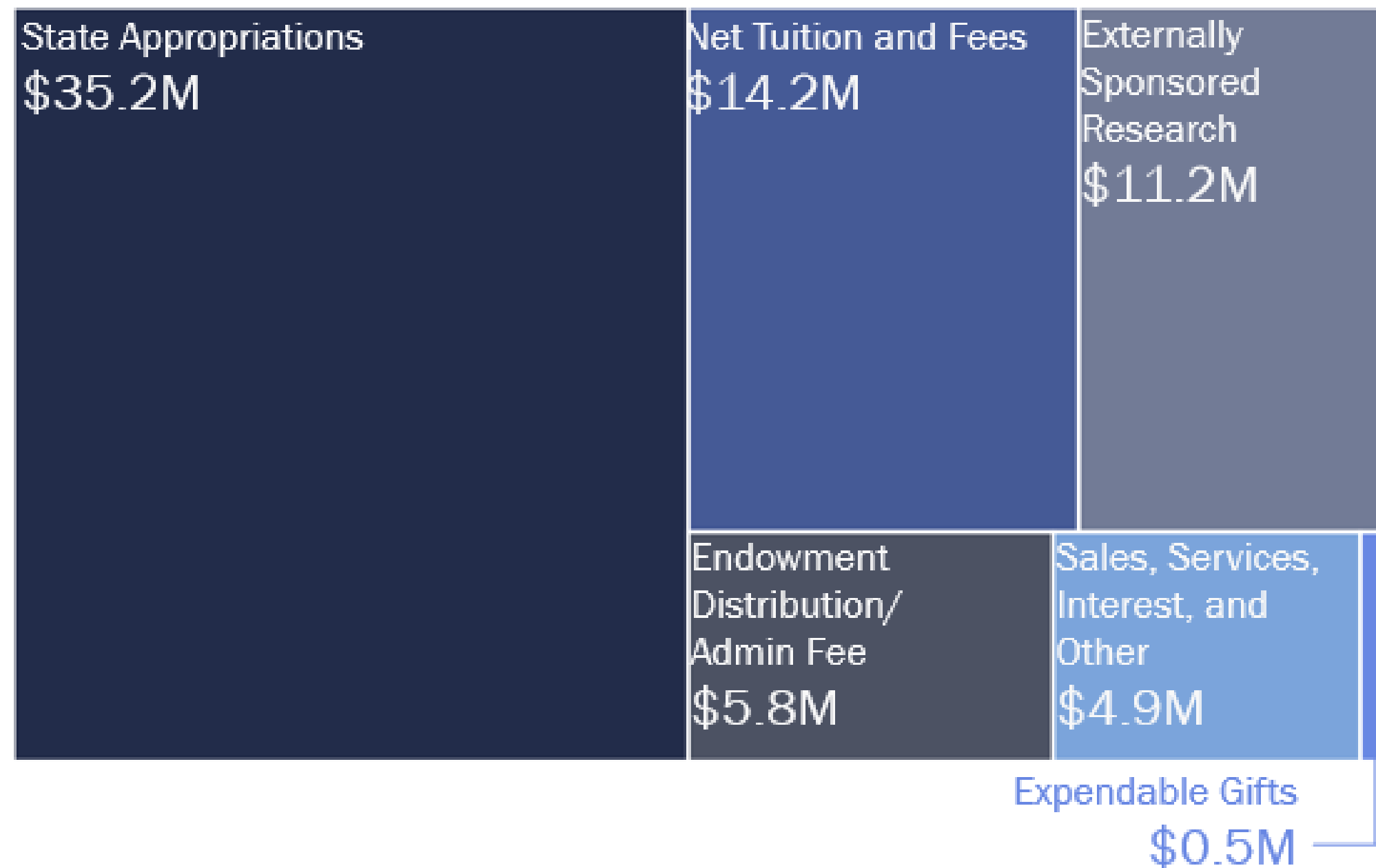
Capital  
Infrastructure

Strategic  
Initiatives

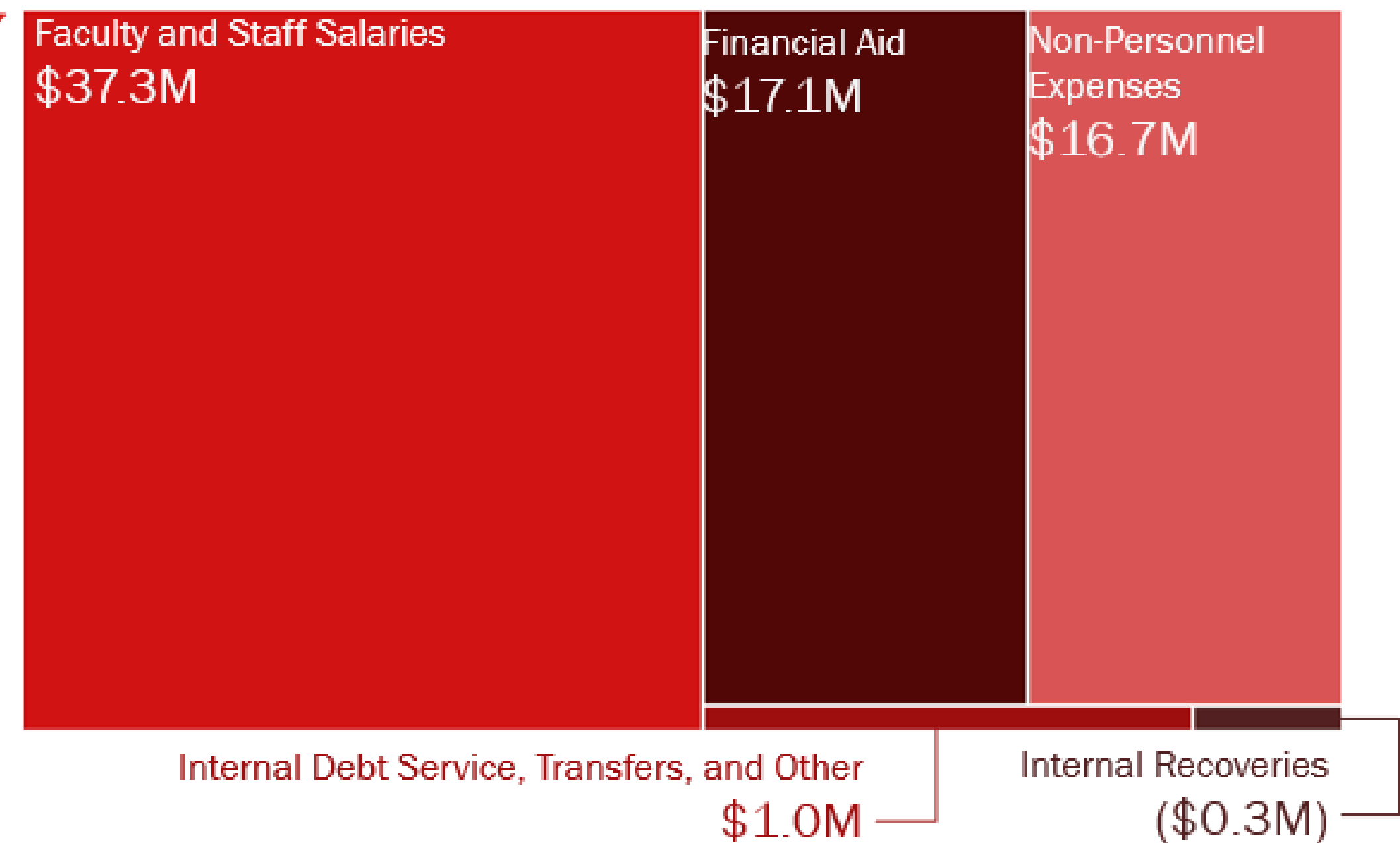
# UVA COLLEGE AT WISE

## FY2024 Budgeted Operating Sources & Uses

**\$71.7M Sources**



**\$71.7M Uses & Transfers**



**Net Resources Directed Toward:**

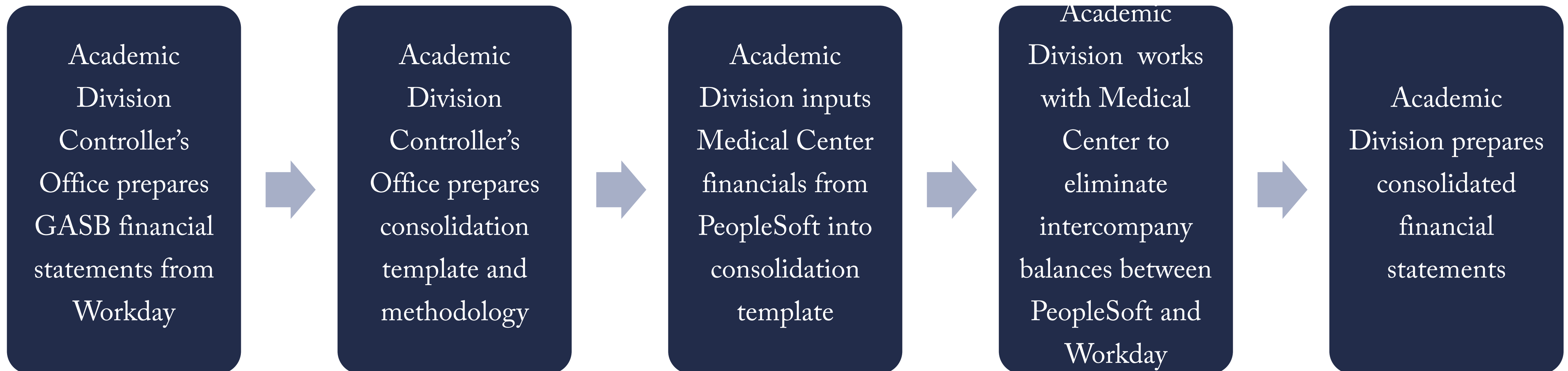
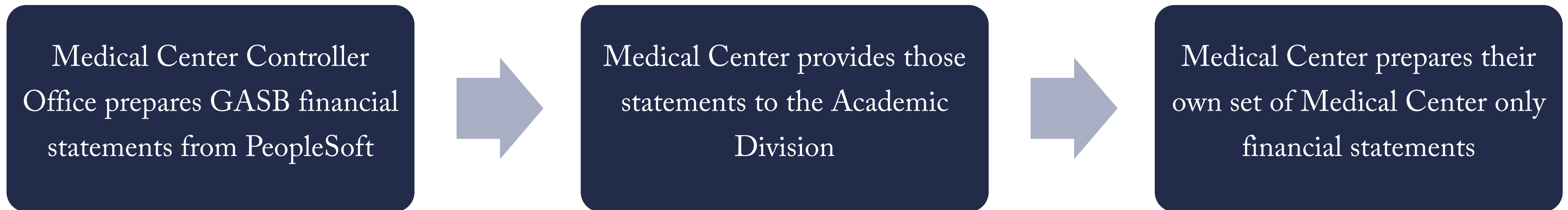
Operating & Capital Reserves

Capital Infrastructure

Strategic Initiatives

# UVA FINANCIAL STATEMENT REPORTING STRUCTURE

## Current State Reporting Process



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# FY 2023 FINANCIAL STATEMENTS

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# FY 2023 FINANCIAL STATEMENTS

## Highlights

- **APA (Auditor of Public Accounts) Audit Opinion:** Dated December 12<sup>th</sup>, 2023. Unmodified for both Medical Center and Consolidated Statements.
- **GAAP (Generally Accepted Accounting Principals) based on GASB (Governmental Accounting Standards Board):** Rector & Visitors, Medical Center and the College at Wise
- **Component Units:** discretely present ten component Units (nine largest University Affiliated Organizations and UVA Imaging) – these all received their own audited financials and opinions (under FASB – Financial Accounting Standards Board)

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# FY 2023 FINANCIAL STATEMENTS

## Highlights

- **Consolidated Financial States are Presented on an ACCRUAL basis**, although the Department of Accounts (DOA) does require UVA to report all state activity to them on a cash basis. UVA Academic also budgets on a cash basis. Important to note that the Commonwealth used their DOA templates (HE-1 through HE-13) for reporting into the Consolidated State Financials, to which we are material. (ACFR – Annual Comprehensive Financial Report)
- **Consolidated Financial Statements** include the Academic Division and College at Wise as well as the Medical Center. Community Health receives its own audit and is consolidated into the Medical Center (it is NOT a component unit).



# FY2023 FINANCIAL STATEMENTS

## Statement of Net Position

- A high-level summary of the UVA Academic Division 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 are directly related to positive returns in the LTP and new endowment gifts to the University.

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>

# FY 2023 FINANCIAL STATEMENTS

## Statement of Net Position, Continued

- **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 (in thousands)	2023	2022*	INCREASE (DECREASE)	
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# FY2023 FINANCIAL STATEMENTS

## Statement of Net Position, Continued

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- **Current liabilities increased by \$53.9 million** due to increases of \$26M in salaries and wages payable and bond principal payments.
- **Noncurrent liabilities increased by \$11.5 million** primarily new leases as well as the implementation of new GASB Statements.

# FY2023 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (SRECNP)

- A high-level summary of the UVA Academic Division 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>

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# FY 2023 FINANCIAL STATEMENTS

## Component Units Summary

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 ten 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% gain compared to a loss in FY22.

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# FY2023 FINANCIAL STATEMENTS

## GASB Standard Adoption

### Following are Changes to the Statements due to new GASB Adoption:

- **GASB 94, Public Private Partnerships** – No Material Impact
- **GASB 96, Subscription Based Technology** - \$140M increase to balance sheet
- **GASB 99, Comparative Language** – No Material Impact
- **GASB 100, Error Correction** – New Table Presented
- Note: FY2022 also introduced GASB 87 new lease standards – added \$87 Million in lease obligations to balance sheet



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# ENTERPRISE RISK MANAGEMENT: FINANCE

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# SECTOR SURVEILLANCE

- **Rating Agencies**

- Outlook improved from negative to stable
- Revenue growth from endowment spend rates
- Expense and interest rate pressures continue
- Scrutiny on campus security and governance issues, including fundraising and leadership

- **Municipal Markets**

- Liquidity in 2024 is likely to decrease
- Borrowing terms less favorable

- **Economic**

- FY23 - Higher education costs rose by 4.0%
- FY22 - costs rose by 5.2%, when CPI was 7.2%



# RATING AGENCIES

## Higher Education Sector

**MOODY'S**

Moody's Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Stable	Stable	Negative	Stable

**S&P Global**

S&P Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Negative	Stable	Mixed	Mixed

**Fitch Ratings**

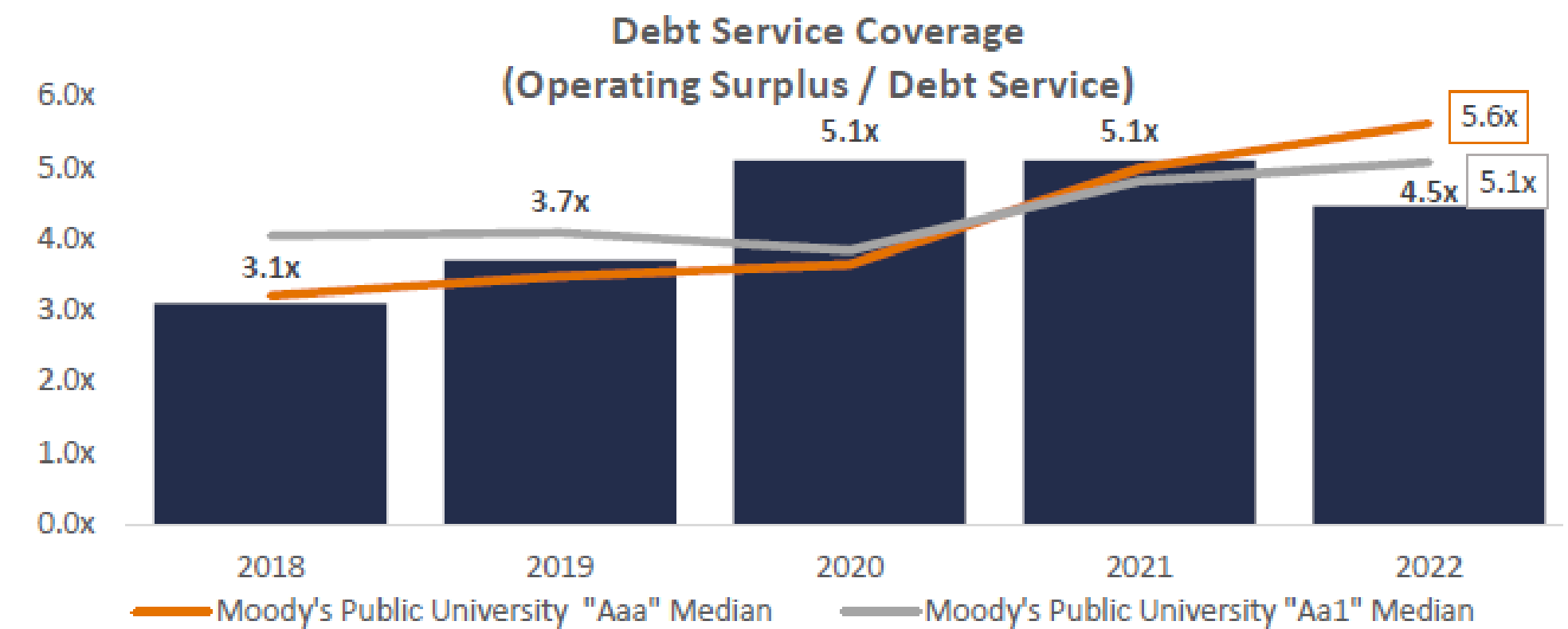
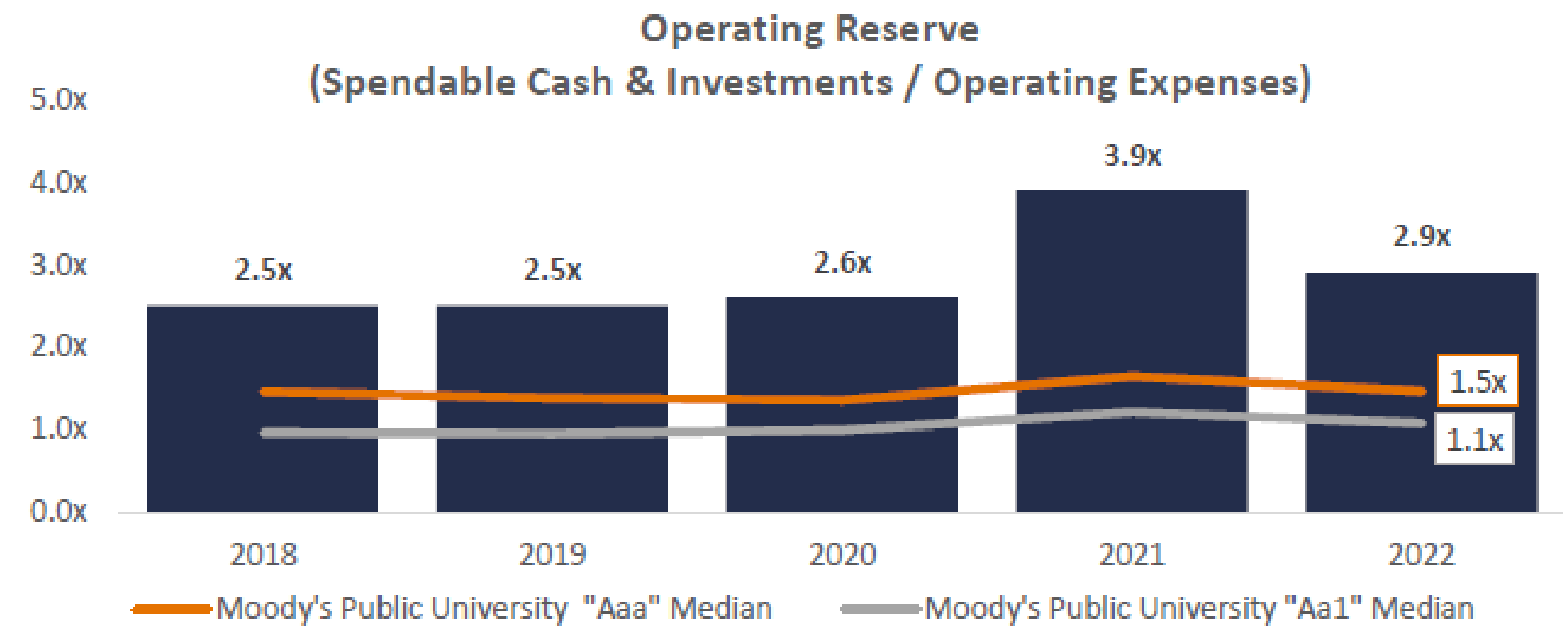
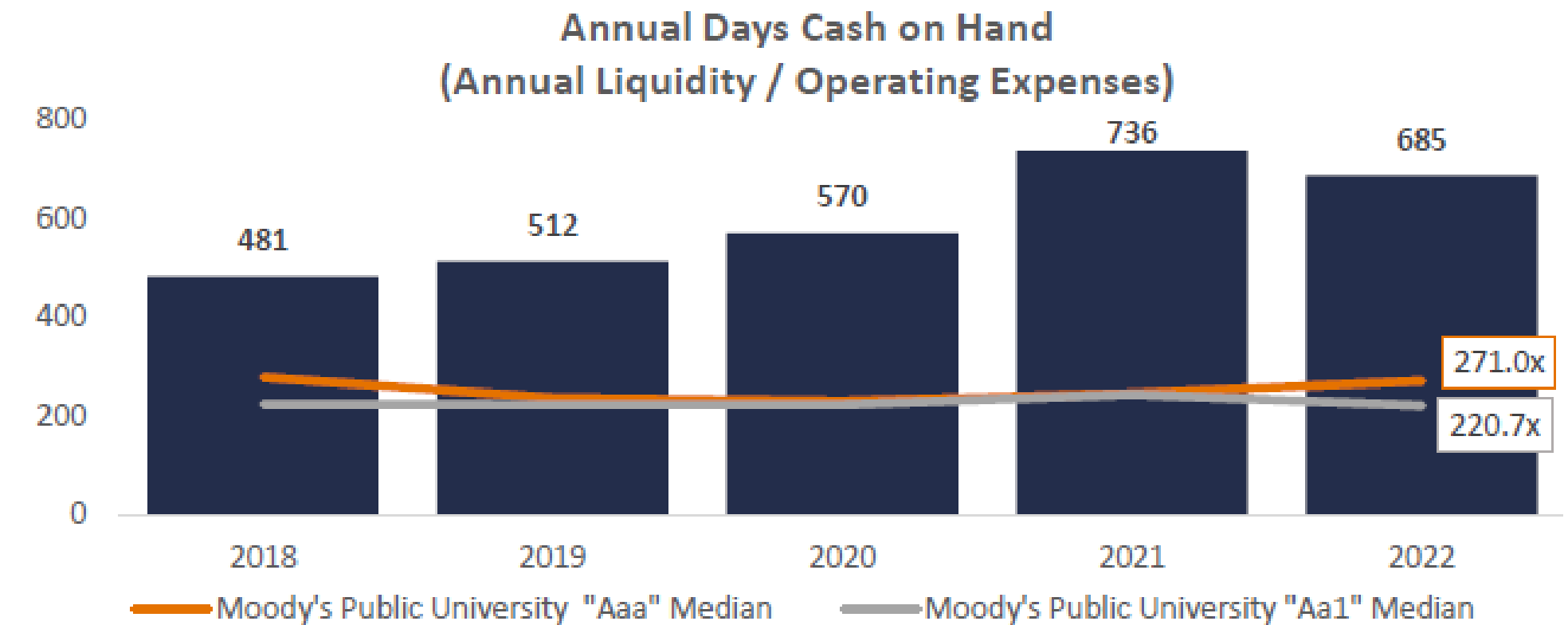
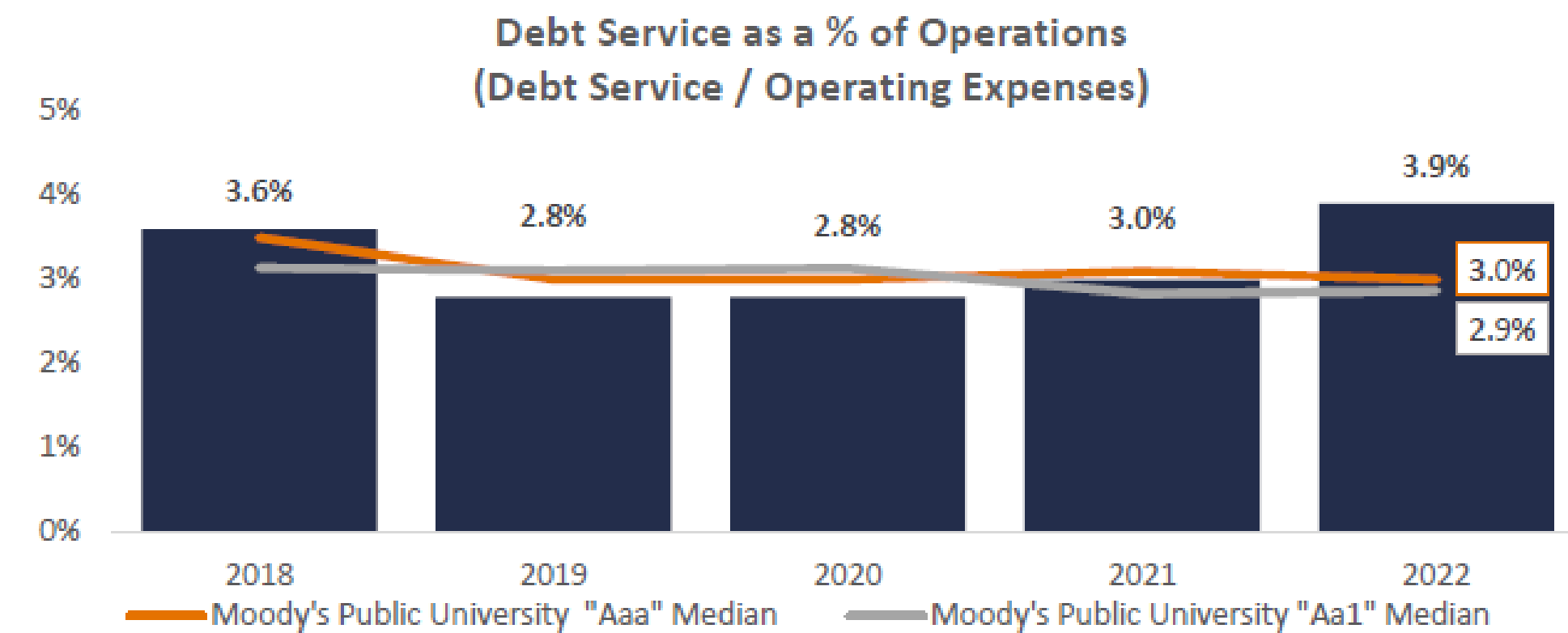
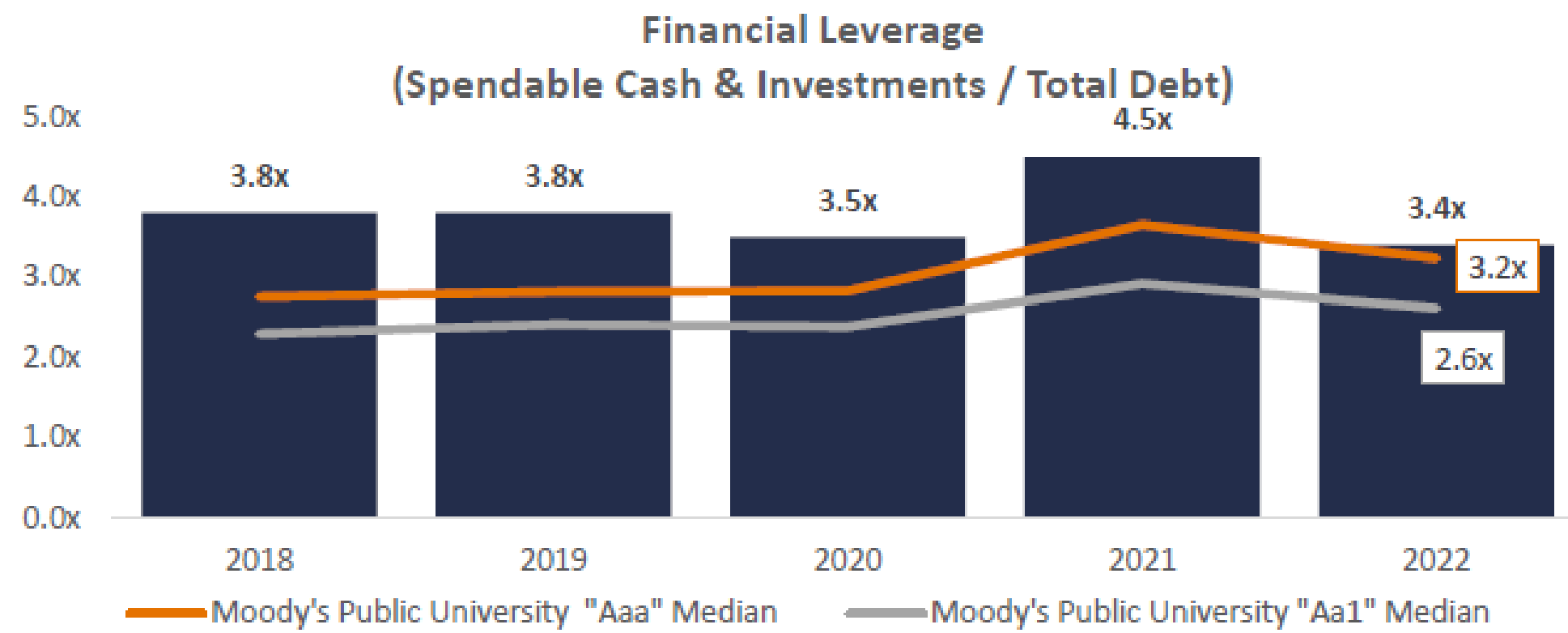
Fitch Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Stable	Stable	Deteriorating	Deteriorating

Four public institutions of higher education with AAA ratings from all three:  
 UVA | UNC – Chapel Hill | Texas A&M | Texas

# Financial Metrics

## Finance Indicators

- Benchmark : Moody's Public University 2022 Medians "Aaa" Rating Category
- Benchmark : Moody's Public University 2022 Medians "Aa1" Rating Category



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# UVA FINANCIAL OUTLOOK

- AAA bond rating from all 3 rating agencies
- Strength of Rating and Financial Position:
  - Diverse revenue streams (healthcare, tuition, grants & contracts, state & philanthropy)
  - Strong net assets position
  - Historically strong endowment performance
  - Stable enrollment and exceptional student demand
  - Optimized debt portfolio; strong liquidity management
  - Successful fundraising campaign and philanthropic support