Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE
April 4, 2022

The Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University met in Closed Session on Monday, April 4, 2022 at 7:00 a.m. on the Blacksburg campus at The Inn at Virginia Tech in the Solitude Room.

Committee Members Present	**Board Members Present**
Sharon Brickhouse Martin (Chair)	Letitia Long (Rector)
Greta Harris	Horacio Valeiras
Anna James	

The following Virginia Tech staff members were present: Cyril Clarke, Ryan Hamilton, Kay Heidbreder, Chris Kiwus, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Timothy Sands, Lisa Wilkes

Closed Session

Chair Martin convened the meeting and welcomed everyone to the Compliance, Audit, and Risk Committee meeting.

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Motion to Begin Closed Session

Ms. Harris moved that the Compliance, Audit, and Risk Committee of the Board of Visitors convene in Closed Session, pursuant to §2.2-3711, Code of Virginia, as amended, to consider the following:

1) Reviews of departments where specific individuals' performance will be discussed

2) The status of current litigation and briefing on actual or probable litigation

3) Discussion of an audit that reveals threats to cybersecurity all pursuant to the following subpart of §2.2-3711(A)(1), (7), and (19), Code of Virginia, as amended.

The meeting concluded at 8:42 a.m.

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The Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University reconvened in Open Session on Monday, April 4, 2022, at 8:45 a.m. on the Blacksburg campus at The Inn at Virginia Tech in the Solitude Room.

Committee Members Present	**Board Members Present**
Sharon Brickhouse Martin (Chair)	Letitia Long (Rector)
Greta Harris	
Anna James	

The following Virginia Tech staff members were present: Sharon Kurek, Connie Marshall, Justin Noble, Kim O'Rourke, Timothy Sands

<u>Open Session</u>

1. **Motion to Reconvene in Open Session:** Following the Closed Session, the doors were opened and Chair Martin called on Ms. James to make the motion to return to Open Session. Ms. James made the following motion to return to open session:

   WHEREAS, the Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provision of The Virginia Freedom of Information Act; and

   WHEREAS, Section 2.2-3712 of the <u>Code of Virginia</u> requires a certification by the Compliance, Audit, and Risk Committee of the Board of Visitors that such closed meeting was conducted in conformity with Virginia law;

   NOW, THEREFORE, BE IT RESOLVED that the Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Compliance, Audit, and Risk Committee.

   The motion was seconded by Ms. Harris and passed unanimously.

2. **Welcome and Introductory Remarks:** Chair Martin convened the meeting and welcomed everyone to the Compliance, Audit, and Risk Committee meeting.

3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.

    a. **Minutes for the November 7, 2021 Meeting:** The Committee reviewed and approved the minutes of the November 7, 2021 meeting.

    b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of September 30, 2021, the university had ten open recommendations. Seventeen audit comments were issued during the second quarter of the fiscal year. As of December 31, 2021, the university had addressed five comments, leaving 22 open recommendations in progress, of which 17 were progressing as expected and on track to meet their respective target due dates while five recommendations missed their original date. The committee requested an update on the outstanding items at the June meeting.

    c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 49 percent of its audit plan, and 35 percent is underway, in accordance with the fiscal year 2021-22 annual audit plan.

    d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November board meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

        i. Continuing and Professional Education: The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted regarding timely deposit of funds.

        ii. Fralin Biomedical Research Institute at VTC: The audit received a rating of improvements are recommended. One observation was noted with respect to improving processes for granting and removing user access to human subject research data.

iii. HR: Compensation and Classification: The audit received a rating of effective.

iv. Senior Vice President and Chief Business Officer Policy Compliance Review: The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, leave reporting, expenditures, funds handling, and university key control.

v. Vice President for Finance Policy Compliance Review: The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, expenditures, and information technology. Additionally, an observation for central administration was noted regarding self-approval for certain electronic travel and purchase card expenditures.

e. **Auditor of Public Accounts Financial Statement Audit:** The Committee received a report on the Auditor of Public Accounts (APA) audit of the university's financial statements for the fiscal year ended June 30, 2021. During the audit, the APA found the financial statements were presented fairly in all material respects, and there were no internal control findings requiring management's attention.

f. **Auditor of Public Accounts Intercollegiate Athletics Program Report:** The Committee received a report on the APA Intercollegiate Athletics review for fiscal year 2021. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs for fiscal year ended June 30, 2021 is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. During the APA review, no matters were brought to the APA's attention that would lead them to believe the amounts of the Schedule of 3 Revenues and Expenses should be adjusted. This review did not constitute an audit and therefore no opinion was issued.

4. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

The meeting concluded at 8:52 a.m.

Attachment F

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech – Solitude Room
April 4, 2020
7:00 a.m.

	Agenda Item	Reporting Responsibility
1.	Motion for Closed Session	Greta Harris
2.	Internal Audit Reports	Justin Noble
	a. Mechanical Engineering	
3.	Discussion on Title IX	Kay Heidbreder Sharon Kurek Ryan Hamilton
4.	Update on Fraud, Waste, and Abuse Cases	Sharon Kurek Ryan Hamilton
5.	Report on the Quality Assessment Review	Sharon Kurek
6.	Discussion with the Executive Director of Audit, Risk, and Compliance	Sharon Kurek

Attachment F

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech – Solitude Room
April 4, 2022
8:00 a.m.

Agenda Item	Reporting Responsibility
1. Motion to Reconvene in Open Session	Anna James
2. Welcome and Introductory Remarks	Sharon Brickhouse Martin
3. Consent Agenda	Sharon Brickhouse Martin
a. Minutes from the November 7, 2021 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Continuing and Professional Education	
ii. Fralin Biomedical Research Institute at VTC	
iii. HR: Compensation and Classification	
iv. Senior Vice President and Chief Business Officer Policy Compliance Review	
v. Vice President for Finance Policy Compliance Review	
e. Auditor of Public Accounts Financial Statement Audit	
f. Auditor of Public Accounts Intercollegiate Athletics Program Report	
4. Discussion of Future Topics	Sharon Brickhouse Martin

Consent Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 4, 2022

The Committee will consider for approval and acceptance the items listed on the Consent Agenda.

a. Minutes from the November 7, 2021 Meeting
b. Update of Responses to Open Internal Audit Comments
c. Audit Plan Status Report
d. Internal Audit Reports
    i. Continuing and Professional Education
    ii. Fralin Biomedical Research Institute at VTC
    iii. HR: Compensation and Classification
    iv. Senior Vice President and Chief Business Officer Policy Compliance Review
    v. Vice President for Finance Policy Compliance Review
e. Auditor of Public Accounts Financial Statement Audit
f. Auditor of Public Accounts Intercollegiate Athletics Program Report

Update of Responses to Open Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2021

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all final audit reports. The audited units are responsible for implementing action plans by the agreed upon implementation dates, and management is responsible for ongoing oversight and monitoring of progress to ensure solutions are implemented without unnecessary delays. Management supports units as necessary when assistance is needed to complete an action plan. As units progress toward completion of an action plan, the Office of Audit, Risk, and Compliance (OARC) performs a follow-up visit within two weeks after the target implementation date. OARC is responsible for conducting independent follow up testing to verify mitigation of the risks identified in the recommendation and formally close the recommendation. As part of management's oversight and monitoring responsibility, this report is provided to update the Compliance, Audit, and Risk Committee on the status of outstanding recommendations. Management reviews and assesses recommendations with university-wide implications and shares the recommendations with responsible administrative departments for process improvements, additions or clarification of university policy, and inclusion in training programs and campus communications. Management continues to emphasize the prompt completion of action plans.

The report includes outstanding recommendations from compliance reviews and audit reports. Consistent with the report presented at the November Board meeting, the report of open recommendations includes three attachments:

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 75 percent on-schedule rate for fiscal year 2022 reflects closing six of eight recommendations by the original target date.

The report presented at the November 7, 2021 meeting covered audit reports reviewed and accepted through September 30, 2021 and included ten open medium and high priority recommendations. Activity for the quarter ending December 31, 2021 resulted in the following:

Open recommendations as of September 30, 2021	10
Add: medium and high priority recommendations accepted November 7, 2021	17
Subtract: recommendations addressed since September 30, 2021	5
Remaining open recommendations as of December 31, 2021	22

Target dates were missed on two of seven recommendations that came due during fiscal year 2022, quarter 2. While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through March 18, 2022, OARC has closed seven of the 22 remaining open medium and high priority recommendations, including one recommendation that missed its original target date in quarter 2; however, two recommendations due in fiscal year 2022, quarter 3 also missed the original target date, and two additional recommendations due in quarter 3 are being evaluated for completion. Other remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2021

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
May 11, 2020	College of Science	20-1491	3	2		1			1
May 17, 2021	Linex Server Security	21-1530	4	3				1	1
May 21, 2021	Scholarships	21-1535	7	1				6	6
Jun 29, 2021	Virginia Tech Carilion School of Medicine	21-1544	3	0				3	3
Jun 30, 2021	Veterinary Teaching Hospital	21-1540a	1	0		1			1
Jun 30, 2021	Equine Medical Center	21-1540b	4	1	1		1	1	3
Sep 27, 2021	Fralin Life Sciences Institute	21-1526	2	1				1	1
Oct 22, 2021	Athletics	21-1522	1	0				1	1
Oct 22, 2021	Principal Investigator Research Management	21-1532	1	0				1	1
Oct 22, 2021	Student Athlete Academic Success	21-1538	1	0				1	1
Oct 22, 2021	University Libraries	22-1595	4	1				3	3
Totals:			**31**	**9**	**1**	**2**	**1**	**18**	**22**

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2021

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority Original	Priority Revised	Target Date Original	Target Date Revised	Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
Jun 30, 2021	1	21-1540b	Equine Medical Center	Delinquent Accounts	High		Oct 31, 2021		1	Missed the original target date. Management has implemented mitigating controls as of 2/7/22.
May 11, 2020	2	20-1491	College of Science	Information Technology	Medium		Dec 01, 2021	TBD	1	Missed the original target date. OARC is working with management to identify a revised implementation date.
Jun 29, 2021	3	21-1544	Virginia Tech Carilion School of Medicine	Wage Payroll	Medium		Jan 10, 2022		2	
Jun 29, 2021	4	21-1544	Virginia Tech Carilion School of Medicine	Leave Reporting	Medium		Jan 10, 2022		2	
Jun 30, 2021	5	21-1540b	Equine Medical Center	Dispensary Inventory	High		Jan 31, 2022		2	
Jun 30, 2021	6	21-1540a	Veterinary Teaching Hospital	Supplies Inventory	Medium		Jan 31, 2022	TBD	1	While this implementation is outside the reported scope period, the original target date has been missed. OARC will work to identify a revised implementation date.
Jun 30, 2021	7	21-1540b	Equine Medical Center	Supplies Inventory	Medium		Jan 31, 2022		2	
Jun 29, 2021	8	21-1544	Virginia Tech Carilion School of Medicine	P14 Appointments	Medium		Mar 01, 2022		2	
May 21, 2021	9	21-1535	Scholarships (Appendix A: Athletics)	Scholarship Utilization	Medium		Mar 01, 2022		2	
May 21, 2021	10	21-1535	Scholarships (Appendix B: College of Ag & Life Sciences)	Scholarship Utilization	Medium		Mar 01, 2022		2	
May 21, 2021	11	21-1535	Scholarships (Appendix H: College of Science)	Scholarship Utilization	Medium		Mar 01, 2022		2	
May 21, 2021	12	21-1535	Scholarships (Appendix H: College of Science)	Submission of Scholarship Utilization Reports	Medium		Mar 01, 2022		2	
May 21, 2021	13	21-1535	Scholarships (Appendix H: College of Science)	Awarding Procedures Documentation	Medium		Mar 01, 2022	TBD	1	While this implementation is outside the reported scope period, the original target date has been missed. OARC will work to identify a revised implementation date.
May 21, 2021	14	21-1535	Scholarships (Appendix H: Vice President for Advancement)	Scholarship Utilization	Medium		Mar 01, 2022		2	

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2021

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
Oct 22, 2021	15	22-1595	University Libraries	Fiscal Responsibility	Medium		Mar 31, 2022		2	
Oct 22, 2021	16	22-1595	University Libraries	P14 Appointments	Medium		Mar 31, 2022		2	
Oct 22, 2021	17	21-1522	Athletics	Transfer Evaluation Process	Medium		Apr 01, 2022		3	
Oct 22, 2021	18	21-1532	Principal Investigator Research Management	Financial Oversight of Research	Medium		Jun 01, 2022		3	
Oct 22, 2021	19	21-1538	Student Athlete Academic Success	Information Technology	Medium		Jul 01, 2022		3	
May 17, 2021	20	20-1530	Linex Server Security	Information Technology Standards	Medium		Jun 30, 2022		3	
Sep 27, 2021	21	21-1526	Fralin Life Sciences Institute	Oversight of Distributed Funds	Medium		Aug 31, 2022		3	
Oct 22, 2021	22	22-1595	University Libraries	Information Technology	Medium		Jan 15, 2023		3	

Follow Up Status

1 Management confirmed during follow up discussions with the Office of Audit, Risk, and Compliance (OARC) that the auditee has missed their implementation date.

2 Management confirmed during follow up discussions with the Office of Audit, Risk, and Compliance (OARC) that actions are occurring and the target date has been or will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.

3 Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

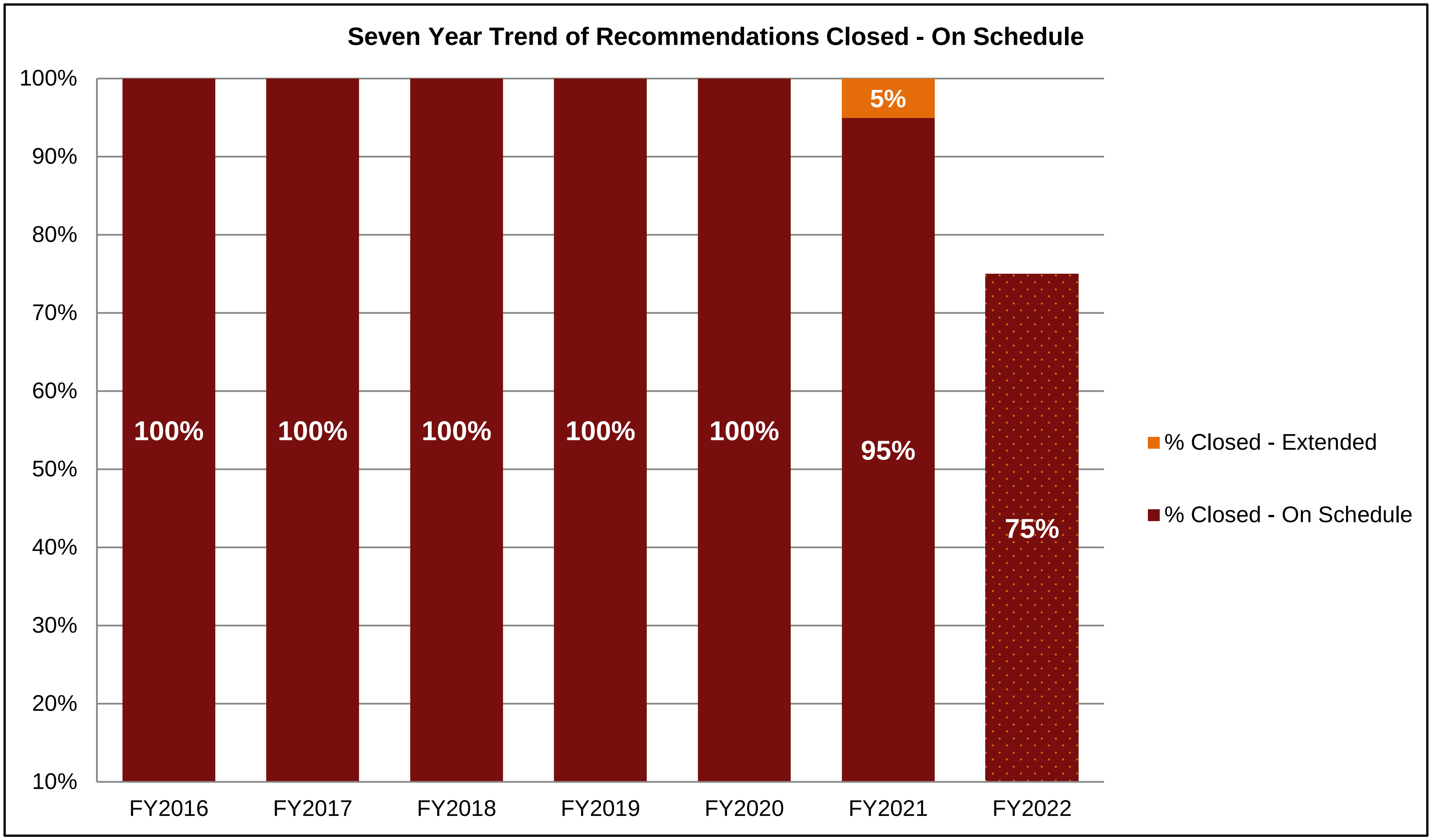
For Open Detail Report: “current calendar quarter” is used to refer to the current working quarter instead of the quarter being reported on.

ATTACHMENT C

Management Performance and Trends Regarding
Office of Audit, Risk, and Compliance Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

December 31, 2021



Audit Plan Status Report

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 4, 2022

Audit Plan Update

Audits were performed in accordance with the fiscal year 2021-22 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Seven planned projects have been completed since the November board meeting, including five risk-based audits and two policy compliance reviews.

The following 13 projects are underway: Agricultural Research and Extension Centers, Athletics, Biological Sciences, Data Analytics: Research Compliance, Dining Services, Export and Secure Research Compliance, IT: Network Security, Research: Foreign Influence, School of Architecture + Design, Service Centers, Vendor Contract Administration, and two policy compliance reviews of the Vice President for Outreach and International Affairs and Vice President for Campus, Infrastructure, and Facilities.

Further, three planned audits have been canceled or deferred since the November board meeting. Based on the current IT Transformation efforts underway, the planned IT engagement regarding risk assessment and classification has been canceled. Additionally, the Provost's Office requested we defer our planned engagement of the Partnership for an Incentive Based Budget (PIBB) as the current model is being revaluated. Lastly, the planned risk-based engagement of a new effort reporting system will be deferred to next year as implementation is currently slated for July 2022.

In fiscal year 2021-22, OARC has completed 49 percent of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2021-22 Completion of Audit Plan

Audits	
Total # of **Audits** Planned	31
Total # of Supplemental **Audits**	0
Total # of Carry Forwards	9
Total # of Planned **Audits** Canceled or Deferred	3
Total **Audits** in Plan as Amended	37
Total **Audits** Completed	18
Audits - Percentage Complete	49%
Audits - Percentage Complete or Underway	84%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 4, 2022

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
Continuing and Professional Education	Effective
Fralin Biomedical Research Institute at VTC	Improvements are Recommended
HR: Compensation and Classification	Effective
Senior Vice President and Chief Business Officer Policy Compliance Review	Improvements are Recommended
Vice President for Finance Policy Compliance Review	Improvements are Recommended

Summary of Audit Ratings

The Office of Audit, Risk, and Compliance's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Unreliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

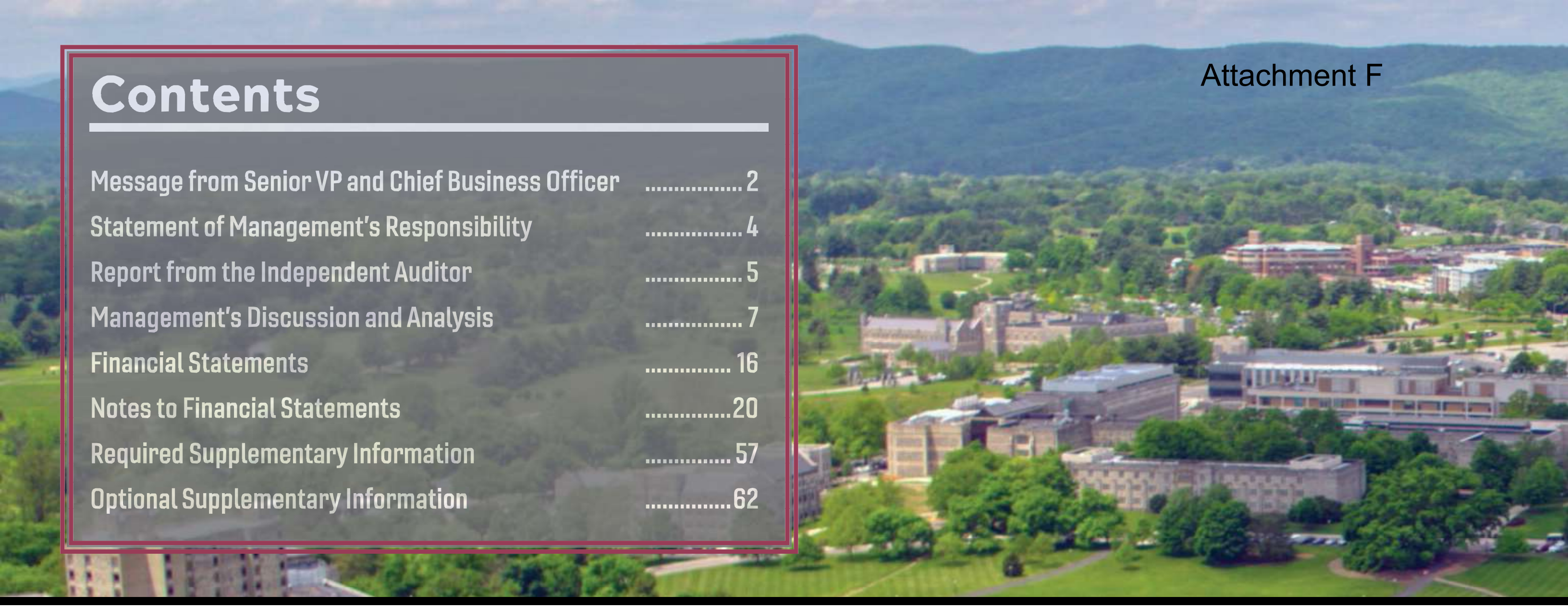
That the internal audit reports listed above be accepted by the Compliance, Audit, and Risk Committee.

April 4, 2022

Attachment F

Annual Financial Report 2020-2021

VIRGINIA TECH



Attachment F

Contents

Financial Highlights

For the years ended June 30, 2017–2021 *(all dollars are in millions; square feet in thousands)*

	2016–17	2017–18	2018–19	2019–20	2020–21
Revenues, expenses, and changes in net position					
Operating revenues	$ 1,031.5	$ 1,099.9	$ 1,160.4	$ 1,188.8	$ 1,157.0
Operating expenses	1,364.7	1,423.4	1,467.9	1,549.8	1,513.5
Operating loss (1)	(333.2)	(323.5)	(307.5)	(361.0)	(356.5)
Non-operating revenues and expenses (1)	355.2	363.5	360.0	382.4	521.1
Other revenues, expenses, gains or losses	42.0	51.8	78.0	101.1	135.5
Net increase in net position	$ 64.0	$ 91.8	$ 130.5	$ 122.5	$ 300.1
University net position					
Net investment in capital assets	$ 1,201.3	$ 1,273.2	$ 1,326.1	$ 1,437.6	$ 1,519.8
Restricted	$ 224.5	$ 212.5	$ 214.9	$ 213.5	$ 251.6
Unrestricted	$ (23.5)	$ (226.4)	$ (150.7)	$ (135.6)	$ 42.7
Assets and facilities					
Total university assets	$ 2,528.4	$ 2,632.9	$ 2,757.2	$ 2,889.4	$ 3,221.5
Capital assets, net of accumulated depreciation	$ 1,680.5	$ 1,731.9	$ 1,786.0	$ 1,936.1	$ 2,043.2
Facilities – owned gross square feet	11,374	11,669	11,735	11,855	12,273
Facilities – leased square feet	1,993	2,067	2,204	2,273	2,134
Sponsored programs					
Number of awards received	2,423	2,533	2,364	2,391	2,328
Value of awards received	$ 304.3	$ 336.8	$ 323.7	$ 367.7	$ 349.3
Research expenditures reported to the National Science Foundation (NSF) (2)	$ 522.4	$ 531.6	$ 542.0	$ 556.3	N/A
Virginia Tech Foundation					
Gifts and bequests received	$ 145.1	$ 130.4	$ 137.0	$ 163.5	$ 177.0
Expended in support of the university	$ 164.6	$ 179.6	$ 170.0	$ 180.7	$ 155.8
Total assets and managed funds	$ 1,726.4	$ 1,891.0	$ 2,107.1	$ 2,266.0	$ 2,687.6
Endowments (at market value)					
Owned by Virginia Tech Foundation (VTF)	$ 795.7	$ 849.9	$ 970.1	$ 932.4	$ 1,184.7
Owned by Virginia Tech	191.9	287.0	378.4	397.0	495.6
Managed by VTF under agency agreements	8.6	9.5	9.5	8.5	10.1
Total endowments supporting the university	$ 996.2	$ 1,146.4	$ 1,358.0	$ 1,337.9	$ 1,690.4
Student financial aid					
Number of students receiving selected types of financial aid					
Loans	12,430	12,947	13,075	13,267	13,140
Grants, scholarships and waivers	18,746	19,493	19,484	20,548	20,606
Employment opportunities	11,201	11,193	12,717	12,430	9,747
Total amounts by major category					
Loans	$ 171.4	$ 181.3	$ 191.9	$ 200.2	$ 202.4
Grants, scholarships and waivers	203.6	215.6	227.7	243.5	251.0
Employment opportunities	87.2	89.5	92.3	94.7	94.4
Total financial aid	$ 462.2	$ 486.4	$ 511.9	$ 538.4	$ 547.8

(1) The university will always be expected to show an operating loss since significant recurring revenues are shown as non-operating. Major revenue sources reported as non-operating include state appropriations, gifts, and investment income. These revenue sources are used for general operations in support of the learning, discovery, and engagement missions of the university.

(2) Total research expenditures reported to NSF for the current year were not available at publication date.

University Highlights
For the years ended June 30, 2015 – 2021

	2014-15	2015-16	2016-17	2017-18[1]	2018-19[2]	2019-20	2020-21[3]
Student admissions							
Total applications received (including transfers)							
Undergraduate	23,504	25,095	27,890	30,299	35,002	34,769	33,538
Graduate	9,474	8,916	8,635	9,250	7,523	7,376	7,445
Offers, as a percentage of applications							
Undergraduate	70.2%	70.9%	68.7%	68.1%	63.6%	69.2%	65.7%
Graduate	29.4%	33.1%	31.8%	32.5%	43.5%	48.4%	57.6%
New enrollment, as a percentage of offers							
Undergraduate	39.1%	41.0%	36.2%	37.8%	32.9%	36.4%	35.5%
Graduate	60.3%	67.3%	68.9%	58.8%	49.3%	48.2%	37.4%
Total student enrollment (head count)							
Enrollment by classification							
Undergraduate	24,247	25,384	25,791	27,193	27,811	29,300	30,020
Graduate and first professional	6,977	7,279	7,379	7,247	7,039	7,083	7,004
Enrollment by campus							
Blacksburg campus	29,173	30,598	31,090	32,304	32,704	34,131	24,878
National Capital Region	884	861	842	799	768	980	752
Other off-campus locations	1,167	1,204	1,238	1,337	1,378	1,272	11,394
Enrollment by residence							
Virginia	21,145	21,583	22,093	22,715	22,925	23,762	24,479
Other states	7,066	7,521	7,370	7,875	8,079	8,589	8,998
Other countries	3,013	3,559	3,707	3,850	3,846	4,032	3,547
Degrees conferred							
Undergraduate (first majors)	5,890	5,940	5,952	6,111	6,835	6,832	7,393
Graduate and first professional	2,021	1,973	2,149	2,120	2,130	2,159	2,084
Faculty and staff[4]							
Full-time instructional faculty	1,443	1,479	1,520	1,554	1,948	2,050	2,068
Other faculty and research associates	2,418	2,505	2,554	2,711	2,783	2,914	2,888
P14 faculty/part-time faculty	218	236	220	230	231	228	232
Support staff	3,467	3,425	3,404	3,390	3,433	3,471	3,380
Total faculty and support staff	7,546	7,645	7,698	7,885	8,395	8,663	8,568
Percent of instructional faculty tenured	61%	60%	57%	55%	54%	51%	53%

(1) 2017-18 admissions data updated to reflect changes in methodology.

(2) Virginia Tech Carilion School of Medicine included, beginning with 2018-19 data.

(3) 2020-21 admissions, enrollments, and course delivery options were affected as a result of the COVID-19 pandemic.

(4) 2018-19 Faculty and staff definitions updated to align with Integrated Postsecondary Education Data System (IPEDS) guidelines.

Attachment F

Message from the Senior Vice President and Chief Business Officer

The continuing COVID-19 public health crisis created uncertainty and difficulty planning for and operating during fiscal year 2021. As an initial measure, the university's Board of Visitors (BOV) adopted a conservative preliminary budget that proactively reduced fiscal year 2021 Educational & General (E&G) budgets by five percent. Throughout the year, senior management monitored key variables that challenged the overall financial environment, such as reduced self-generated revenues in Auxiliary Enterprises, state General Fund support, and additional campus health and safety expenses. Despite the uncertainty and challenges, Virginia Tech's financial stability, proactive financial management, and resilient culture enabled the university to conclude fiscal year 2021 financially stronger, with marked successes in advancing its tripartite mission of discovery, learning, and engagement.

The university implemented a portfolio of strategies to close the COVID-19 operating gap, including expenditures savings, cost controls, and improving cash flow by restructuring debt. Additionally, the university's workforce overcame the many challenges associated with remote work and further strengthened its COVID-19 response and pursuit of its mission.

In addition to the COVID-19 response, the university continues to pursue efficient and effective administrative operations. Examples of two improvements this year include implementing a new digital auxiliary budget system and outsourcing the university surplus property auctions to an online venue instead of in-person. Online auctions have consistently achieved higher average sales and lower expenses. Many other administrative transformation projects are ongoing and will allow the university to deliver responsive, nimble, and best-in-class services.

Several revenue sources helped mitigate the challenges of the pandemic, including continued revenue streams from tuition and fees. Defying the national trend of shrinking enrollments, the demand for a Virginia Tech education continues to grow. The university achieved its fall 2020 enrollment targets and received over 34,000 applications for the fall 2020 semester. The university enrolled 38,037 FTE undergraduate and graduate students during the 2020-21 academic year.

Relief funding packages from the federal government and the Commonwealth also helped mitigate the impacts of the pandemic. The university has received multiple relief funding packages from the federal government and the Commonwealth of Virginia to flatten the curve and support university operations. The university expended the remaining balance of its fiscal year 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in fiscal year 2021, allocating $0.9 million to emergency aid grants to students and $0.8 million to institutional support. The federal government awarded an additional $77.6 million in fiscal year 2021 through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan (ARP). From those funds, the university expended $9.8 million to provide students with emergency aid grants, $2.8 million to implement evidence-based measures for preventing the spread of COVID-19, and $13.3 million to recover lost revenues caused by the disruption of on-campus operations. The recovered lost revenues played a vital role in restoring the Auxiliary Enterprise units to a neutral financial position. The university had $51.7 million remaining at year-end, which is available for use in fiscal year 2022.

While the General Assembly revoked a scheduled increase in state support due to uncertainty caused by the pandemic, no additional

Dwayne L. Pinkney
Senior Vice President and Chief Business Officer

state budget reduction occurred, and the commonwealth supported 17 percent of the university's operations through appropriations in fiscal year 2021.

The university received $302.3 million in appropriations from the commonwealth for its academic division, cooperative extension and agricultural experiment station division, student financial aid assistance, research, and the Corps of Cadets program.

By the second quarter of fiscal year 2021, the university's financial position strengthened, allowing the university to restore the preliminary budget reductions in some E&G programs. The university restored budgets in academic areas from five to three percent and fully restored budgets for Agricultural Experiment Station and Cooperative Extension programs. The university maintained the five percent budget reduction in administrative and other E&G areas.

While navigating the financial landscape of the pandemic, the university also sought to maximize the quality of the student experience. The university announced its preliminary operational plan for the fall 2020 semester in early June, resulting from a deliberative planning process conducted by several working groups and task forces. The plan blended in-person and online instruction to preserve valuable on-campus experiences and engagement while reducing potential exposure to the coronavirus. While in-person instruction was limited, student dormitories and dining services remained open. The spring semester modeled a similar approach to contain the spread of the virus.

The university also responded to the lingering impacts of the pandemic on household budgets. The BOV approved a tuition freeze for undergraduate and graduate resident and non-resident students for fiscal year 2021. Following a tuition freeze for state undergraduate students in fiscal year 2020, this action ensured that tuition for Virginia undergraduates would remain the same for three academic years in a row, demonstrating Virginia Tech's ongoing commitment to affordability.

Stemming from the university's commitments to affordability and accessibility, the university welcomed the most diverse entering class of first-year and transfer students in its history, increasing enrollment of underserved and underrepresented students by 6.4 percent compared to 2019. In addition, the university continues to make institutional investments in student financial aid programs to lower costs to students, including the Funds for the Future scholarship, which mitigates the impact of tuition and fee increases for low- to middle-income students.

The university had many strategic successes throughout fiscal year 2021, including momentum-building philanthropy, sustained National Science Foundation research ranking, historic endowment levels, and the advancement of high priority capital projects in Blacksburg and the greater Washington, D.C., metro area.

Momentum accelerated in private philanthropy, an increasingly important funding source for student financial aid and scholarships, and for advancing critical strategic initiatives. Boundless Impact: The Campaign for Virginia Tech aims to raise $1.5 billion across all university programs and drive forward major strategic priorities by June 30, 2027. The combined total of new gifts and commitments for fiscal year 2021 was $200.3 million. Donations supporting specific initiatives include $100,000 to the InclusiveVT Scholarship fund in support of community, diversity, and excellence; more than $1 million in cumulative contributions for the Beyond Boundaries Scholar program to recruit and retain high-achieving students from a diverse range of backgrounds; and a $50 million multi-year commitment from Boeing to help jumpstart the launch of Virginia Tech's Innovation Campus. Boeing became the Innovation Campus's first foundational partner with their record gift, which the university will use to provide scholarships, enhance faculty recruitment, and support STEM pathway programs for underserved K-12 students.

During fiscal year 2021, progressive work occurred on three initiatives for advancing Virginia Tech in Blacksburg and the greater Washington, D.C. metro area. First, the development of Virginia Tech's Innovation Campus moved forward in October 2020, when the Alexandria City Council granted unanimous approval to the Academic 1 Building, the first of three academic buildings planned for North Potomac Yard. Second, through the Tech Talent Investment Program (TTIP), Virginia Tech pledged with the commonwealth to double the number of graduates in Computer Science and related fields over the next 20 years. This strategic effort to bolster Virginia's edge in the global talent competition attracted Boeing's commitment mentioned earlier. Third, through the Commonwealth Cyber Initiative (CCI), another state-funded initiative, Virginia Tech collaborated with other institutions and industry partners to secure a $13 million Department of Defense contract to develop a 5G enabled 'smart warehouse.' As the leader of CCI and its Southwest Virginia node, Virginia Tech supports the advancement of research and innovation insecurity, autonomous systems, and data. The commonwealth's extraordinary commitments to the TTIP and CCI are in addition to the state support previously mentioned.

The commonwealth's continued transition to an innovation-driven economy creates a robust environment for growth in research. Virginia Tech is ranked 49th among U.S. research universities according to the current annual National Science Foundation research expenditures report. Virginia Tech reported more than $556 million in research expenditures in fiscal year 2020 (the most recent data available), a 2.7 percent increase over $542 million in fiscal year 2019. By focusing on research growth areas, called "Frontiers," the research enterprise will combine internal foundations, organizational infrastructure, and prior investment with external drivers where industry, government, and technology fund new initiatives that impact humanity, technology, and the future.

The value of the Virginia Tech Foundation's endowed assets grew to a record $1.69 billion as of June 30, 2021, increasing more than $350 million from the previous year. The record total also achieved a long-standing university goal of doubling its endowment to $1.6 billion by 2022. The endowment's 27.1 percent return for fiscal year 2021 outperformed its benchmark return of 25.6 percent. Continued strong philanthropy, coupled with the university's growing endowment, will add flexible financial resources for university initiatives and expand financial aid resources to students.

During fiscal year 2021, the university updated its Six-Year Capital Outlay Plan for the 2022–2028 period, which the BOV subsequently approved for submission to the state's capital outlay budget program. The forward-looking plan includes 20 projects that total $1.06 billion with a balanced approach to new construction and renovations to address the university's strategic plans. The 2021 General Assembly session resulted in Virginia Tech securing $86.4 million in general funds to construct a state-of-the-art undergraduate science laboratory building that the university expects to open by fall 2024.

The university's portfolio of active capital projects had a total budget of $1.1 billion in fiscal year2021, with over $392 million of cumulative expenditures on 30 capital projects. These projects are critical to support the trans-disciplinary teaching and research programs that advance the university's strategic goals. To ensure these critical capital projects come to fruition on time and within budget, the administrative enterprise introduced organizational changes to boost the efficacy of the capital planning, construction, and financing processes. The university instituted an associate vice president for campus planning and capital financing to lead a cross-functional team that facilitates strategic, enterprise-wide, long-range physical planning and the capital outlay program, space and land use, and real estate activities. The new position reports dually to the vice president for campus planning, infrastructure, and facilities and the vice president for finance.

The university reported a debt ratio of 3.31 percent for fiscal year 2021, with a long-term debt liability of $553 million. A change in accounting standards (GASB Statement 87) recognizing long-term lease obligations will require restating this liability in fiscal year 2022. It is anticipated this change will result in recognizing $79 million of long-term leases as of July1, 2021.

The university's forward-looking capital outlay and debt allocation planning processes ensure capacity is available for present and future high-priority projects while complying with the university's performance measures of maintaining the debt program within a five percent debt ratio and maintaining a credit rating of AA- or better. The university changed its target debt ratio to six percent in November 2021 due to the implementation of GASB Statement 87. Moody's and Standard and Poor's have assigned the university credit ratings of Aa1 and AA, respectively. The university strives to grow its capital program and deliberately manage its resources, debt ratio, and credit ratings to support its long-term goals and aspirations.

In planning to ensure a vibrant and sustainable future, the BOV approved the Climate Action Commitment at its March 2021 meeting. This commitment sets the stage for the university to shine as an exemplar and leader in higher education climate action and to honor its mission as a land grant university. By aiming to become a carbon-neutral and zero-waste campus by 2030,and using considerable land resources to manage agricultural impacts, sequester carbon, and develop renewable energy, Virginia Tech will be a leader in climate action in service to its community, the commonwealth, and the world.

As the university's Climate Action Commitment turns our attention towards a better tomorrow, we reflect on our experiences in fiscal year 2021. Despite unprecedented challenges, the university emerged stronger and with growing optimism about its academic and administrative enterprises. Fiscal year 2021 has shown that we will continue to honor our *Ut Prosim* (That I May Serve) mission; preserve the university's robust, resilient culture; and maintain the university's strong financial position and performance through whatever challenges may come.

Attachment F

Management's Responsibility for Financial Reporting and Internal Controls

The information in this Annual Financial Report, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia Tech executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the university. Management believes the information is accurate in all material respects and fairly presents the university's revenues, expenses, and changes in net position as well as its overall financial condition. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the university's operations for the year ended June 30, 2021.

The administration is responsible for establishing and maintaining the university's system of internal controls. Key elements of the university's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Office of the University Controller; a growing management services segment; and an extensive internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the university's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Virginia Tech Board of Visitors has created two committees which review and monitor the university's financial reporting and accounting practices. The Finance and Resource Management Committee meets with university financial officers and external independent auditors annually to review the *Annual Financial Report,* results of audit examinations, and quality of financial reporting. The Compliance, Audit, and Risk Committee periodically meets with internal auditors and university financial officers. These meetings include a review of the scope, quality, and results of the internal audit program, as well as a review of issues related to internal controls.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has examined these annual financial statements and the report thereon appears on the facing page. The APA examination includes a study and evaluation of the university's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues considered worthy of management's attention. The university has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2021.

Dwayne L. Pinkney
Senior Vice President and Chief Business Officer

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 5, 2021

The Honorable Glenn A. Youngkin, Governor of Virginia

The Honorable Kenneth R. Plum, Chairman, Joint Legislative Audit and Review Commission

Board of Visitors, Virginia Polytechnic Institute and State University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Virginia Polytechnic Institute and State University (Virginia Tech), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component unit of the University, which are discussed in Notes 1 and 25. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component unit of Virginia Tech as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 7 through 15; the Schedules of Virginia Tech's Share of Net Pension Liability, the Schedules of Virginia Tech's Pension Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 57 through 58; the Schedule of Virginia Tech's Share of OPEB Liability (Asset), the Schedule of Virginia Tech's Share of OPEB Contributions, and the Notes to the Required Supplementary Information for OPEB Plans for the Pre-Medicare Retiree Healthcare (PMRH), Health Insurance Credit (HIC), Group Life Insurance (GLI), Disability Insurance (VSDP), and Line of Duty (LODA) programs, as applicable, on pages 58 through 61. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Virginia Tech's basic financial statements. The supplementary information, such as the Virginia Tech Foundation, Inc. information, Consolidating Schedules, Affiliated Corporations Financial Highlights, and the other information such as the Financial Highlights and University Highlights are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Virginia Tech Foundation, Inc. information, Consolidating Schedules, and Affiliated Corporations Financial Highlights are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Virginia Tech Foundation, Inc. information, Consolidating Schedules, and Affiliated Corporations Financial Highlights are fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

The Financial Highlights and University Highlights have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2021, on our consideration of Virginia Tech's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

KJS/vks

Management's Discussion and Analysis

(Unaudited)

Virginia Polytechnic Institute and State University, popularly known as Virginia Tech, is a comprehensive, land-grant university located in Blacksburg, Virginia. The university offers 280 graduate, undergraduate, and professional degree programs through its nine academic colleges: Agriculture and Life Sciences, Architecture and Urban Studies, Engineering, Liberal Arts and Human Sciences, Natural Resources and Environment, Pamplin College of Business, Science, the Virginia-Maryland College of Veterinary Medicine, and the Virginia Tech Carilion School of Medicine.

Virginia Tech has evolved into a position of increasing national prominence since its founding in 1872, consistently ranking among the nation's top universities for undergraduate and graduate programs. The university's research program was ranked 49th among the top research institutions in the United States by the National Science Foundation in its latest survey measuring annual research expenditures.

The university is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*. The 14 members of the Virginia Tech Board of Visitors govern university operations. Members of the board are appointed by the Governor of Virginia.

Overview

This unaudited *Management's Discussion and Analysis* (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provide an overall view of the university's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the university's financial condition and results of operations for the fiscal year ended June 30, 2021. Comparative numbers are included for the fiscal year ended June 30, 2020. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. The university's management is responsible for all of the financial information presented, including this discussion and analysis.

The university's financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements 37, 38, and 63. The three required financial statements are the *Statement of Net Position* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Position* (operating statement), and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections. Combining schedules included in *Optional Supplementary Information* indicate how major fund groups were aggregated to arrive at the single column totals presented on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position*.

In accordance with Section 2100 of the GASB codification, the university's nine affiliated corporations were evaluated on the nature and significance of their relationship to the university. The Virginia Tech Foundation Inc. (VTF or 'the foundation') was determined to be a component unit and is presented in a separate column on the university's financial statements. VTF serves the university by generating significant funding from private sources and aggressively managing its assets to provide supplemental funding to the university. The foundation is not part of this MD&A, but detail regarding its financial activities can be found in *Note 25* of the *Notes to Financial Statements*. Transactions between the university and this component unit have not been eliminated in this year's financial statements.

The following GASB statements of standards became effective and were implemented in fiscal year 2021: Statement 93, *Replacement of Interbank Offered Rates*, excluding paragraphs 11b, 13, and 14; Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements 14 and 84, and a supersession of GASB Statement 32* (only a portion of paragraphs 4 and 5); and revisions to *Implementation Guide No. 2019-2 Fiduciary Activities*. The university was not affected by the implementation of these statements.

Burruss Hall is the main administration building on campus. It contains a 3,003-seat auditorium, and houses interior design and landscape architecture offices, studios, and classrooms for the College of Architecture and Urban Studies.

Attachment F

Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, liabilities, and net position of the university as of the end of the fiscal year. The purpose of this statement is to present a snapshot of the university's financial position to readers of the financial statements.

The data presented aids readers in determining the assets available to continue operations of the university. It also allows readers to see what the university owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of the university's net position and the restrictions for expenditure of the components of net position. Sustained increases in net position over time is one indicator of the financial health of the organization.

The university's net position is classified as follows:

Net investment in capital assets – Net investment in capital assets represents the university's total investment in capital assets, net of accumulated depreciation, amortization, and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.

Restricted component of net position, expendable – The expendable category of the restricted component of net position includes resources the university is legally or contractually obligated to expend, with restrictions imposed by external third parties. This category partially consists of quasi-endowments totaling $60.2 million. The investment of quasi-endowments is managed by VTF.

Restricted component of net position, nonexpendable – The nonexpendable category of the restricted component of net position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal. The university's nonexpendable endowments of $14.9 million are included in its column on the SNP.

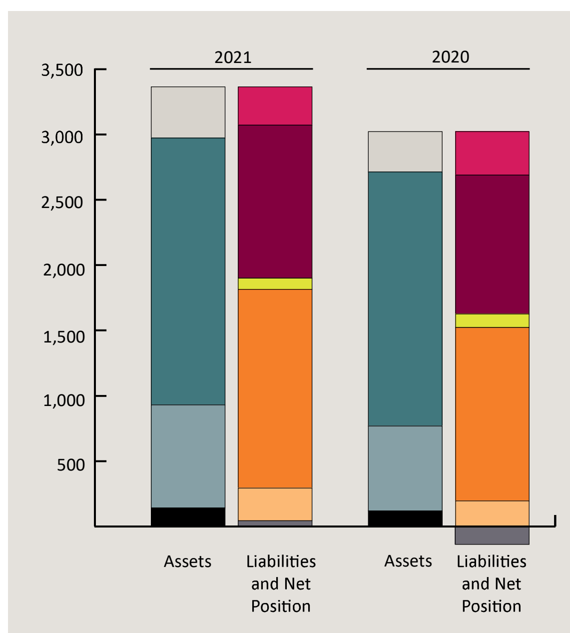
Unrestricted component of net position – The unrestricted component of net position represents resources used for transactions relating to academic departments and general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose in support of the university's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Examples of the university's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets increased by $332.0 million or 11.5% during fiscal year 2021, bringing the total to $3,221.4 million at year end. Current assets rose by $83.3 million. The growth is largely the result of an increase in cash and cash equivalents ($85.6 million) due to decreases in spending and other pandemic mitigation strategies. There were also smaller increases in accounts receivable ($3.3 million), inventories ($1.7 million), and prepaid expenses ($2.8 million). These increases were offset by a decrease of $9.9 million in the due from the Commonwealth of Virginia category. Prior year amounts due from the commonwealth included funding for the Commonwealth Cyber Initiative which is no longer received from the state through the appropriation process. Noncurrent assets grew by $248.7 million. Capital assets, net, increased by $107.1 million reflecting the ongoing construction of university research and instructional facilities, and the capitalization of completed facilities discussed in detail in the following section, *Capital Asset and Debt Administration*. Long-term investments rose $133.5 million mainly

Summary of Assets, Liabilities, and Net Position

Assets, Liabilities, and Net Position
For the years ended June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Current assets	$ 391.0	$ 307.7	$ 83.3	27.1 %
Capital assets, net	2,043.2	1,936.1	107.1	5.5 %
Other assets	787.2	645.6	141.6	21.9 %
Total assets	3,221.4	2,889.4	332.0	11.5 %
Deferred outflow of resources	142.8	120.0	22.8	19.0 %
Current liabilities	292.7	333.3	(40.6)	(12.2)%
Noncurrent liabilities	1,172.3	1,057.9	114.4	10.8 %
Total liabilities	1,465.0	1,391.2	73.8	5.3 %
Deferred inflow of resources	85.1	104.2	(19.1)	(18.3)%
Invested in capital assets, net	1,519.8	1,437.6	82.2	5.7 %
Restricted	251.6	211.9	39.7	18.7 %
Unrestricted	42.7	(135.5)	178.2	131.5 %
Total net position	$ 1,814.1	$ 1,514.0	$ 300.1	19.8 %



Attachment F

due to market recovery from the COVID-19 pandemic. Noncurrent cash and cash equivalents increased $14.7 million due to an increase in unspent bond proceeds largely from the Creativity and Innovation District residence hall project. There was also a small increase in other assets due to an increase in the restricted other postemployment benefit (OPEB) asset for the Virginia Sickness and Disability Program (VSDP). Noncurrent notes receivable fell by $0.9 million while accounts receivable fell by $3.6 million. Additionally, amounts due from the Commonwealth of Virginia fell by $2.5 million due to a decrease in the amount due as reimbursement for 21st Century Bond funded projects.

Total university liabilities increased by $73.8 million or 5.3% during fiscal year 2021. The current liabilities category decreased $40.6 million and the noncurrent liabilities category increased by $114.4 million. The decrease in current liabilities was largely due to a decrease of $54.1 million in the line of credit which was used to temporarily fund capital projects. This temporary funding was replaced by $21.4 million in commercial paper, for a net decrease of $32.7million. The current portion of long-term debt fell by $8.0 million due to a "scoop and toss" refunding strategy that refunded current year principal payments and essentially moved them to future years. Additionally, unearned revenue decreased by $5.8 million. These decreases were offset by an increase in current accrued compensated absences of $4.5 million and an increase in the current portion of other postemployment benefit liability of $0.8 million. Funds held in custody for others increased slightly ($0.6 million), as did accounts payable and accrued liabilities ($0.1 million).

The increase in total assets along with the increase in total liabilities is reflected in the year-over-year increase of the university's net position of $300.1 million (19.8%). Net position in the category of net investment in capital assets increased by $82.2 million, reflecting the university's continued investment in new facilities and equipment supporting the university's mission. Unrestricted net position increased $178.2 million (131.5%) due to the recovery of the investment markets as well as the prudent management of fiscal resources.

Summary of Capital Project Funding

Funding for Authorized Current and Future Capital Projects
As of June 30, 2021
(all dollars in millions)

	State Funds [1]	Other Funds [2]	University Debt Issued Before June 30, 2021	University Debt To Be Issued After June 30, 2021	Total Funding	Cash Basis Project-To-Date Expenses
Current education and general	$ 230.6	$ 31.2	$ 17.5	$ 41.3	$ 320.6	$ 122.0
Current auxiliary enterprise	-	32.9	89.6	40.0	162.5	100.8
Total current	230.6	64.1	107.1	81.3	483.1	222.8
Future education and general	171.1	22.5	-	107.0	300.6	24.5
Future auxiliary enterprise	-	19.1	-	132.0	151.1	7.7
Total future	171.1	41.6	-	239.0	451.7	32.2
Total authorized	$ 401.7	$ 105.7	$ 107.1	$ 320.3	$ 934.8	$ 255.0

(1) Includes the general fund, capital appropriations, and general obligation bonds of the Commonwealth of Virginia.
(2) Includes private gifts, auxiliary surpluses, student fees, and other customer revenues.

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the university's academic, research, and residential life functions is the development and renewal of its capital assets. The university continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serve to enrich high-quality instructional programs, residential lifestyles, and research activities.

Note 7 of the *Notes to Financial Statements* describes the university's significant investment in depreciable capital assets, with gross additions of $134.2 million during fiscal year 2021. Major projects included the completion of the Student-Athlete Performance Center ($18.3 million) and the second phase of facility improvements at Kentland Farm ($11.4 million). Ongoing investments in instructional, research, and computer equipment totaled $52.4 million. Depreciation and amortization expense related to capital assets was $112.9 million with net retirement of depreciable assets of $1.7 million. The net increase in depreciable capital assets for this period was $19.6 million. The net increase in nondepreciable capital assets ($87.5 million) was primarily due to more construction in progress expenses during the current year for major building projects to be completed after fiscal year 2021. The major projects remaining in the construction-in-progress category include the construction of a residence hall in the Creativity and Innovation District ($97.5 million), the renovation and expansion of Holden Hall ($45.9 million), an upgrade to the university's chilled water infrastructure ($36.5 million), construction of a new data and decision sciences building ($16.5 million), construction of the new Innovation Campus in Alexandria ($15.9 million), and other ongoing capital improvements and renovations throughout the university ($76.9 million). In addition, $8.6 million was withheld as retainage payable on major projects under construction. This retainage amount will be moved to the building asset category once final payments are made to the construction contractors. Proceeds from the sale of commercial paper were used to provide temporary funding for some projects under construction. The majority of the temporary financing will be replaced with the issuance of long-term bonds and notes.

Noncurrent liabilities related to debt experienced a net increase of $66.8 million during fiscal year 2021. The majority of this increase resulted from the issuance of debt to finance the Creativity and Innovation District residence hall ($92.5 million), a new capital lease ($1.5 million), and the net effect of debt refundings during the current year ($0.5 million). This increase was offset by reclassification of long-term debt from the noncurrent to current liabilities category ($24.1 million). See *Notes 12 and 13* of the *Notes to Financial Statements* for more details.

Attachment F

Anchoring the initial development of the Creativity and Innovation District is a 232,000 gross-square-foot residence hall, which opened in August 2021. It offers housing for approximately 600 students and various academic, social, research, and collaboration spaces.

The auxiliary enterprises portion of the university's capital outlay program represents two projects currently under construction. These projects include the construction of residence halls in the Creativity and Innovation District ($105.5 million) and in the upper quad area of campus ($42.0 million). Future capital projects include construction, renovation, and/or replacement of two residence and dining halls, improvements to facilities housing student wellness services, and improvements to athletic facilities for the tennis program. Since auxiliaries are required to be self-supporting, no state general funds or capital appropriations are provided for these projects. These projects will be funded by a combination of private gifts, student fees, other customer revenues, and debt financing.

Virginia Tech had a total authorization of $934.8 million in capital building projects as of June 30, 2021, requiring approximately $320.3 million in additional debt financing. Capital projects in progress carried commitments to construction contractors, architects, and engineers totaling $176.8 million at June 30, 2021. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. The majority of the financial commitment is attributed to the construction of a data and decision sciences building ($50.4 million), construction of a corps leadership and military science building ($36.4 million), construction of a new upper quad residence hall ($34.2 million), the renovation and expansion of Holden Hall ($19.8 million), and the completion of the first phase of livestock and poultry research facilities ($17.8 million). These commitments represent only a portion of the university's capital projects currently under construction or authorized by the commonwealth.

The university's bond ratings of Aa1 and AA from Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC, respectively, reflect strong student demand, balanced operating performance, and adequate reserves to address unforeseen expenses.

The educational and general (E&G) portion of the university's capital outlay program includes six projects currently under construction. These projects include the construction of a data and decision sciences building ($79.0 million), the renovation and expansion of Holden Hall ($74.9 million), the construction of a corps leadership and military science building ($52.0 million), an upgrade to the university's chiller system ($43.0 million), and the first of two phases to renew existing livestock and poultry facilities ($25.3 million). In addition to the capital projects underway, there were several new construction and renovation projects approved for instructional and research facilities. The new capital projects include the construction of an academic building for the Innovation Campus in Alexandria ($275.0 million) and planning for the replacement of Randolph Hall ($11.0 million). The Commonwealth of Virginia will provide partial funding for several of these E&G projects. In addition to funding received from the commonwealth, the projects may also be funded from a combination of private gifts, student fees, other customer revenues, and debt financing.

Summary of Revenues, Expenses, and Changes in Net Position

Revenues, Expenses, and Changes in Net Position
For the years ending June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Operating revenues	$ 1,162.3	$ 1,188.8	$ (26.5)	(2.2)%
Operating expenses	1,513.5	1,549.7	(36.2)	(2.3)%
Operating loss	(351.2)	(360.9)	9.7	2.7 %
Non-operating revenues and expenses	521.1	380.8	140.3	36.8 %
Income before other revenues, expenses, gains, or losses	169.9	19.9	150.0	753.8 %
Other revenues, expenses, gains, or losses	130.2	101.1	29.1	28.8 %
Increase in net position	300.1	121.0	179.1	148.0 %
Net position - beginning of year	1,514.0	1,393.0	121.0	8.7 %
Net position - end of year	$ 1,814.1	$ 1,514.0	$ 300.1	19.8 %

Attachment F

Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the university's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position,* found on page 17. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the university. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the missions of the university. Salaries and fringe benefits for faculty and staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided. Included in this category are state appropriations and gifts which supplement the payment of operating expenses of the university and support student scholarships. Therefore, the university, like most public institutions, expects to show an operating loss.

Operating Revenues

Total operating revenues decreased by $26.5 million or 2.2% from the prior fiscal year. The decline in operating revenues came predominantly from auxiliary revenues ($41.9 million) due to the pandemic effects on athletics and dorm and dining programs, as well as other auxiliaries. This decrease was partially offset by increases in student tuition and fees ($5.7 million) and sponsored grants and contracts ($4.4 million). Grants and contracts awarded by federal sponsors fell by $0.4 million and federal appropriations fell $1.1 million, while both state grants and contracts and local grants and contracts rose, $1.7 million and $1.8 million respectively. Additionally, nongovernmental grants and contracts rose by $2.3 million. Other operating revenue rose by $5.2 million. Overall, the university's operating revenues fell from $1,188.8 million in fiscal year 2020, to $1,162.3 million in fiscal year 2021.

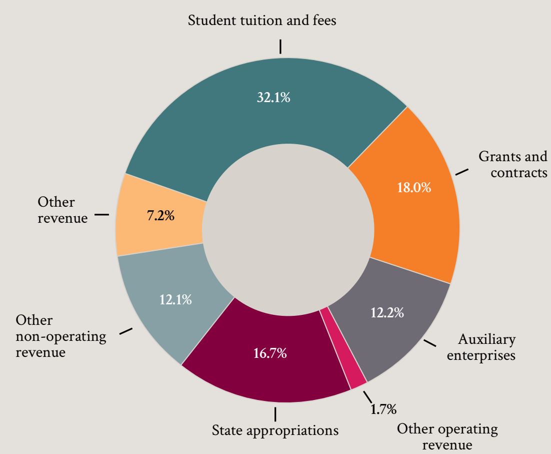
Summary of Revenues

Increase (Decrease) in Revenue
For the years ended June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Operating revenue				
Student tuition and fees, net	$ 581.6	$ 575.9	$ 5.7	1.0 %
Grants and contracts	326.7	322.3	4.4	1.4 %
Auxiliary enterprises	222.2	264.1	(41.9)	(15.9)%
Other operating revenue	31.7	26.5	5.2	19.6 %
Total operating revenue	1,162.2	1,188.8	(26.6)	(2.2)%
Non-operating revenue				
State appropriations	302.3	303.8	(1.5)	(0.5)%
Other non-operating revenue*	218.8	77.0	141.8	184.2 %
Total non-operating revenue	521.1	380.8	140.3	36.8 %
Other revenue				
Capital grants and gifts	128.0	101.0	27.0	26.7 %
Gain on disposal of capital assets	2.3	0.1	2.2	2,200.0 %
Total other revenue	130.3	101.1	29.2	28.9 %
Total revenue	$ 1,813.6	$ 1,670.7	$ 142.9	8.6 %

** Includes gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, COVID-19 relief funding, and other non-operating revenue.*

Total Revenue by Source
For the year ended June 30, 2021



Non-operating and Other Revenues and Expenses

Non-operating revenue and expenses totaled $521.1 million, an increase of $140.3 million from the previous year's total. Revenue increases in this category resulted primarily from the rebound of the investment markets resulting in significant realized and unrealized investment gains. Total investment earnings increased $116.1 million. Additionally, COVID-19 relief funds rose by $23.8 million, while non-operating grants and contract rose by $0.2 million. This growth was offset by decreases in appropriations ($1.5 million) and gift funding transferred from the foundation ($2.6 million), as well as small decreases in federal student financial aid ($0.1 million) and other non-operating revenue ($0.2 million), while interest expense on debt related to capital assets decreased by $2.7 million.

Total other revenue, expenses, gains, and losses grew by $29.2 million compared to the prior year. Capital grants and gifts increased $27.0 million mostly due to an increase in Virginia College Building Authority (VCBA) 21st Century funding for capital projects. Additionally, there was an increase of $2.2 million in the gain on disposal of capital assets due to funds received for the sale of airport land to the FAA in previous years.

Revenues from all sources (operating, non-operating, and other) for fiscal year 2021 totaled $1,813.6 million, increasing by $142.9 million from the prior year. Operating expenses (shown in the charts on the following page) totaled $1,513.5 million for fiscal year 2021, reflecting a year-over-year decrease of $36.2 million. Total revenues less total operating expenses resulted in an increase to net position of $300.1 million.

Attachment F

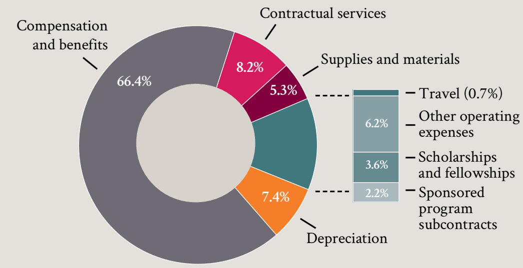
Summary of Expenses by Natural Classification

Increase (Decrease) in Expenses by Natural Classification
For the years ended June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Compensation and benefits	$ 1,004.5	$ 1,003.8	$ 0.7	0.1 %
Contractual services	124.2	125.5	(1.3)	(1.0)%
Supplies and materials	80.6	84.1	(3.5)	(4.2)%
Travel	10.6	40.8	(30.2)	(74.0)%
Other operating expenses	93.6	100.0	(6.4)	(6.4)%
Scholarships and fellowships*	54.2	52.0	2.2	4.2 %
Sponsored program subcontracts	32.9	34.3	(1.4)	(4.1)%
Depreciation and amortization	112.9	109.2	3.7	3.4%
Total operating expenses	$ 1,513.5	$ 1,549.7	$ (36.2)	(2.3)%

*Includes loan administrative fees and collection costs.

Total Expenses by Natural Classification
For the year ended June 30, 2021



Total Expenses

The university is committed to recruiting and retaining outstanding faculty and staff. The personnel compensation package is one way to successfully compete with peer institutions and nonacademic employers. The natural expense category, compensation and benefits, comprises $1,004.5 million or 66.4% of the university's total operating expenses. This category increased minimally by $0.7 million (0.1%) over the previous year. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The benefits section is also affected by the changes in the actuarially calculated expenses for the OPEB and pension programs. Depreciation and amortization saw an increase of $3.7 million while almost all other categories decreased due to the pandemic with the university instituting a hiring freeze, and restricting travel and other spending.

Operating expenses for fiscal year 2021 totaled $1,513.5 million, a decrease of $36.2 million, or 2.3%, from fiscal year 2020. In the functional categories of expense, auxiliary enterprises experienced the largest decrease ($29.9 million) predominately in the athletics and dorm and dining programs. Research expenses also saw a decrease of $12.4 million while public service declined by $9.4 million. Institutional support was the only area that saw a significant increase ($11.2 million). This growth was largely due to the partial reduction of the auxiliary indirect cost allocation charge which was authorized by the state and done to provide relief to the auxiliaries. The auxiliary indirect cost allocation would have normally decreased institutional expenses and increased auxiliary expenditures. The rest of the expense areas remained largely flat between fiscal year 2020 and fiscal year 2021.

In summary, the university's operating revenues decreased by $26.5 million or 2.2% over the preceding year, while operating expenses decreased by $36.2 million or 2.3%. This resulted in an operating loss for the current fiscal year of $351.2 million in comparison to the operating loss of $360.9 million generated during the previous year. The primary reason for the decrease in the operating loss was the mitigation strategies put in place to deal with the effects of the pandemic. State appropriations, COVID-19 relief funding, and other net non-operating revenues were used to meet operating expenses not offset by operating revenues.

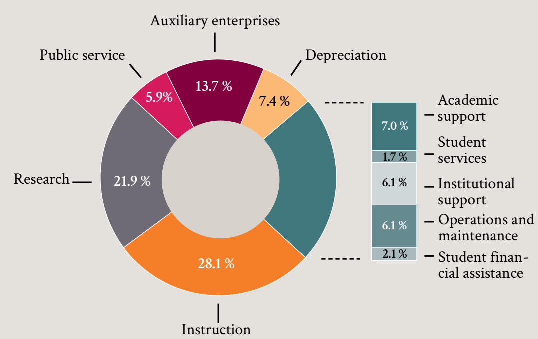
Summary of Expenses by Function

Increase (Decrease) in Expenses by Function
For the years ended June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Instruction	$ 425.9	$ 426.0	$ (0.1)	(0.0)%
Research	330.8	343.2	(12.4)	(3.6)%
Public service	89.1	98.5	(9.4)	(9.5)%
Auxiliary enterprises	206.3	236.2	(29.9)	(12.7)%
Depreciation and amortization	112.9	109.2	3.7	3.4 %
Subtotal	1,165.0	1,213.1	(48.1)	(4.0)%
Support, maintenance, and other expenses				
Academic support	105.9	106.4	(0.5)	(0.5)%
Student services	25.6	26.0	(0.4)	(1.5)%
Institutional support	92.9	81.7	11.2	13.7 %
Operations and maintenance of plant	92.0	91.9	0.1	0.1 %
Student financial assistance*	32.1	30.6	1.5	4.9 %
Total support, maintenance, and other	348.5	336.6	11.9	3.5 %
Total operating expenses	$ 1,513.5	$ 1,549.7	$ (36.2)	(2.3)%

*Includes loan administrative fees and collection costs.

Total Expenses by Function
For the year ended June 30, 2021



Attachment F

Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the university during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections. The first section, cash flows from operating activities, deals with operating cash flows and shows net cash used by operating activities of the university. The cash flows from noncapital financing activities section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires general appropriations from the commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. Cash flows from capital and related financing activities presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments, are included in cash flows from capital financing activities. Cash flows from investing activities reflect the cash flows generated from investments which include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* for fiscal year 2021 to net cash used by operating activities.

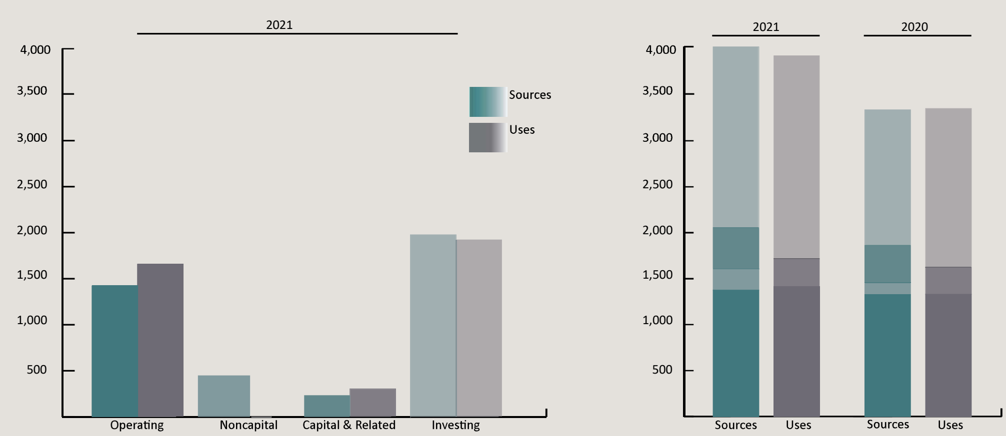
Net cash used by operating activities was $229.8 million, a $20.5 million decrease from the prior year. Total cash inflows for operating activities declined by $43.6 million with the largest inflow decrease in auxiliary enterprise charges ($32.5 million) and a decrease in inflows from tuition and fees ($8.3 million). Total cash outflows decreased by $64.1 million with the major decreases in operating activity uses of cash being operating expenses ($56.1 million) due to the restrictions and mitigation strategies put in place to deal with the effects of the COVID-19 pandemic. Operating activity uses of cash significantly exceeded operating activity sources of cash due to classification of state appropriations ($311.8 million) and gifts ($69.0 million) as noncapital financial activities.

Net cash flows from noncapital financing activities increased by $37.1 million. This increase is largely due to an increase in COVID-19 relief funds ($20.5 million) to provide resources to the university to assist with the effects of the pandemic on the institution and to provide emergency hardship support to students due the disruption of on-campus operations. Additionally, cash inflows from state appropriations increased by $17.2 million largely due to cash receipts for the Commonwealth Cyber Initiative pertaining to the prior year.

Summary of Cash Flows

Summary of Cash Flows
For the years ended June 30, 2021 and 2020
(all dollars in millions)

	2021	2020	Change Amount	Change Percent
Net cash used by operating activities	$ (229.8)	$ (250.3)	$ (20.5)	(8.2)%
Net cash provided by noncapital financing activities	446.1	409.0	37.1	9.1 %
Net cash used by capital and related financing activities	(78.8)	(166.6)	(87.8)	(52.7)%
Net cash used by investing activities	(37.2)	(3.1)	34.1	1,100.0 %
Net increase (decrease) in cash and cash equivalents	100.3	(11.0)	111.3	1,011.8 %
Cash and cash equivalents - beginning of year	200.7	211.7	(11.0)	(5.2)%
Cash and cash equivalents - end of year	$ 301.0	$ 200.7	$ 100.3	50.0 %



The graphs above demonstrate the relationship between sources and uses of cash. The graph on the left shows activity for fiscal year 2021 only, grouped by related sources and uses of cash, while the graph on the right displays that same activity for fiscal years 2021 and 2020 in a stacked format.

Cash used by capital financing activities decreased by $87.8 million. Proceeds from the issuance of capital debt increased by $83.7 million due to new debt issued while proceeds from short-term financing decreased by $52.5 million. Cash inflows from gifts for capital assets increased by $34.2 million due to more projects being funded by VCBA 21st funding, while cash outflows for the acquisition and construction of capital assets fell by $15.2 million.

Net cash used by investing activities increased $34.1 million as more funds were strategically invested to provide a greater return on investment for the university as markets continue to rebound from the downturn caused by the pandemic in the previous year.

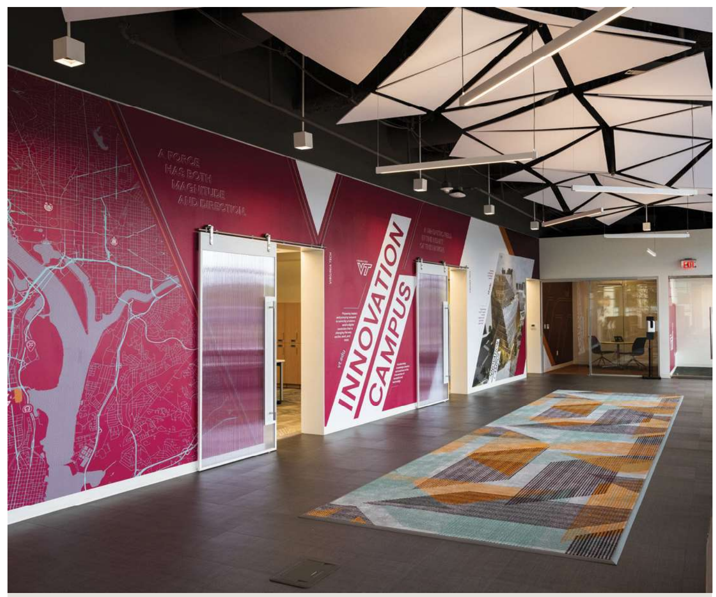
Economic Outlook

Fiscal year 2021 began with a renewed sense of purpose and optimism. Despite lingering uncertainty over the COVID-19 pandemic, the university's nimble response to the initial outbreak in Spring 2020 semester instilled a sense of confidence that its most disruptive impacts could be effectively managed. With students and faculty eager to return to a traditional environment of learning and community, the university convened several task forces and work groups to develop an operational plan for the Fall 2020 semester. The university's mitigation measures proved largely successful, restoring a sense of normalcy as the university community resumed its tripartite mission of education, research, and engagement.

Virginia Tech's ongoing commitment to sound financial stewardship and overall financial stability enabled the university to effectively respond to the financial headwinds created by the pandemic. A preliminary working budget adopted in June 2020 by the Virginia Tech Board of Visitors was subsequently adjusted in the fall to reflect a more thorough understanding of the pandemic's impact. Despite the achievement of Fall 2020 semester enrollment targets, a restricted operating environment continued to have a disproportionate impact on the self-generated revenues of the university's auxiliary enterprises. In response to this problem, the Virginia General Assembly granted temporary authority to the university to use available fund balances to support the operations, increased costs, and revenue reductions for auxiliary enterprise programs for the 2020-22 biennium. With this additional flexibility, the university implemented a portfolio of strategies to close the auxiliary enterprises budget gap, including expenditures savings, cost controls, and improved cash flow from the restructuring of debt. This multi-faceted approach, supplemented by $18.1 million in *Consolidated Appropriations Act 2021* (HEERF II) federal relief funds, $10.7 million in federal pass-through COVID-19 relief funds, and an additional $4 million in state general fund appropriations, proved effective as the university was able to close its budget deficit with minimum permanent drawdown on the balance sheet.

Several positive trends also positioned the university to persevere through the public health emergency and emerge in a strong position. Demand for a Virginia Tech education continues to grow, providing a stable and growing source of revenue to support instructional activities and strategic initiatives. Over the last several enrollment cycles, Virginia Tech's visibility, enhanced by its strong academic programs and emphasis on experiential learning opportunities, has translated into growing numbers of applicants, with a record 42,084 applications received for the class of 2025. As of fall census 2020, the university enrolled 37,010 students, including increases in both underserved and underrepresented students. The university continues to expand student financial aid programs to mitigate financial barriers to enrollment of underserved populations, a key element of the university's Advancing Beyond Boundaries strategic plan. While the pandemic has stirred considerable speculation over the future of higher education, Virginia Tech's diverse degree offerings and ability to adapt to changing market demand have enhanced the university's reputation in an increasingly competitive landscape.

The university's total cost of education continues to compare favorably with both in-state and out-of-state peer groups. While internal benchmarking over the last several years confirms that Virginia Tech is an administratively lean enterprise, the university continues to reinforce its commitment to cost-containment, innovative resource management, and continuous improvement with the Administrative Transformation Initiative launched in 2019. This commitment enables the university to strategically deploy more resources to mission-driven activities, including its historical commitments to access and affordability, while simultaneously advancing its ambitious goals as a 21st century land-grant institution with global reach.



The first class of Innovation Campus master's degree students was enrolled in the fall of 2020 in temporary space in Alexandria, Virginia. Construction has begun on its first structure, an 11-story academic building set to open in 2024.

Like the university, the Commonwealth of Virginia was not immune from the impacts of the sudden economic shutdown following the initial onset of the pandemic, pausing previously approved increases in support for the university. However, strong revenue throughout the pandemic has allowed the state to restore some of those investments, and current signs are positive as Virginia state revenues continue to exceed targets. For fiscal year 2021, the university received $302.3 million in state appropriations. The commonwealth currently supports approximately 17 percent of the university's budget through general fund appropriations. Growing non-discretionary costs have limited the commonwealth's ability to make significant system-wide investment in higher education. Tempered expectations about further general fund investment have led to a greater emphasis on cost-containment and ongoing exploration of alternative resource development opportunities, including philanthropy, industry partnerships, and enrollment management.

Attachment F

The commonwealth continues to make targeted investments to bolster Virginia's competitive advantages in the global innovation economy. As part of the Tech Talent Investment Program, Virginia Tech welcomed its inaugural class into computer science research and development programs at its temporary Alexandria headquarters. With a shared aspiration of building an agglomeration of innovative activity, representatives from both the public and private sector in the greater Washington, D.C. metro area have worked closely with Virginia Tech on the development of the university's Innovation Campus. This effort received additional support from the Boeing Company whose $50 million multi-year commitment, the largest corporate gift ever made to the university, will help build and diversify the campus. In addition, the commonwealth continues to support the Virginia Tech-led Commonwealth Cyber Initiative. This multi-year initiative, designed to advance technology commercialization and entrepreneurship in secure cyberphysical systems, fosters collaborative partnerships between Virginia's diverse higher education system, industry partners, and venture capital investors.

The Virginia Tech Carilion School of Medicine welcomed its class of 2024 in July 2020, composed of 49 members who will undergo a four-year curriculum to earn medical doctorate (M.D.) degrees.

In addition to its footprint in northern Virginia, the university has extended its impact in other areas of the commonwealth. Scientists at the Fralin Biomedical Research Institute (FBRI) in Roanoke continue to push boundaries in biomedical research, attracting venture capital investment and re-orienting the regional economy around innovation and discovery. The Virginia Tech Carilion School of Medicine (VTCSOM) recently expanded its class-size from 42 to 49 as the number of admissions applications increases year over year. The medical school's holistic admissions process has produced a diverse student body, including several first-generation and underrepresented minority students. Together, the FBRI and VTCSOM are transforming Roanoke's Health Sciences and Technology Campus in Roanoke into a destination for collaborative learning and life-changing research.

During the 2021 General Assembly session, lawmakers approved an initial significant investment of $2.5 million to support Virginia Tech's Cooperative Extension & Agricultural Experiment Station Division (Agency 229). With a presence in every county in Virginia, Agency 229 plays a critical role supporting the commonwealth's agriculture and natural resources sector, the largest private industry of Virginia's economy. The commonwealth's strategic investment will support enhanced internet connectivity, the modernization of research equipment, and the strengthening of the agency's human capital through the hiring of additional extension agents. Through their collaborative local relationships, extension agents and specialists share their specialized knowledge and technical know-how with producers in local communities across the commonwealth. Agency 229 research and discovery will also bring prosperity to many communities that have struggled to keep pace in an increasingly innovation-driven economy.

As the Commonwealth of Virginia continues to transition to an innovation-driven economy, sustained growth in the university's robust research environment is likely to accelerate. The state's targeted investment in the Commonwealth Cyber Initiative will leverage existing university research capacity to build a statewide ecosystem for cutting-edge, cyber-related research. For fiscal year 2020, Virginia Tech reported over $556.3 million in research expenditures on the NSF Higher Education Research and Development (HERD) survey, an increase of $14.3 million or 2.6% over the fiscal year 2020 total of $542.0 million. The university's NSF ranking is 49th among all research universities for fiscal year 2020, the most recent year available.

To manage its exposure to risk, the university's investment policy—established by the board of visitors and monitored by the board's Finance and Resource Management Committee — requires that its public funds be invested in accordance with the *Investment of Public Funds Act* (*Section 2.2-4500 through 2.2-4516, et seq., Code of Virginia*). The university has limited its investment in securities outside the scope of the *Investment in Public Funds Act* to restricted gift funds, local funds, and nongeneral fund reserves and balances designated by management as quasi-endowments. These funds are invested in the foundation's consolidated endowment fund and managed in accordance with the provisions of the *Uniform Prudent Management of Institutional Funds Act* (*Section 64.2-1100, et seq., Code of Virginia*). At the end of the fiscal year, the value of the university's quasi-endowments invested in the foundation totaled $500.8 million, an increase of $99.8 million over the preceding year.

While the duration of the COVID-19 pandemic is unknown, executive management believes that the university's solid financial foundation will sustain its ability to strategically respond to both internal and external contingencies. Anticipating and assessing potential threats to the university's financial stability remains a priority. The financial position of the university is secure due to strong student demand, record-breaking philanthropy, growing endowments, diversified portfolio of research funding, and increased assets. Moreover, the university's quality debt ratings from Moody's Investors Service Inc. (Aa1) and Standard & Poor's Financial Services LLC (AA) enable the university to obtain funding for capital projects with advantageous terms. With its thriving and engaged community of students, faculty, and staff, Virginia Tech's future remains bright.

Attachment F

Statement of Net Position

As of June 30, 2021, with comparative financial information as of June 30, 2020
(all dollars in thousands)

	2021		2020	
	Virginia Tech	Virginia Tech Foundation	Virginia Tech	Virginia Tech Foundation
Assets				
Current Assets				
Cash and cash equivalents (Notes 4, 25)	$ 273,362	$ 50,593	$ 187,802	$ 27,056
Short-term investments (Notes 4, 25)	-	90,835	-	52,234
Accounts and contributions receivable, net (Notes 1, 5, 25)	67,482	80,938	64,165	57,685
Notes receivable, net (Notes 1, 6, 25)	1,020	535	1,266	689
Due from the Commonwealth of Virginia (Note 10)	14,827	-	24,686	-
Inventories	15,153	297	13,446	295
Prepaid expenses	19,169	1,422	16,378	1,179
Other current assets	-	8,351	-	4,766
Total current assets	391,013	232,971	307,743	143,904
Noncurrent Assets				
Cash and cash equivalents (Notes 4, 25)	27,584	111,624	12,885	148,196
Short-term investments (Note 4)	3,670	-	3,732	-
Due from the Commonwealth of Virginia (Note 10)	7,798	-	10,325	-
Accounts and contributions receivable, net (Notes 1, 5, 25)	8,886	118,216	12,535	101,319
Notes receivable, net (Notes 1, 6, 25)	11,863	22,556	12,812	23,155
Net investments in direct financing leases	-	69,432	-	71,461
Irrevocable trusts held by others, net	-	5,839	-	5,183
Long-term investments (Notes 4, 25)	719,148	1,740,491	585,657	1,427,016
Depreciable capital assets, net (Notes 7, 25)	1,697,904	199,856	1,678,324	202,536
Nondepreciable capital assets (Notes 7, 25)	345,276	175,954	257,772	135,883
Intangible assets, net	-	3,622	-	2,400
Other noncurrent assets	8,319	7,042	7,571	4,785
Total noncurrent assets	2,830,448	2,454,632	2,581,613	2,121,934
Total assets	3,221,461	2,687,603	2,889,356	2,265,838
Deferred Outflows of Resources				
Deferred loss on long-term debt defeasance (Note 14)	4,527	-	6,784	-
Deferred outflow for VRS pension (Note 18)	100,497	-	79,017	-
Deferred outflow for other postemployment benefits (Note 20)	37,738	-	34,256	-
Total deferred outflows	142,762	-	120,057	-
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 8, 25)	156,702	8,140	156,573	9,465
Accrued compensated absences (Notes 1, 15, 25)	27,556	427	23,074	453
Unearned revenue (Notes 1, 9, 25)	47,848	7,326	53,673	9,074
Funds held in custody for others	11,871	-	11,307	-
Commercial paper (Note 11)	21,370	-	-	-
Long-term debt payable (Notes 12, 13, 25)	24,076	26,202	32,095	20,334
Other postemployment benefits liabilities (Notes 15, 20)	3,328	-	2,544	-
Other current liabilities	-	6,591	54,064	1,698
Total current liabilities	292,751	48,686	333,330	41,024
Noncurrent Liabilities				
Accrued compensated absences (Notes 1, 15, 25)	28,082	341	27,178	280
Federal student loan program contributions refundable (Notes 15, 25)	8,377	-	10,712	-
Unearned revenue	-	3,524	-	1,042
Long-term debt payable (Notes 12, 13, 25)	487,471	301,782	420,709	324,390
Liabilities under trust agreements	-	25,595	-	22,504
Agency deposits held in trust (Note 25)	-	570,833	-	459,300
Pension liability (Notes 15, 18)	465,425	-	410,451	-
Other postemployment benefits liabilities (Notes 15, 20)	178,156	-	185,500	-
Other noncurrent liabilities	4,755	6,997	3,396	8,862
Total noncurrent liabilities	1,172,266	909,072	1,057,946	816,378
Total liabilities	1,465,017	957,758	1,391,276	857,402
Deferred Inflows of Resources				
Deferred gain on long-term debt defeasance (Note 14)	1,788	-	824	-
Deferred inflow for VRS pension (Note 18)	9,827	-	25,795	-
Deferred inflow for other postemployment benefits (Note 20)	73,467	-	77,557	-
Total deferred inflows	85,082	-	104,176	-
Net Position				
Investment in capital assets	1,519,767	198,849	1,437,622	181,739
Restricted, nonexpendable	14,864	736,643	12,562	679,148
Restricted, expendable				
Scholarships, research, instruction, and other	150,389	634,690	123,019	428,341
Capital projects	7,224	-	2,928	-
Debt service and auxiliary operations	79,199	-	73,396	-
Unrestricted	42,681	159,663	(135,566)	119,208
Total net position	$ 1,814,124	$ 1,729,845	$ 1,513,961	$ 1,408,436

The accompanying *Notes to Financial Statements* are an integral part of this statement.

Attachment F

Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2021 with comparative financial information for the year ended June 30, 2020
(all dollars in thousands)

	2021		2020	
	Virginia Tech	Virginia Tech Foundation	Virginia Tech	Virginia Tech Foundation
Operating Revenues				
Student tuition and fees, net (Note 1)	$ 581,540	$ -	$ 575,869	$ -
Gifts and contributions	-	105,772	-	110,345
Federal appropriations	13,412	-	14,460	-
Federal grants and contracts	224,596	-	224,960	-
State grants and contracts	16,550	-	14,848	-
Local grants and contracts (Note 3)	16,111	-	14,284	-
Nongovernmental grants and contracts	56,062	-	53,808	-
Sales and services of educational activities	22,988	-	20,081	-
Auxiliary enterprise revenue, net (Note 1)	222,187	12,812	264,083	19,249
Other operating revenues	8,804	63,425	6,440	62,242
Total operating revenues	1,162,250	182,009	1,188,833	191,836
Operating Expenses				
Instruction	425,927	5,004	426,003	51
Research	330,796	8,049	343,206	7,044
Public service	89,066	5,563	98,496	5,641
Academic support	105,916	14,505	106,423	24,834
Student services	25,563	-	25,994	-
Institutional support	92,923	31,291	81,715	41,943
Operation and maintenance of plant	91,950	15,956	91,945	14,265
Student financial assistance	32,087	32,763	30,643	33,627
Auxiliary enterprises	206,311	9,395	236,151	14,261
Depreciation and amortization (Note 7)	112,896	10,842	109,175	11,360
Other operating expenses	-	13,167	-	17,683
Total operating expenses (Note 24)	1,513,435	146,535	1,549,751	170,709
Operating Income (Loss)	(351,185)	35,474	(360,918)	21,127
Non-operating revenues (expenses)				
State appropriations (Note 23)	302,268	-	303,808	-
Gifts	69,050	-	71,641	-
COVID-19 relief funds (Note 30)	43,435	-	19,670	-
Non-operating grants and contracts	1,335	-	1,162	-
Federal student financial aid (Pell)	22,078	-	20,233	-
Investment income, net	96,625	12,823	(19,518)	13,098
Net gain (loss) on investments	-	199,200	-	(47,794)
Interest expense on debt related to capital assets	(13,980)	(9,243)	(16,687)	(9,964)
Other non-operating revenue	270	-	447	-
Net non-operating revenues (expenses)	521,081	202,780	380,756	(44,660)
Income (loss) before other revenues, expenses, gains, or losses	169,896	238,254	19,838	(23,533)
Change in valuation of split interest agreements	-	8,143	-	754
Capital grants and gifts (Note 10)	127,958	18,439	101,030	13,770
Gain (loss) on disposal of capital assets	2,309	48	114	(86)
Additions to permanent endowments	-	52,740	-	39,357
Loss on extinguishment of debt	-	(1,646)	-	(2,125)
Other revenues (expenses)	-	5,431	-	(1,030)
Total other revenues, expenses, gains, and losses	130,267	83,155	101,144	50,640
Increase in net position	300,163	321,409	120,982	27,107
Net position – beginning of year	1,513,961	1,408,436	1,392,979	1,381,329
Net position – end of year	$ 1,814,124	$ 1,729,845	$ 1,513,961	$ 1,408,436

The accompanying *Notes to Financial Statements* are an integral part of this statement.

Attachment F

Statement of Cash Flows

For the year ended June 30, 2021, with comparative financial information as of June 30, 2020

(all dollars in thousands)

	2021	2020
Cash flows from operating activities		
Tuition and fees	$ 575,082	$ 583,411
Federal appropriations	13,783	20,824
Grants and contracts	312,336	312,359
Sales and services of education departments	22,988	20,081
Auxiliary enterprise charges	222,385	254,892
Other operating receipts	8,804	6,440
Payments for operating expenses	(361,046)	(417,138)
Payments to employees and fringe benefits	(991,699)	(1,001,383)
Payments for scholarships and fellowships	(31,849)	(30,314)
Loans issued to students	(4,566)	(3,270)
Collection of loans to students	3,426	3,223
Direct lending receipts	149,337	146,803
Direct lending disbursements	(149,337)	(146,803)
Scholarship and other miscellaneous custodial receipts	124,615	128,360
Scholarship and other miscellaneous custodial disbursements	(124,051)	(127,747)
Net cash used by operating activities	(229,792)	(250,262)
Cash flows from noncapital financing activities		
State appropriations	311,833	294,616
Non-operating grants & contracts	1,335	1,162
Federal student financial aid (Pell)	22,078	20,233
Gifts for other than capital purposes	68,983	71,709
Other non-operating receipts	41,815	21,290
Net cash provided by noncapital financing activities	446,044	409,010
Cash flows from capital financing activities		
Gifts for capital assets	129,641	95,438
Proceeds from issuance capital debt	92,501	8,777
Proceeds from the sale of capital assets	4,441	2,403
Acquisition and construction of capital assets	(223,917)	(239,101)
Proceeds from short-term financing	(32,694)	19,789
Principal paid on capital-related debt	(31,230)	(34,104)
Interest paid on capital-related debt	(17,542)	(19,809)
Net cash used by capital financing activities	(78,800)	(166,607)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	1,935,203	1,320,952
Interest on investments	3,349	5,632
Purchases of investments	(1,975,745)	(1,329,752)
Net cash used by investing activities	(37,193)	(3,168)
Net increase (decrease) in cash and cash equivalents	100,259	(11,027)
Cash and cash equivalents - beginning of year	200,687	211,714
Cash and cash equivalents - end of year	$ 300,946	$ 200,687

The accompanying *Notes to Financial Statements* are an integral part of this statement.

Attachment F

Statement of Cash Flows (continued)

For the year ended June 30, 2021 with comparative financial information as of June 30, 2020

(all dollars in thousands)

Reconciliation of Net Operating Expenses to Net Cash Used by Operating Activities

	2021	2020
Operating loss	$ (351,185)	$ (360,918)
Adjustments to reconcile net gain (loss) to net cash used by operating activities		
Depreciation expense	112,896	109,175
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Receivables, net	(2,667)	3,519
Inventories	(1,707)	(1,462)
Prepaid and other asset items	(2,764)	(1,262)
OPEB asset	(775)	1,145
Notes receivable, net	1,195	2,254
Deferred outflow for VRS pension	(21,480)	(39,434)
Deferred outflow for other postemployment benefits	(3,482)	(10,509)
Accounts payable and other liabilities	7,659	(7,951)
Accrued payroll	4,750	2,114
Compensated absences	5,386	2,678
Unearned revenue	(4,203)	5,655
Pension liability	54,974	56,496
Other postemployment benefits liability	(6,560)	(19,074)
Federal loan contributions refundable	(2,335)	(2,301)
Deferred inflow for VRS pension	(15,968)	(9,624)
Deferred inflow for other postemployment benefits	(4,090)	18,624
Scholarship and other miscellaneous custodial accounts, net	564	613
Total adjustments	121,393	110,656
Net cash used by operating activities	$ (229,792)	$ (250,262)

Noncash Investing, Capital, and Financing Activities

	2021	2020
Change in accounts receivable related to non-operating income	$ (3,117)	(259)
Capital assets acquired through in-kind donations as a component of capital gifts and grants income	$ 4,620	1,118
Change in fair value of investments recognized as a component of investment income	$ 51,160	(34,059)
Change in value of interest payable affecting interest paid	$ (496)	(222)
Capital assets acquired through the assumption of a liability	$ 1,515	3,542
Change in interest receivable affecting interest income	$ 416	(546)
Loss on disposal of capital assets	$ 2,309	114
Capitalization of interest revenue and expense (net)	$ (1,842)	(116)
Amortization of bond premium/discount and gain/loss on debt refunding	$ (1,197)	(2,720)

The accompanying *Notes to Financial Statements* are an integral part of this statement.

Attachment F

Notes to Financial Statements

Contents

1. Summary of Significant Accounting Policies

Reporting Entity

Virginia Polytechnic Institute and State University is a public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research and discovery, and outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve the quality of life.

The university includes all funds and entities over which the university exercises or can exercise oversight authority for financial reporting purposes.

Under Section 2100 of the GASB codification, Virginia Tech Foundation Inc. (VTF, or the foundation) is included as a component unit of the university.

A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the commonwealth exercises or can exercise oversight authority. The university is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the commonwealth.

Virginia Tech Foundation Inc.

The foundation is a legally separate, tax-exempt organization established in 1948 to receive, manage, and disburse private gifts in support of Virginia Tech programs. A 35-member board of directors governs the foundation. The foundation's bylaws provide that the rector of the board of visitors, the president of the alumni association, the president of the athletic fund, and the president of the university shall serve as ex-officio members of the VTF board. The remainder of the board consists of alumni and friends of the university who actively provide private support for university programs. Directors are elected by a vote of the membership of the foundation. Membership is obtained by making gifts at or above a specified level to the foundation.

The foundation serves the university by generating significant funding from private sources and aggressively managing its assets to provide funding that supplements state appropriations. It provides additional operating support to colleges and departments, helps fund major building projects, and provides seed capital for new university initiatives. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources or income which the foundation holds and invests is restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university. It is discretely presented in the financial statements. The administrative offices of Virginia Tech Foundation Inc. are located at University Gateway Center, 902 Prices Fork Road, Blacksburg, Virginia 24061.

During this fiscal year, the foundation distributed $80,689,000 to the university for both restricted and unrestricted purposes.

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The univer-

Attachment F

sity is required under this guidance to include *Management's Discussion and Analysis*, and basic financial statements, including notes, in its financial statement presentation.

Basis of Accounting

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of net position and cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Short-term Investments

Short-term investments include securities with an original maturity over 90 days but less than or equal to one year at the time of purchase.

Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as modified by GASB Statement 59, and GASB Statement 72, *Fair Value Measurement and Application*, require that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value (see *Note 4*). Changes in unrealized gain or loss on the carrying value of the investments are reported as a part of investment income in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal, state, and local governments, as well as nongovernmental sources, in connection with reimbursement of allowable expenses made according to the university's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See *Note 5* for a detailed list of accounts receivable amounts by major categories.

Notes Receivable

Notes receivable consist of amounts due from the Federal Perkins Loan Program, the Health Professional Student Loan Program, other student loans, and loans to affiliated organizations. See *Note 6* for a list of notes receivable amounts by major categories.

Inventories

Inventories are stated at the lower of cost or market value (primarily first-in, first-out method) and consist mainly of expendable supplies for operations of auxiliary enterprises and fuel for the physical plant.

Prepaid Expenses

Prepaid expenses are expenses for future fiscal years that were paid in advance of June 30, 2021. Payments of expenses that extend beyond fiscal year 2022 are classified as noncurrent assets. Prepaid expenses consist primarily of library serial subscriptions, information technology contracts, property leases, and insurance.

Noncurrent Cash and Investments

Noncurrent cash and investments are reported as restricted because restrictions change the nature or normal understanding of the availability of the asset. These cash and investments include those restricted for the acquisition or construction of capital assets, those kept legally separate for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and other restricted investments to make debt service payments or purchase other noncurrent assets.

Capital Assets

Capital assets consisting of land, buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress, equipment in process, and software in development are capitalized at actual cost as expenses are incurred. Library materials are valued using published average prices for library acquisitions, and livestock is stated at estimated market value. All gifts of capital assets are recorded at acquisition value as of the date of donation.

Equipment is capitalized when the unit acquisition cost is $2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the sum of the acquisition and development costs exceed $100,000. Renovation costs are capitalized when expenses total more than $100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for fixed and movable equipment. Livestock is not depreciated, as it tends to appreciate over the university's normal holding period.

Special collections are not capitalized due to the collections being: (1) held for public exhibition, education or research in the furtherance of public service rather than financial gain; (2) protected, kept unencumbered, cared for and preserved; and (3) subject to university policy requiring the proceeds from the sales of collection items to be used to acquire other items for collections.

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The university incurred and capitalized net interest expense related to the construction of capital assets totaling $1,842,000 for this fiscal year.

Pensions

The Virginia Retirement System (VRS) State Employees Retirement Plan and the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan are single-employer pension plans that are treated like cost-sharing plans. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS plan and the VaLORS plan, and the additions to/deductions from the VRS plan's and the VaLORS plan's net fiduciary position have been determined on the same basis as VRS reported them. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable according to the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

Pre-Medicare Retiree Healthcare Plan – Pre-Medicare Retiree Healthcare is a single-employer defined benefit plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by *Title 2.2, Chapter 28, Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resources Management. After retirement, Virginia Tech no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Group Life Insurance – The Virginia Retirement System (VRS) Group Life Insurance (GLI) program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers and employees of participating political subdivisions. The GLI program was established under *§51.1-500* *et seq., Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The GLI program is a defined benefit plan that provides a group life insurance benefit for employees of participating employers.

State Employee Health Insurance Credit Program – The Virginia Retirement System (VRS) State Employee Health Insurance Credit (HIC) program is a single-employer plan that is presented as a multiple-employer, cost-sharing plan. The HIC program was established under *§51.1-1400 et seq., Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The HIC program is a defined benefit plan that provides credit toward the cost of health insurance coverage for retired state employees.

Line of Duty Act Program – The Virginia Retirement System (VRS) Line of Duty Act (LODA) program is a multiple-employer, cost-sharing plan. The LODA program was established under *§9.1-400 et seq., Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The LODA program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as public safety officers. In addition, health insurance benefits are provided to eligible survivors and family members.

VRS Disability Insurance Program – The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program, VSDP) is a single-employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP program was established under *§51.1-1100 et seq., Code of Virginia*, as amended, which provides the authority under which benefit terms are established or may be amended. The VSDP program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for state police officers, state employees and VaLORS employees.

For measuring the net liability of these OPEB programs, their expenses, deferred outflows and inflows of resources, information about their fiduciary net positions, and additions to or deductions from their net fiduciary positions have been determined on the same basis as reported by VRS. In addition, benefit payments for these programs are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for the granting of a specified number of days of leave with pay each year. The amount reflects all unused vacation leave and sabbatical leave, as well as the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included. The university's liability and expense for the amount of leave earned by employees, but not taken, as of June 30, 2021, is recorded in the *Statement of Net Position* and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position.*

Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30, 2021, primarily composed of revenue for grants and contracts, prepaid athletic ticket sales, and prepaid student tuition and fees. Summer Session I tuition and fees received during the fiscal year are considered earned at the end of the refund period, approximately June 15th of each year. Tuition and fees received before year end for Summer Session II are unearned and recognized as revenue in the next fiscal year. Summer Session III is twelve weeks long and spans across fiscal years 2021 and 2022. The tuition and fees received for Summer Session III are considered half earned by June 30th, and half unearned and recognized as revenue in the next fiscal year. See *Note 9* for a detailed list of unearned revenue amounts.

Funds Held in Custody for Others

Funds held in custody for others represents funds held by the university on behalf of others as a result of agency relationships with various groups and organizations.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of revenue bonds payable, notes payable, and capital lease obligations with maturities greater than one year; (2) pension plan liabilities; (3) OPEB liabilities; and (4) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position, similar to assets.

Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position, similar to liabilities.

Net Position

The university's net position is classified as follows:

Net investment in capital assets – Net investment in capital assets represents the university's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted component of net position, expendable – The expendable category of the restricted component of net position includes resources for which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted component of net position, nonexpendable – The nonexpendable category of the restricted component of net position is comprised of endowment and similar type funds where donors or other external sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested to produce present and future income to be expended or added to principal.

Unrestricted component of net position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to educational departments and general operations of the university and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to apply the expense towards restricted resources before unrestricted resources.

Income Taxes

The university is considered an agency of the Commonwealth of Virginia and, as such, is exempt from federal income tax under *Section 115(a) of the Internal Revenue Code.*

Classifications of Revenues and Expenses

The university has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; (3) most federal, state, local and nongovernmental grants and contracts and federal appropriations; and (4) interest on institutional student loans.

Attachment F

Non-operating revenues – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments* are included in this category.

Operating and non-operating expenses – Non-operating expenses include interest on debt related to the purchase of capital assets, and losses on disposal of capital assets. All other expenses are classified as operating expenses.

Scholarship Allowance

Student tuition and fees, certain auxiliary revenues, and student financial assistance expenses are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position.* Scholarship allowance is the difference between the stated charge for goods and services provided by the university and the amount paid by students and third parties making payments on the students' behalf. For the fiscal year ended June 30, 2021, the scholarship allowance for student tuition and fee revenue and auxiliary enterprise revenue totaled $133,330,000 and $23,836,000, respectively. Scholarship allowance to students is reported using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowance on a university-wide basis rather than on an individual student basis.

Comparative Data

The university presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the university's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Prior reports can be found at www.controller.vt.edu/resources/financialreporting.html.

2. Related Parties

In addition to the component unit discussed in *Note 1*, Virginia Tech also has related parties that were not considered significant. These financial statements do not include the assets, liabilities, and net position of the related parties that support university programs. The related parties of the university are: Virginia Tech Services Inc., Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Corps of Cadets Alumni Inc., Virginia Tech Applied Research Corporation (VTARC), Virginia Tech Innovations Corporation, Virginia Tech India Research and Education Forum (VTIREF), and any of the subsidiaries of these corporations.

The organizations are related to the university by affiliation agreements. These agreements require an annual audit to be performed by independent auditors. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Exemption requirements are met by Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., and Virginia Tech Corp of Cadets Alumni Inc. They are therefore not required to have an annual audit. Virginia Tech Services Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Applied Research Corporation, Virginia Tech Innovations Corporation, and Virginia Tech India Research and Education Forum (VTIREF) are required to have an annual audit. Auditors have examined the financial records of these organizations and a copy of their audit reports have been or will be provided to the university.

Disposable surgical masks were made available at four pickup points across campus, as part of the evidence-based measures implemented to prevent the spread of COVID-19.

Students and faculty alike committed to leading the COVID-19 response efforts in Blacksburg and New River Valley through the distribution of masks, hand sanitizer, and testing and vaccination resources during the pandemic.

Attachment F

3. Local Government Support

The university, through the operation of its Cooperative Extension Service, maintains offices in numerous cities and counties throughout the Commonwealth of Virginia. Personnel assigned to these locations receive a portion of their compensation from local governments. Also included in the expenses of these extension offices are unit support services, which include such items as rent, telephone, supplies, equipment, and extension program expenses. The estimated amount contributed by the various local governments totaled $13,308,000 in 2021, and has been included in revenues and expenses of the accompanying financial statements. The university received other local government support of $2,803,000 in 2021.

4. Cash, Cash Equivalents, and Investments

The following information is provided with respect to the university's cash, cash equivalents, and investments as of June 30, 2021. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures:*

Custodial credit risk (category 3 deposits and investments) – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university had no category 3 deposits or investments for 2021.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk.

Concentration of credit risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer is referred to as concentration of credit risk. GASB Statement 40 requires disclosure of any issuer with which more than five percent of total investments are held. More than five percent of the university's investments are in the Federal Home Loan Banks (FHLB). These comprise 12.4% of the university's total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Additionally, the university's investment policy requires that each individual portfolio within the primary liquidity or extended duration allocations be diversified so that not more than three percent of the value of the respective portfolios will be invested in the securities or individual trusts of any single issuer. The limitation shall not apply to securities of the U.S. Government, an agency thereof, U.S. Government sponsored enterprises, securities fully insured or fully guaranteed by the U.S. Government, or money market funds.

Interest rate risk – This is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The university uses a duration methodology to measure the maturities of its investment portfolios. The university's *Statement of Policy Governing the Investment of University Funds* established two major allocations, Primary Liquidity and Extended Duration, managed by external investment firms. Asset allocations to Primary Liquidity are targeted at 45% of total investments with a target duration of approximately 55 days. The Extended Duration allocation may be structured into three sub-portfolios; a Short Duration Portfolio, an Intermediate Duration Portfolio, and a Long Duration Portfolio.

Foreign currency risk – This risk refers to the possibility that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The university had no foreign investments or deposits for 2021.

Cash and Cash Equivalents

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the *Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia*. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit, and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP®). SNAP® offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, as well as record keeping, depository, and arbitrage rebate calculations. SNAP® complies with all standards of GASB Statement 79, *Certain External Investment Pools and Pool Participants*. SNAP® investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a net asset value (NAV) per share that approximates fair value. Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.*

Investments

A categorization of university investments follows. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Summary of investments
As of June 30, 2021
(all dollars in thousands)

	Current Assets	Noncurrent Assets	Total
Cash and cash equivalents	$ 273,362	$ 27,584	$ 300,946
Short-term investments	-	3,670	3,670
Long-term investments	-	719,148	719,148
Total cash and investments	$ 273,362	$ 750,402	1,023,764
Less cash			21,831
Total investments			$ 1,001,933

The investment policy of the university is established by the board of visitors and monitored by the board's Finance and Resource Management Committee. Authorized investments are set forth in the *Investment of Public Funds Act, Section 2.2-4500 through 2.2-4516, et seq., Code of Virginia*. Authorized investments include: U.S. Treasury and agency securities, corporate debt securities, asset-backed securities, mortgage-backed securities, AAA rated obligations of foreign governments, bankers acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, commercial paper, and money market funds.

All gifts, local funds, and nongeneral fund reserves and balances that the university determines appropriate and permitted by law may be invested in the VTF Consolidated Endowment Program. These funds are governed by the foundation's investment and spending policies, and managed in accordance with the provisions of the *Virginia Uniform Prudent Management of Institutional Funds Act.*

Attachment F

Investments measured at fair value including categorizaton of credit quality and interest rate risk
Investments held on June 30, 2021
(all dollars in thousands)

	Credit Rating	Less than 1 Year	1-5 Years	6/30/2021	Fair Value Measurement* Level 1	Level 2
Investments by fair value level						
U.S. Treasury and agency securities (1)	N/A	$ 67,628	$ 41,488	$ 109,116	$ 108,950	$ 166
Debt securities						
Corporate bonds and notes	A1	4,534	8,988	13,522	-	13,522
Corporate bonds and notes	A2	6,477	23,406	29,883	-	29,883
Corporate bonds and notes	A3	3,588	18,024	21,612	-	21,612
Corporate bonds and notes	Aa1	-	2,004	2,004	-	2,004
Corporate bonds and notes	Aa2	732	3,641	4,373	-	4,373
Repurchase agreements	N/A	14,307	-	14,307	-	14,307
Asset backed securities	A2	-	805	805	-	805
Asset backed securities	Aaa	12,543	20,385	32,928	-	32,928
Asset backed securities (2)	AAA	4,275	21,807	26,082	-	26,082
Federal agency securities						
Unsecured bonds and notes	Aaa	142,741	2,400	145,141	-	145,141
Mortgage backed securities	Aaa	6,817	28,622	35,439	-	35,439
Mortgage backed securities (2)	AAA	-	1,357	1,357	-	1,357
Mortgage backed securities	N/A	-	1,583	1,583	-	1,583
Mutual funds	N/A	4,755	-	4,755	4,755	-
Total investments by fair value level		268,397	174,510	442,907	$ 113,705	$ 329,202
Investments measured at net asset value (NAV)						
Deposits with VTF		5,167	-	5,167		
Dairymen's Equity w/o specific maturity		-	-	63		
Investments w/o specific maturities, held with VTF		-	-	495,598		
Total investments measured at NAV		5,167	-	500,828		
Investments not measured at fair value						
Money market funds	Aaa-mf	45,641	-	45,641		
Money market funds (2)	AAAm	279	-	279		
Virginia SNAP® funds (2)	AAAm	12,278	-	12,278		
Total investments not measured at fair value		58,198	-	58,198		
Total investments		$ 331,762	$ 174,510	$ 1,001,933		

**Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.*

(1) Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. Government.
(2) Rating provided by Standard & Poor's Financial Services LLC. All other ratings provided by Moody's Investors Service Inc.

5. Accounts Receivable

Accounts receivable as of June 30, 2021
(all dollars in thousands)

Current accounts receivable	
Grants and contracts	$ 47,793
Student tuition and fees	4,918
Accrued investment interest	1,272
Auxiliary enterprises and other operating activities	15,325
Total current accounts receivable	69,308
Less allowance for doubtful accounts	1,826
Net current accounts receivable	67,482
Noncurrent accounts receivable	
Capital gifts, grants, and other receivables	8,601
Accrued investment interest	165
Build America Bond interest	120
Total noncurrent accounts receivable	8,886
Total accounts receivable	$ 76,368

6. Notes Receivable

Notes receivable as of June 30, 2021
(all dollars in thousands)

Current notes receivable	
Federal Perkins students loan program	$ 864
Brookings student loan programs	143
Other short-term loans	63
Total current notes receivable	1,070
Less allowance for doubtful accounts	50
Net current notes receivable	1,020
Noncurrent notes receivable	
Federal Perkins students loan program	6,107
VTT LLC operating & equipment loan	4,273
Brookings student loan programs	1,166
Health professional student loan program	644
Other short-term loans	38
Total noncurrent notes receivable	12,228
Less allowance for doubtful accounts	365
Net noncurrent notes receivable	11,863
Total notes receivable	$ 12,883

Attachment F

7. Capital Assets

A summary of changes to capital assets for the year ended June 30, 2021
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	$ 2,035,980	$ 64,177	$ 1,796	$ 2,098,361
Buildings – capital leases	112,273	1,516	-	113,789
Moveable equipment	622,377	52,387	19,527	655,237
Capitalized software and other intangible assets	28,931	143	118	28,956
Fixed equipment	150,603	10,500	289	160,814
Infrastructure	128,919	4,869	628	133,160
Infrastructure – capital leases	2,483	-	-	2,483
Library books	78,038	561	176	78,423
Total depreciable capital assets, at cost	3,159,604	134,153	22,534	3,271,223
Less accumulated depreciation and amortization				
Buildings	679,667	51,820	1,274	730,213
Buildings – capital leases	44,860	5,254	-	50,114
Moveable equipment	465,787	43,748	18,409	491,126
Capitalized software and other intangible assets	26,346	862	118	27,090
Fixed equipment	86,446	6,803	252	92,997
Infrastructure	105,278	2,644	628	107,294
Infrastructure – capital leases	930	311	-	1,241
Library books	71,966	1,454	176	73,244
Total accumulated depreciation and amortization	1,481,280	112,896	20,857	1,573,319
Total depreciable capital assets, net of accumulated depreciation and amortization	1,678,324	21,257	1,677	1,697,904
Nondepreciable capital assets				
Land	47,652	2,000	-	49,652
Livestock	223	7	-	230
Construction in progress	194,980	161,008	66,779	289,209
Equipment in process	14,745	5,050	13,708	6,087
Software in development	172	19	93	98
Total nondepreciable capital assets	257,772	168,084	80,580	345,276
Total capital assets, net of accumulated deprecation and amortization	$ 1,936,096	$ 189,341	$ 82,257	$ 2,043,180

A view of the classroom building near the construction site of the Data and Decision Sciences building, the first part of the new Global Business and Analytics Complex designed to provide collaboration space to address some of the world's significant data challenges.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2021, consist of the following *(all dollars in thousands)*:

Accounts payable	$ 40,181
Accounts payable – capital projects	18,748
Accrued salaries and wages payable	89,158
Retainage payable	8,615
Total accounts payable and accrued liabilities	$ 156,702

Retainage payable represents funds held by the university as retainage on various construction contracts for work performed. Funds retained will be remitted as agreed upon satisfactory completion of the projects.

9. Unearned Revenue

Unearned revenue consists of the following at June 30, 2021 *(all dollars in thousands)*:

Grants and contracts	$ 21,088
Prepaid tuition and fees	11,330
Prepaid athletic tickets	9,150
Dining services meal plans	846
Other auxiliary enterprises	5,434
Total unearned revenue	$ 47,848

Attachment F

10. Commonwealth Capital Reimbursement Programs and Capital Gifts

The commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2021, funding has been provided to the university from three programs managed by the Virginia College Building Authority (VCBA): the 21st Century program, the Central Maintenance Reserve program, and the Equipment Trust Fund program. The VCBA issues bonds and uses the proceeds to reimburse the university and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities. The university also receives capital funding for equipment and facilities from private gifts, grants, and contracts.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes the amounts listed below for the year ended June 30, 2021, in the capital grants and gifts line item for equipment and facilities. Part of the funding for these programs is a receivable from the commonwealth at June 30, 2021 as shown in the subsequent paragraph *(all dollars in thousands)*:

VCBA 21st Century program	$	81,118
Private gifts		15,709
VCBA Central Maintenance Reserve program		10,738
VCBA Equipment Trust Fund program		15,278
Grants and contracts		5,115
	$	127,958

The "Due from the Commonwealth of Virginia" line items on the *Statement of Net Position* for the year ended June 30, 2021, include pending reimbursements from the following programs *(all dollars in thousands)*:

	Current	Noncurrent
VCBA Equipment Trust Fund program	$ 14,827	$ -
VCBA 21st Century program	-	7,798
	$ 14,827	$ 7,798

11. Short-term Debt

On March 31, 2008, the Virginia Tech Board of Visitors approved the short-term financing of capital projects with commercial paper issued through the Virginia Municipal League/Virginia Association of Counties (VML/VACo) commercial paper program. This tax-exempt commercial paper financing program gives the university access to a revolving facility to finance or refinance up to $50 million for capital projects under construction that have been previously approved for debt financing by either the board of visitors or the General Assembly of the Commonwealth of Virginia. In fiscal year 2020, the total amount authorized increased to $120 million in February and was subsequently reduced to $0 in April after a total pay down. Virginia Tech was reauthorized for $96.5 million in July 2020.

At June 30, 2021, the amount outstanding was $21,370,000. The average days-to-maturity was 27.5 days with a weighted average effective interest rate of 1.06%.

12. Summary of Long-term Indebtedness

Bonds Payable

The university has issued two categories of bonds pursuant to *Article X, Section 9, Constitution of Virginia.*

Section 9(d) bonds are revenue bonds which are limited obligations of the university, payable exclusively from pledged general revenues, and which are not legal or moral debts of the Commonwealth of Virginia. Pledged general revenues include general fund appropriations, student tuition and fees, facilities and administrative (indirect) cost recoveries, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university has issued section 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, VCBA issues section 9(d) bonds with the proceeds used to purchase debt obligations (notes) of the university and other institutions of higher education. The notes are secured by pledged general revenues of the university.

Section 9(c) bonds are general obligation revenue bonds issued by the Commonwealth of Virginia on behalf of the university and secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Bond covenants related to some of these bonds, both 9(c) and 9(d), require the use of established groups of funds called systems. The Virginia Tech Foundation Inc. and investment firms BNY Mellon Investment Management and Merganser Capital Management hold these funds in trust for managing the net revenues and debt service of certain university auxiliaries. The revenue bonds issued by the Dormitory and Dining Hall System, the Athletic Facilities System, the University Services System (includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Cultural and Community Centers, Student Organizations, and Rescue Squad), and the Utility System (includes Virginia Tech Electric Service) are secured by a pledge of each system's net revenues generated from student or customer fees, and are further secured by the pledged general revenues of the university.

Notes Payable

Notes payable are debt obligations between VCBA and the university. VCBA issues bonds through the Pooled Bond Program and uses the proceeds to purchase debt obligations (notes) of the university. The notes are secured by the pledged general revenues of the university.

Capital Leases

Capital leases represent the university's obligation primarily to the Virginia Tech Foundation Inc. for lease agreements related mostly to facilities. The leased facilities include: the Hunter Andrews Information Systems building addition; the Integrated Life Sciences building (ILSB) which includes a separate lease for a vivarium located in the ILSB; the North End Center building and parking garage; the Prince Street building in Alexandria, Virginia; the Kentland Dairy complex; the Applied Projects building; multiple VTTI facilities; and the Kmart and Ardmore properties. The assets under capital leases are recorded at the net present value of the minimum lease payments during the lease term.

Revolving Lines of Credit

The university has revolving lines of credit with Atlantic Union Bank; First Bank and Trust Company; Truist Financial Corporation; and Wells Fargo Bank, N.A. with maximum principal amounts totaling $190,000,000. As of June 30, 2021, there were no amounts outstanding on these revolving lines of credit *(all dollars in thousands)*:

		Maximum Principal Amount
Atlantic Union Bank	$	20,000
First Bank and Trust Company		30,000
Truist Financial Corporation		85,000
Wells Fargo Bank, N.A.		55,000
	$	190,000

Attachment F

Long-term Debt Payable Activity

As of June 30, 2021

(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	$ 105,620	$ 105,581	$ 22,409	$ 188,792	$ 11,024
Section 9(d) revenue bonds	52,204	34,995	2,623	84,576	2,560
Notes payable	219,141	65,344	118,853	165,632	6,460
Capital lease obligations	75,839	1,515	4,807	72,547	4,032
Total long-term debt payable	$ 452,804	207,435	148,692	$ 511,547	$ 24,076
Current year debt defeasance		(113,419)	(113,914)		
Total additions and retirements, net of current year defeasance		$ 94,016	$ 34,778		

Future Principal Commitments

For fiscal years subsequent to 2021

(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Capital Lease Obligations	Total Long-term Debt Payable
2022	$ 11,024	$ 2,560	$ 6,460	$ 4,032	$ 24,076
2023	12,818	2,650	5,525	4,041	25,034
2024	13,304	4,475	12,890	4,245	34,914
2025	13,445	4,870	13,100	4,451	35,866
2026	13,985	4,745	13,105	4,682	36,517
2027 - 2031	58,103	25,895	58,705	22,229	164,932
2032 - 2036	29,305	25,875	34,035	22,992	112,207
2037 - 2041	21,370	10,950	13,620	5,875	51,815
Unamortized premiums (discounts)	15,438	2,556	8,192	-	26,186
Total future principal requirements	$ 188,792	$ 84,576	$ 165,632	$ 72,547	$ 511,547

Future Interest Commitments

For fiscal years subsequent to 2021

(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Capital Lease Obligations	Total Long-term Debt Payable
2022	$ 5,730	$ 2,443	$ 4,975	$ 3,333	$ 16,481
2023	5,258	2,288	4,631	3,152	15,329
2024	4,747	2,181	4,308	2,959	14,195
2025	4,210	2,038	3,940	2,764	12,952
2026	3,673	1,899	3,583	2,549	11,704
2027 - 2031	10,560	7,358	12,136	9,510	39,564
2032 - 2036	3,592	3,353	4,596	4,875	16,416
2037 - 2041	1,004	688	632	721	3,045
Total future interest requirements	$ 38,774	$ 22,248	$ 38,801	$ 29,863	$ 129,686

Future Principal Commitments by System

For fiscal years subsequent to 2021

(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Capital Lease Obligations	Total Long-term Debt Payable
Athletic system					
Principal	$ -	$ 35,505	$ -	$ -	$ 35,505
Unamortized premiums (discounts)	-	(3)	-	-	(3)
Total for athletic system	-	35,502	-	-	35,502
Dormitory and dining hall system					
Principal	155,026	40,570	17,675	-	213,271
Unamortized premiums (discounts)	13,553	2,418	1,205	-	17,176
Total for dormitory and dining hall system	168,579	42,988	18,880	-	230,447
Electric service utility system					
Principal	-	3,425	425	-	3,850
Unamortized premiums (discounts)	-	107	15	-	122
Total for utility system	-	3,532	440	-	3,972
University services system					
Principal	-	2,520	41,035	-	43,555
Unamortized premiums (discounts)	-	34	1,626	-	1,660
Total for university services system	-	2,554	42,661	-	45,215
All systems					
Principal	155,026	82,020	59,135	-	296,181
Unamortized premiums (discounts)	13,553	2,556	2,846	-	18,955
Total for all systems	168,579	84,576	61,981	-	315,136
Other nonsystem debt					
Principal	18,328	-	98,305	72,547	189,180
Unamortized premiums (discounts)	1,885	-	5,346	-	7,231
Total for other nonsystem debt	20,213	-	103,651	72,547	196,411
Total future principal requirements	$ 188,792	$ 84,576	$ 165,632	$ 72,547	$ 511,547

Attachment F

13. Detail of Long-term Indebtedness

As of June 30, 2021
(all dollars in thousands)

	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
Bonds Payable					
Revenue bonds - Section 9(d)					
Athletic system					
Series 2015B, issued $510	2.50% - 3.50%	2035	$ 510	$ (3)	$ 507
Series 2021, issued $40	2.15%	2036	40	-	40
Series 2021, issued $21,825 - refunding 2012B note payable	0.40% - 2.55%	2041	21,825	-	21,825
Series 2021, issued $7,055 - refunding 2010B note payable	0.40% - 2.55%	2041	7,055	-	7,055
Series 2021, issued $6,075 - refunding 2016A note payable	0.40% - 2.55%	2041	6,075	-	6,075
Total athletic system			35,505	(3)	35,502
Dormitory and dining hall system					
Series 2015A, issued $51,425	2.00% - 5.00%	2035	40,570	2,418	42,988
Electric service utility system					
Series 2015D, issued $4,390	2.75% - 4.00%	2035	3,425	107	3,532
University services system					
Recreational Sports auxiliary					
Series 2015C, issued $3,280	2.00% - 4.00%	2035	2,520	34	2,554
Total revenue bonds			82,020	2,556	84,576
General obligation revenue bonds - Section 9(c)					
Dormitory and dining hall system					
Series 2019B, issued $895 - refunding series 2009D	5.00%	2022	310	21	331
Series 2012A, issued $942 - partial refunding series 2004A	5.00%	2024	705	59	764
Series 2013B, issued $7,842 - partial refunding series 2007A	4.00% - 5.00%	2027	5,561	621	6,182
Series 2013B, issued $3,576 - partial refunding series 2007A	4.00% - 5.00%	2027	2,533	283	2,816
Series 2015B, issued $10,671 - partial refunding series 2008B	4.00% - 5.00%	2028	8,012	1,236	9,248
Series 2016B, issued $24,200 - partial refunding series 2009B	2.00% - 5.00%	2029	20,240	2,961	23,201
Series 2016B, issued $2,310 - partial refunding series 2009B	2.00% - 5.00%	2029	1,930	283	2,213
Series 2010A, issued $34,650	3.00% - 5.00%	2030	18,360	296	18,656
Series 2020B, issued $13,070 - refunding series 2011A	0.55% - 1.41%	2031	13,070	45	13,115
Series 2020A, issued $84,305	1.63% - 4.00%	2040	84,305	7,748	92,053
Total dormitory and dining hall system			155,026	13,553	168,579
Other nonsystem general obligation revenue bonds					
Parking facilities					
Series 2019B, issued $115 - refunding series 2009D	5.00%	2022	35	3	38
Series 2013B, issued $218 - partial refunding series 2006B	4.00% - 5.00%	2026	184	14	198
Series 2015B, issued $921 - partial refunding series 2008B	4.00% - 5.00%	2028	689	107	796
Series 2010A, issued $745	2.00% - 5.00%	2030	385	6	391
Series 2016B, issued $18,890 - partial refunding series 2009B	2.00% - 5.00%	2034	17,035	1,755	18,790
Total other nonsystem general obligation revenue bonds			18,328	1,885	20,213
Total general obligation revenue bonds			173,354	15,438	188,792
Total bonds payable			$ 255,374	$ 17,994	$ 273,368
Notes Payable					
Dormitory and dining hall system					
Series 2014B, issued $340 - partial refunding series 2005	3.00% - 5.00%	2026	$ 205	$ 16	$ 221
Series 2021B, issued $795 - partial refunding series 2012A	0.48% - 0.94%	2028	795	1	796
Series 2010A, issued $9,650	3.75% - 5.50%	2031	4,835	175	5,010
Series 2021A, issued $980 - partial refunding series 2010A	2.00% - 3.00%	2033	980	112	1,092
Series 2018A, issued $11,505	4.00% - 5.00%	2039	10,015	901	10,916
Series 2021B, issued $845 - partial refunding series 2018A	2.50% - 2.60%	2041	845	-	845
Total dormitory and dining hall system			17,675	1,205	18,880
Electric service utility system					
Series 2021A, issued $425 - refunding series 2010B	5.00%	2023	425	15	440
University services system					
Career Services auxiliary					
Series 2021A, issued $600 - refunding series 2010B	5.00%	2025	600	70	670
Center for the Arts auxiliary					
Series 2010A, issued $19,445	3.75% - 5.60%	2036	12,490	328	12,818
Series 2021A, issued $1,530 - partial refunding series 2010A	2.00%	2038	1,530	56	1,586
Series 2021B, issued $15,655 - refunding series 2011A	0.48% - 2.40%	2039	15,655	4	15,659
Health Services auxiliary					
Series 2015B, issued $800 - partial refunding series 2009A	3.00% - 5.00%	2029	575	62	637
Series 2016A, issued $7,945 - partial refunding series 2009B	3.00% - 5.00%	2030	5,905	819	6,724
Series 2016A, issued $2,780 - partial refunding series 2009B	3.00% - 5.00%	2030	2,065	287	2,352
Series 2021B, issued $175 - partial refunding series 2015B	1.33% - 1.53%	2031	175	-	175
Series 2021B, issued $1,510 - partial refunding series 20016A	1.53% - 1.71%	2032	1,510	-	1,510
Series 2021B, issued $530 - partial refunding series 2016A	1.53% - 1.71%	2032	530	-	530
Total university services system			41,035	1,626	42,661

Attachment F

Notes Payable (continued)

	Interest Rates	Maturity	Principal Payable	Unamortized Premium (Discount)	Ending Balance
Other nonsystem notes payable					
Boiler pollution controls					
Series 2014B, issued $720 - partial refunding series 2006A	3.00% - 5.00%	2024	120	13	133
Series 2016A, issued $375 - partial refunding series 2006A	3.00%	2027	375	22	397
Series 2021B, issued $235 - partial refunding series 2014B	0.94% - 1.13%	2029	235	-	235
Campus heating plant					
Series 2014B, issued $1,790 - partial refunding series 2007A	3.00% - 5.00%	2026	755	85	840
Series 2016A, issued $575 - partial refunding series 2007A	3.00% - 5.00%	2028	575	69	644
Series 2016A, issued $3,625 - partial refunding series 2009B	3.00% - 5.00%	2030	2,695	373	3,068
Series 2021B, issued $485 - partial refunding series 2014B	1.13% - 1.33%	2030	485	-	485
Series 2021B, issued $690 - partial refunding series 2016A	1.53% - 1.71%	2032	690	-	690
Chiller plant					
Series 2021B, issued $5,315 - refunding series 2011A	0.48% - 1.91%	2034	5,315	2	5,317
Goodwin Hall					
Series 2011A, issued $12,695	3.00% - 5.00%	2032	635	49	684
Series 2021B, issued $8,320 - partial refunding series 2011A	0.48% - 1.71%	2032	8,320	4	8,324
Holden Hall					
Series 2019A, issued $7,920	2.25% - 5.00%	2040	7,670	775	8,445
Holtzman Alumni Center and Skelton Conference Center					
Series 2021B, issued $10,840 - refunding series 2012A	0.48% - 1.81%	2033	10,840	5	10,845
ICTAS II					
Series 2016A, issued $8,345 - partial refunding series 2009B	3.00% - 5.00%	2030	7,665	1,105	8,770
Kelly Hall					
Series 2014B, issued $6,040 - partial refunding series 2006A	3.00% - 5.00%	2024	2,840	334	3,174
Series 2016A, issued $3,180 - partial refunding series 2006A	3.00%	2027	3,180	189	3,369
Life Sciences I Facility					
Series 2012A, issued $3,985 - partial refunding series 2005	5.00%	2025	1,040	127	1,167
Series 2021B, issued $1,235 - partial refunding series 2012A	0.48% - 1.00%	2025	1,235	2	1,237
Series 2014B, issued $1,005 - partial refunding series 2005	3.00% - 5.00%	2026	615	49	664
Steger Hall					
Series 2021A, issued $6,785 - refunding series 2010B	5.00%	2030	6,785	1,554	8,339
Surge space building					
Series 2014B, issued $2,730 - partial refunding series 2006A	3.00% - 5.00%	2022	605	58	663
Unified Communications					
Series 2015A, issued $6,160	5.00%	2023	1,985	207	2,192
Veterinary medicine instruction addition					
Series 2012B, issued $9,820	3.00% - 5.00%	2033	935	114	1,049
Series 2021B, issued $6,355 - partial refunding series 2012B	0.48% - 1.81%	2033	6,355	2	6,357
Virginia Tech Carilion biosciences addition					
Series 2017A and 2017B, issued $24,630	2.75% - 3.30%	2038	22,650	163	22,813
Series 2018B, issued $3,965	3.12% - 5.00%	2039	3,705	45	3,750
Total other nonsystem notes payable			98,305	5,346	103,651
Total notes payable			$ 157,440	$ 8,192	$ 165,632

Capital Leases Payable

	Principal Payable	Unamortized Premium (Discount)	Ending Balance
North End Center building and parking garage	$ 32,957	$ -	$ 32,957
Kentland Farm dairy complex	11,520	-	11,520
Applied Projects building	9,461	-	9,461
Integrated Life Sciences (ILSB) building and vivarium	8,914	-	8,914
Kmart and Ardmore properties	3,478	-	3,478
Hunter Andrews addition, Prince Street building, and VTTI properties	6,217	-	6,217
Total capital leases payable	$ 72,547	$ -	$ 72,547

14. Long-term Debt Defeasance

Current Year

During fiscal year 2021, the university issued $33,309,000 of 9(d) revenue bonds to refund $32,771,000 of notes payable. The university and the Commonwealth of Virginia, on behalf of the university, issued $13,061,000 of 9(c) general obligation revenue bonds to refund $13,518,000 of 9(c) general obligation revenue bonds, and issued $65,012,000 of notes payable to refund $65,963,000 of notes payable. The resulting net gain of $870,000 will be amortized over the life of the new debt. For financial reporting purposes, these bonds are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the *Statement of Net Position*. The assets in escrow have similarly been excluded. The details of each refunded debt issue are presented on the next page.

Attachment F

Long-term Debt Defeasance

Debt issues refunded as of June 30, 2021
(all dollars in thousands)

	Debt Refunded	Refunding Debt Issued	Accounting Gain (Loss)	Present Value Rate	Reduction (Increase) in Debt Service	Reduction (Increase) in Debt Service Discounted at Present Value
Section 9(d) revenue bonds						
Series 2010B note payable, issued $11,540	$ 6,595	$ 7,055	$ (460)	2.01%	$ (1,023)	$ 191
Series 2012B note payable, issued $32,625	19,405	21,825	(2,420)	2.01%	(3,465)	(99)
Series 2016A note payable, issued $5,385	4,945	6,075	(1,130)	2.01%	(1,197)	(296)
Premiums (discounts)	3,578	-	3,578			
Other accounting activity related to debt refunding	(1,752)	(1,646)	(106)			
Total for 9(d) revenue bonds	32,771	33,309	(538)		(5,685)	(204)
Section 9(c) general obligation revenue bonds						
Series 2011A, issued $18,860	12,520	13,070	(550)	1.48%	2,000	2,070
Premiums (discounts)	998	50	948			
Other accounting activity related to debt refunding	-	(59)	59			
Total for 9(c) general obligation revenue bonds	13,518	13,061	457		2,000	2,070
Notes payable						
Series 2010A, issued $19,445*	1,490	1,530	(40)	1.56%	(458)	(87)
Series 2010A, issued $9,650*	1,030	980	50	1.12%	(167)	(49)
Series 2010B, issued $10,155	8,330	6,785	1,545	0.55%	766	837
Series 2010B, issued $1,190	665	600	65	0.23%	23	26
Series 2010B, issued $435	435	425	10	0.15%	20	20
Series 2011A, issued $19,375	14,980	15,655	(675)	1.73%	2,253	2,384
Series 2011A, issued $12,695*	7,965	8,320	(355)	1.16%	1,238	1,217
Series 2011A, issued $7,515	5,085	5,315	(230)	1.32%	584	663
Series 2012A, issued $12,320	10,115	10,840	(725)	1.31%	10	355
Series 2012A, issued $3,985*	1,140	1,235	(95)	0.42%	40	40
Series 2012A, issued $795	735	795	(60)	0.73%	(10)	6
Series 2012B, issued $9,820*	5,935	6,355	(420)	1.28%	464	454
Series 2014B, issued $1,790*	445	485	(40)	1.24%	(55)	(13)
Series 2014B, issued $720*	215	235	(20)	1.04%	(21)	(6)
Series 2015B, issued $800*	160	175	(15)	1.44%	(26)	(6)
Series 2016A, issued $7,945*	1,395	1,510	(115)	1.62%	(256)	(35)
Series 2016A, issued $3,625*	635	690	(55)	1.63%	(120)	(18)
Series 2016A, issued $2,780*	490	530	(40)	1.62%	(90)	(12)
Series 2018B, issued $11,505*	780	845	(65)	2.55%	(417)	(28)
Premiums (discounts)	3,848	2,039	1,809			
Other accounting activity related to debt refunding	90	(332)	422			
Total for notes payable	65,963	65,012	951		3,778	5,748
Total for all long-term debt	$ 112,252	111,382	$ 870		$ 93	$ 7,614
Debt issuance costs		2,037				
Total refunding debt issued		$ 113,419				

**Partial refunding*

Debt Defeasance – Gains (Losses)

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, reclassifies gains and losses on defeased debt to deferred outflows of resources or deferred inflows of resources. The tables below provide detail on the unamortized gains and losses included in the deferred outflows of resources and deferred inflows of resources by bond category for defeased outstanding debt from prior years.

Deferred Outflows for Debt Defeasance
As of June 30, 2021
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	$ (2,089)	$ -	$ 276	$ (1,813)
Section 9(d) revenue bonds	-	(754)	36	(718)
Notes payable	(4,695)	(164)	2,863	(1,996)
Total deferred outflows for debt defeasance	$ (6,784)	$ (918)	$ 3,175	$ (4,527)

Deferred Inflows for Debt Defeasance
As of June 30, 2021
(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance
Bonds payable				
Section 9(c) general obligation revenue bonds	$ 160	$ 457	$ (92)	$ 525
Section 9(d) revenue bonds	-	216	(10)	206
Notes payable	664	1,115	(722)	1,057
Total deferred inflows for debt defeasance	$ 824	$ 1,788	$ (824)	$ 1,788

Attachment F

15. Change in Other Liabilities

A summary of the changes in other liabilities for the year ended June 30, 2021
(all dollars in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	$ 50,252	$ 41,680	$ 36,294	$ 55,638	$ 27,556
Federal student loan program contribution refundable	10,712	231	2,566	8,377	-
Net pension liability	410,451	54,974	-	465,425	-
Other postemployment benefits	188,044	1,857	8,417	181,484	3,328
Total other liabilities	$ 659,459	$ 98,742	$ 47,277	$ 710,924	$ 30,884

16. Lease Commitments

The university has entered into numerous agreements to lease land, buildings, and equipment. With some of these agreements, the university is committed under various operating leases for equipment and space. In general, the leases are for three- to ten-year terms with renewal options. The university expects similar leases to replace these leases during the normal course of business. The total lease expense was approximately $31,698,000 for the year ended June 30, 2021. This amount includes approximately $18,167,000 in lease payments to the Virginia Tech Foundation Inc. for office and laboratory space. In addition, the total lease expense includes approximately $2,588,000 of short-term equipment rentals that can be terminated at any time.

A summary of future minimum lease payments under operating leases as of June 30, 2021, follows *(all dollars in thousands)*:

Year ended June 30,	
2022	$ 23,194
2023	17,628
2024	13,106
2025	5,061
2026	4,090
2027-2031	11,924
2032-2036	2,658
2037-2041	2,157
2042-2046	2,094
2047-2051	2,102
2052-2056	2,110
2057-2061	1,841
2062-2063	557
Total	$ 88,522

17. Capital Improvement Commitments

The amounts listed in the following tables represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. Outstanding contractual commitments for capital improvement projects at June 30, 2021 are listed below.

Capital commitments by project
(all dollars in thousands)

Data and decision sciences building	$ 50,400
Corps leadership and military science building	36,385
New upper quad residence hall	34,177
Renovate Holden Hall	19,801
Livestock and poultry research phase I	17,750
Other projects	18,324
Total commitments by project	$ 176,837

Capital commitments by funding source
(all dollars in thousands)

VCBA 21st Century bonds to be paid by the commonwealth	$ 96,586
Private gifts	36,533
Bonds and notes payable to be paid by the university	34,302
University cost recoveries	4,732
Auxiliary enterprise funds	3,510
Other funding sources	1,174
Total commitments by funding source	$ 176,837

18. Pension Plan

Plan Descriptions

All full-time, salaried, permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan (SERP) or the Virginia Law Officers' Retirement System (VaLORS) retirement plans upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program described in *Note 19.* These plans are single employer plans treated as cost-sharing plans for financial reporting purposes. These plans are administered by the Virginia Retirement System (VRS, or the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid – and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are described below:

Retirement Plan Provisions by Plan Structure

Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Plan 2

Same as Plan 1.

Attachment F

Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit component is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Eligible Members – Plan 1

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Eligible Members – Plan 2

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Eligible Members – Hybrid Plan

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Some state employees are not eligible to participate in the Hybrid Retirement Plan. They include members of the Virginia Law Officers' Retirement System (VaLORS), and employees eligible for an optional retirement plan (ORP) who have prior service under Plan 1 or Plan 2. These employees must select Plan 1 or Plan 2 (as applicable) or the ORP plan.

Retirement Contributions

Retirement Contributions – Plan 1

State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Retirement Contributions – Plan 2

Same as Plan 1.

Retirement Contributions – Hybrid Plan

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Service Credit – Plan 1

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Service Credit – Plan 2

Same as Plan 1.

Service Credit – Hybrid Plan

Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Vesting – Plan 1

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Vesting – Plan 2

Same as Plan 1.

Vesting - Hybrid Plan

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.

Attachment F

- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required, except as governed by law.

Calculating the Benefit

Calculating the Benefit – Plan 1

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

Calculating the Benefit – Plan 2

See definition under Plan 1.

Calculating the Benefit – Hybrid Plan

Defined Benefit Component: See definition under Plan 1.

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Average Final Compensation – Plan 1

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Average Final Compensation – Plan 2

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Average Final Compensation – Hybrid Plan

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Service Retirement Multiplier – Plan 1

For *SERP*, the retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for *VaLORS* employees is 1.70% or 2.00%.

Service Retirement Multiplier – Plan 2

For *SERP*, same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013. The retirement multiplier for *VaLORS* employees is 2.00%.

Service Retirement Multiplier – Hybrid Plan

Defined Benefit Component: *SERP* – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. *VaLORS* – Not applicable.

Defined Contribution Component: Not applicable.

Normal Retirement Age

Normal Retirement Age – Plan 1

For *SERP*, age 65. For *VaLORS*, age 60.

Normal Retirement Age – Plan 2

For *SERP*, normal Social Security retirement age. For *VaLORS*, same as Plan 1.

Normal Retirement Age – Hybrid Plan

Defined Benefit Component: *SERP* – Same as Plan 2; *VaLORS* – Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Earliest Unreduced Retirement Eligibility – Plan 1

For *SERP*, age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. For *VaLORS*, age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Unreduced Retirement Eligibility – Plan 2

For *SERP*, normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. For *VaLORS*, same as Plan 1.

Earliest Unreduced Retirement Eligibility – Hybrid Plan

Defined Benefit Component: *SERP* – Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90; *VaLORS* – Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Earliest Reduced Retirement Eligibility – Plan 1

For *SERP*, age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. For *VaLORS*, age 50 with at least five years of service credit.

Earliest Reduced Retirement Eligibility – Plan 2

For *SERP*, age 60 with at least five years (60 months) of service credit. For *VaLORS*, same as Plan 1.

Earliest Reduced Retirement Eligibility – Hybrid Plan

Defined Benefit Component: *SERP* – Age 60 with at least five years (60 months) of service credit. For *VaLORS* – Not applicable.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Cost-of-Living Adjustment (COLA) in Retirement – Plan 1

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.

The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Attachment F

Cost-of-Living Adjustment (COLA) in Retirement – Plan 2
The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility rules and exceptions are the same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement – Hybrid Plan
Defined Benefit Component: The COLA is the same as Plan 2. The eligibility rules and exceptions are the same as Plan 1 and Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage
Disability Coverage – Plan 1
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Disability Coverage – Plan 2
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Disability Coverage – Hybrid Plan
State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service
Purchase of Prior Service – Plan 1
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior service credit counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

Purchase of Prior Service – Plan 2
Same as Plan 1.

Purchase of Prior Service – Hybrid Plan
Defined Benefit Component: Same as Plan 1, with the exception that Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

Contributions
The contribution requirement for active employees is governed by *§51.1-145, Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2021 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on an actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Virginia Tech to the VRS State Employee Retirement Plan were $39,517,000 and $37,758,000 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from Virginia Tech to the VaLORS Retirement Plan were $304,000 and $503,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2021, Virginia Tech reported a liability of $460,400,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $5,024,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. Virginia Tech's proportion of the Net Pension Liability was based on Virginia Tech's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, Virginia Tech's proportion of the VRS State Employee Retirement Plan was 6.355% as compared to 6.423% at June 30, 2019. At June 30, 2020, the Virginia Tech's proportion of the VaLORS Retirement Plan was 0.643% as compared to 0.657% at June 30, 2019.

For the year ended June 30, 2021, Virginia Tech recognized pension expense of $55,562,000 for the VRS State Employee Retirement Plan and $668,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019 and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, Virginia Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(all dollars in thousands):*

	SERP		VaLORS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 5,222	$ 4,685	$ 109	$ -
Net difference between projected and actual earnings on pension plan investments	35,816	-	296	-
Change in assumptions	19,126	-	107	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,069	-	73
Employer contributions subsequent to the measurement date	39,309		512	
Total	$ 99,473	$ 9,754	$ 1,024	$ 73

A total of $39,821,000 ($39,309,000 for SERP and $512,000 for VaLORS) reported as deferred outflows of resources related to pensions resulting from Virginia Tech's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows *(all dollars in thousands)*:

Year ended June 30,	SERP	VaLORS
2022	$ 8,169	$ 144
2023	$ 19,242	$ 105
2024	$ 11,504	$ 98
2025	$ 11,496	$ 92
2026	$ -	$ -

Actuarial Assumptions

VRS State Employee Retirement Plan (SERP)

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

Mortality rates (SERP)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on the VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

Mortality rates (VaLORS)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 year.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows *(all dollars in thousands)*:

	SERP	VaLORS
Total Pension Liability	$ 26,014,925	$ 2,282,351
Plan Fiduciary Net Position	18,770,068	1,500,469
Employers' Net Pension Liability (Asset)	$ 7,244,857	$ 781,882
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	65.74%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
Expected arithmetic nominal return*			7.14%

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions, compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by Virginia Tech for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Attachment F

Sensitivity of Virginia Tech's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Virginia Tech's proportionate share of the VRS State Employee Retirement Plan (SERP) and the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what Virginia Tech's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate *(all dollars in thousands)*:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia Tech's proportionate share of the VRS SERP net pension liability	$ 652,491	$ 460,400	$ 298,884
Virginia Tech's proportionate share of the VaLORS net pension liability	$ 6,897	$ 5,024	$ 3,478

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan (SERP) and the VaLORS Retirement Plan at June 30, 2021, was approximately $2.2 million for legally required contributions into the plans.

19. Defined Contribution Plans

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in optional retirement plans as authorized by the *Code of Virginia* rather than the VRS retirement plan. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments Tax-Exempt Services Company. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent, plus net investment gains or losses. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent contribution and the employee's 5.0 percent contribution plus net investment gains or losses. Individual contracts issued under the plan provide for full and immediate vesting of both the university's and the employees' contributions. Total pension costs under this plan were approximately $32,415,000 for year ended June 30, 2021. Contributions to the optional retirement plan were calculated using the base salary amount of approximately $350,276,000 for this fiscal year.

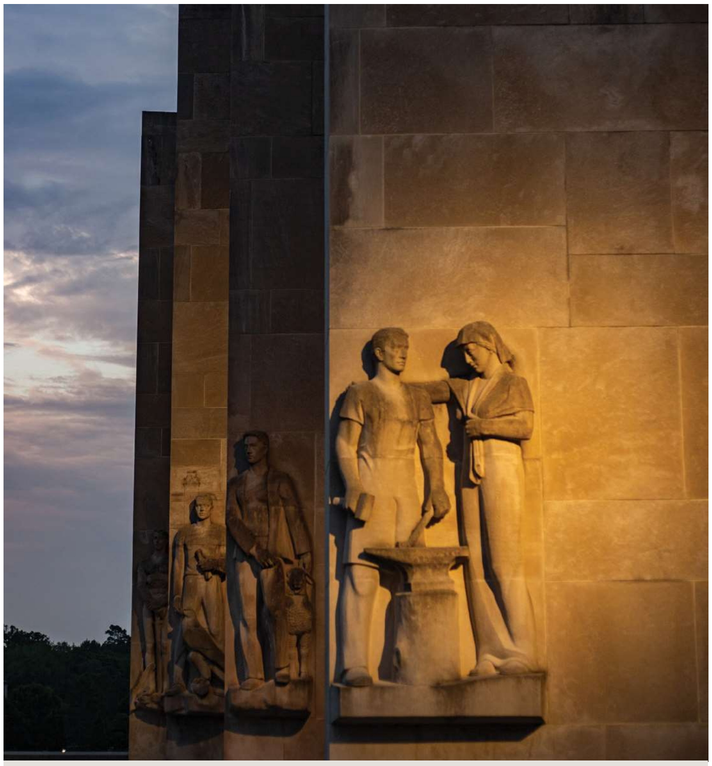
Deferred Compensation Plan

Employees of the university are employees of the Commonwealth of Virginia. State employees may participate in the commonwealth's deferred compensation plan. Participating employees can contribute to the plan each pay period with the commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the commonwealth's budget. The deferred compensation plan is a qualified defined contribution plan under *Section 401(a) of the Internal Revenue Code*. The university expense for matching contributions to this plan, which is an amount assessed by the commonwealth, was approximately $2,432,000 for the fiscal year 2021.

Federal Pension Plans

Certain Cooperative Extension Service (CES) professional employees are participants in either the Federal Employee Retirement System (FERS) or the Federal Civil Service Retirement System (CSRS). The FERS and CSRS are defined benefit plans in which benefits are based upon the highest base pay over any three consecutive years and the years of creditable service. The costs under these plans were approximately $58,000 for the year ended June 30, 2021. Contributions to the FERS and CSRS were calculated using the base salary amount of approximately $424,000 for the fiscal year 2021.

In addition, the university contributed $21,000 in employer contributions to the Thrift Savings Plan for the year ended June 30, 2021. The Thrift Savings Plan is a defined contribution plan in which the university matches employee contributions within certain limitations.



The War Memorial is one of the most inspiring places on campus. Its eight pylons stretch toward the sky, engraved both with the core values upon which the university was founded and with the names of more than 400 alumni who lost their lives in the line of duty.

Attachment F

The residence hall formerly known as Lee Hall was renamed in August 2020 for Janie and William Hoge, a local African American couple who hosted some of the first Black students attending Virginia Polytechnic Institute in the 1950s.

The residence hall formerly known as Barringer Hall was renamed in August 2020 for James Leslie Whitehurst Jr. '63, the first Black student permitted to live on campus in 1961.

20. Other Postemployment Benefits

The university participates in postemployment benefit programs that are sponsored by the commonwealth and administered by the Virginia Retirement System (VRS, or the System) or the Department of Human Resource Management. These programs include the Pre-Medicare Retiree Healthcare program, Virginia Sickness and Disability program, Group Life Insurance program, Retiree Health Insurance Credit program, and Line of Duty Act program. The specific information for each of these Other Postemployment Benefit (OPEB) programs is described below:

Plan Descriptions

Pre-Medicare Retiree Healthcare (PMRH) program

All full-time and part-time permanent salaried Virginia Tech employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are eligible to participate in the commonwealth's healthcare program upon employment. Retirees who are not yet eligible for Medicare health benefits may continue to participate in this program by meeting certain eligibility requirements.

Virginia Sickness and Disability (VSDP) program

All full-time and part-time permanent salaried Virginia Tech employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by VSDP upon employment. The VSDP program also covers Virginia Tech employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement.

Group Life Insurance (GLI) program

All full-time, salaried, permanent employees of Virginia Tech are automatically covered by the GLI program upon employment. (*Note*: In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance program. For members who elect the optional group life insurance coverage, the insurer bills Virginia Tech directly for the premiums. Virginia Tech deducts these premiums from members' paychecks and pays the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI program postemployment benefit.)

Retiree Health Insurance Credit (HIC) program

All full-time, salaried, permanent employees of Virginia Tech are automatically covered by the HIC program. Members earn one month of service credit toward the benefit for each month they are employed and for which Virginia Tech pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Line of Duty Act (LODA) program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA program. As required by statute, the VRS is responsible for managing the assets of the program. The Virginia Tech contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Attachment F

Plan Provisions

PMRH program

Eligible employees

For a VRS retiree to participate in the Pre-Medicare Retiree Healthcare (PMRH) program, the participant must:

- be a retiring state employee who is eligible for a monthly retirement benefit from the VRS, and
- be receiving (not deferring) the benefit immediately upon retirement*, and
- have his or her last employer before retirement be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) as an active employee in the State Health Benefits Program until his or her retirement date (not including extended coverage), and
- have submitted within 31 days of his or her retirement date an enrollment form to his or her benefits administrator to enroll.

(* A retirement contribution or leave without pay status for retirement was reported in the month immediately prior to retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.)

For an Optional Retirement Plan (ORP) retiree to participate in the PMRH program, the participant must:

- be a terminating state employee who is eligible for a benefit from one of the qualified ORP vendors, and
- have his or her last employer before termination be the Commonwealth of Virginia, and
- be eligible for coverage (even if not enrolled) in the State Employee Health Benefits Program at the time of termination, and
- meet the age and service requirements for an immediate retirement benefit under the VRS plan that would have been applicable had ORP coverage not been selected, and
- enroll in the State Retiree Health Benefits Program no later than 31 days from the date that coverage (or eligibility for coverage) was lost due to termination of employment.

(This applies to ORP terminations effective January 1, 2017, or later. For those who terminated employment prior to January 1, eligibility should be determined based on the policy in place at the time of their termination.)

There are no assets accumulated in a trust to pay benefits for this program.

VSDP program

Eligible employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried Virginia Tech employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Virginia Tech faculty members who elect the VRS defined benefit plan.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible retirees:

- Long-Term Disability – If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible.
- Long-Term Care Plan – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Cost-of-Living Adjustment (COLA)

During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the board.

- Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
- Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the board, from the date of the commencement of the disability to the date of retirement.

100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%

For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the board, from the date of the commencement of the disability to the date of retirement

GLI program

Eligible employees

The GLI program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit amounts

The benefits payable under the GLI program have several components:

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option.

Attachment F

Reduction in benefit amounts
The benefit amounts provided to members covered under the GLI program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at $8,000 by statute. The amount increases annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,616 effective June 30, 2021.

Retiree HIC program

Eligible Employees
The HIC program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and the Judicial Retirement System (JRS) who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit amounts
The HIC program provides the following benefits for eligible employees:

- At Retirement – For employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement – For employees other than state police officers who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For state police officers with a non-work-related disability who retire on disability or go on long-term disability under VSDP, the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For state police officers with a work-related disability, there is no benefit provided under the HIC program if the premiums are being paid under the Virginia Line of Duty Act (LODA). However, they may receive the credit for premiums paid for other qualified health plans.

HIC program notes
The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for HIC as a retiree.

LODA program

Eligible Employees
The eligible employees of the LODA program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts
The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals.

Death benefits – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
- $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health insurance benefits – The Line of Duty Act program provides health insurance benefits. Prior to July 1, 2017, these benefits were managed though the various employee plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

PMRH program

Virginia Tech does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, Virginia Tech effectively subsidizes the costs of the participating retirees' healthcare through payment of Virginia Tech's portion of the premiums for active employees. Benefit payments are recognized when due and payable in accordance with the benefit terms. PMRH is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Virginia Department of Human Resource Management.

VSDP program

The contribution requirements for the VSDP are governed by *§51.1-1140, Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for VSDP for the year ended June 30, 2021 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from Virginia Tech were $971,000 and $968,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI program

The contribution requirements for the GLI program are governed by *§§ 51.1-506 and 51.1-508, Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI program from Virginia Tech were $3,397,000 and $3,231,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

Attachment F

Retiree HIC program

The contribution requirement for active employees is governed by *§51.1-1400(D), Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2021 was 1.12% of covered employee compensation for employees in the Retiree HIC program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Virginia Tech to the Retiree HIC program were $7,050,000 and $7,262,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

LODA program

The contribution requirements for the LODA program are governed by *§9.1-400.1, Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA program for the year ended June 30, 2021 was $717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA program from Virginia Tech were $34,000 and $31,000 for the years ended June 30, 2021 and June 30, 2020, respectively.

Liabilities, Expenses, and Deferred Inflows/Outflows of Resources

At June 30, 2021, Virginia Tech reported the following net liabilities (assets) for its proportionate share of these programs:

PMRH	$	50,797,000
VSDP	$	(8,213,000)
GLI	$	50,486,000
HIC	$	79,244,000
LODA	$	957,000

These liabilities were measured as of June 30, 2020 and the total OPEB liability used to calculate each net liability was determined by an actuarial valuation as of that date. Virginia Tech's proportion of the PMRH OPEB liability was based on its healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. For VSDP, GLI, HIC and LODA programs, Virginia Tech's proportionate share of each liability was based on Virginia Tech's actuarially determined employer contributions to each plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2020, Virginia Tech's proportionate share was:

PMRH	8.93% as compared to 8.72% at June 30, 2019
VSDP	3.72% as compared to 3.79% at June 30, 2019
GLI	3.03% as compared to 2.99% at June 30, 2019
HIC	8.63% as compared to 8.59% at June 30, 2019
LODA	0.23% as compared to 0.24% at June 30, 2019

For the year ended June 30, 2021, Virginia Tech recognized the following expenses for these programs:

PMRH	$	(10,917,000)
VSDP	$	796,000
GLI	$	2,404,000
HIC	$	7,561,000
LODA	$	82,000

Since there was a change in proportionate share between measurement dates, a portion of these expenses was related to deferred amounts from changes in proportion.

At June 30, 2021, Virginia Tech reported deferred outflows/inflows of resources related to these programs from the following sources *(all dollars in thousands)*:

Program	Source	Deferred Outflow	Deferred Inflow
PMRH	Difference between expected and actual experience	$ -	$ 25,862
	Change in assumptions	-	41,593
	Changes in proportion	7,531	584
	Amounts associated with transactions subsequent to measurement date	3,308	-
	Total	$ 10,839	$ 68,039
VSDP	Difference between expected and actual experience	$ 772	$ 1704
	Net difference between projected and actual earnings on investments	559	-
	Change in assumptions	110	337
	Changes in proportion	165	18
	VT contributions subsequent to measurement date	971	-
	Total	$ 2,577	$ 2,059
GLI	Difference between expected and actual experience	$ 3,238	$ 453
	Net difference between projected and actual earnings on investments	1,517	-
	Change in assumptions	2,525	1,054
	Changes in proportion	1,678	13
	VT contributions subsequent to measurement date	3,397	-
	Total	$ 12,355	$ 1,520

Attachment F

HIC	Difference between expected and actual experience	$	33	$	1,189
	Net difference between projected and actual earnings on investments		390		-
	Change in assumptions		1,320		376
	Changes in proportion		2,743		20
	VT contributions subsequent to measurement date		7,050		-
	Total	$	11,536	$	1,585
LODA	Difference between expected and actual experience	$	102	$	130
	Net difference between projected and actual earnings on investments		-		1
	Change in assumptions		256		60
	Changes in proportion		39		73
	VT contributions subsequent to measurement date		34		-
	Total	$	431	$	264

The following amounts reported as deferred outflows of resources related to each program, resulting from Virginia Tech's contributions subsequent to the measurement date, will be recognized as a reduction of each program's net liability (asset) in the fiscal year ending June 30, 2021 *(all dollars in thousands)*:

PMRH	$	3,308
VSDP	$	971
GLI	$	3,397
HIC	$	7,050
LODA	$	34

Other amounts reported as deferred outflows/inflows of resources related to the OPEB programs will be recognized in each program's expense in future reporting periods as follows *(all dollars in thousands)*:

Year ended June 30,		PMRH		VSDP		GLI		HIC		LODA
2022	$	(17,333)	$	(161)	$	1,239	$	670	$	17
2023	$	(17,333)	$	(11)	$	1,667	$	718	$	17
2024	$	(14,401)	$	-	$	2,037	$	810	$	18
2025	$	(7,888)	$	6	$	1,916	$	654	$	18
2026	$	(2,981)	$	(114)	$	529	$	49	$	18
Thereafter	$	(572)	$	(173)	$	49	$	-	$	44

Actuarial Assumptions

PMRH Program Actuarial Assumptions

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2020 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.21%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical and Rx: 6.75% to 4.50%, Dental: 4.00%
Year of Ultimate Trend	2029

Mortality Rates

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year, and females set back 1 year with 1.5% increase compounded from ages 70 to 85

Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond index as of the measurement date which is June 30, 2020.

Changes of Assumptions

The following actuarial assumptions were updated since the June 30, 2019 valuation based on the recent experience study are as follows:

- Spousal coverage – reduced rate from 25% to 20%
- Retiree participation – reduced rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical devise excise tax. The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

Attachment F

VSDP, GLI, HIC, AND LODA PROGRAM ACTUARIAL ASSUMPTIONS

VSDP, GLI, and HIC – The total liability for these programs was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, net of OPEB plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, a more conservative 6.75% investment return assumption has been used.*

LODA - The total liability for these programs was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.5 percent
Salary increases, including inflation	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption	
Under age 65	7.00 percent – 4.75 percent
Ages 65 and older	5.375 percent – 4.75 percent
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21 percent, including inflation*

** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.*

Mortality rates – General State Employees (VSDP, GLI, LODA)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75% (N/A for LODA)

Mortality rates – Teachers (GLI)

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees (VSDP, GLI, LODA)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Mortality rates – VaLORS Employees (VSDP, GLI, LODA)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Mortality rates – JRS Employees (GLI)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees (GLI, HIC)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

Attachment F

Mortality rates – Non-Largest Ten Locality Employers - General Employees (GLI, HIC)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers with Hazardous Duty Employees (GLI, HIC)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers with Hazardous Duty Employees (GLI, HIC)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers with Public Safety Employees (LODA)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019.
Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

Attachment F

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees (LODA)

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net OPEB Liability

The net OPEB liability (NOL) for VSDP, GLI, HIC and LODA represents each program's total OPEB liability determined in accordance with GASB Statement 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for each program are as follows *(all dollars in thousands)*:

	VSDP	GLI	HIC	LODA
Total OPEB Liability	$ 269,531	$ 3,523,937	$ 1,043,383	$ 423,147
Plan Fiduciary Net Position	490,220	1,855,102	125,377	4,333
Employers' Net OPEB Liability (Asset)	$ (220,689)	$ 1,668,835	$ 918,006	$ 418,814
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	181.88%	52.64%	12.02%	1.02%

The total OPEB liability is calculated by the VRS actuary, and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

VSDP, GLI, HIC Programs

The long-term expected rate of return on the VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of the VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Weighted Average Arithmetic Long-term Expected Rate of Return	Long-term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
Multi-Asset Public Strategies (MAPS)	6.00%	3.04%	0.18%
Private Investment Partnership (PIP)	3.00%	6.49%	0.19%
Total all asset classes	100.00%		4.64%
Expected inflation			2.50%
Expected arithmetic nominal return*			7.14%

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%*

LODA Program

The long-term expected rate of return on LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumptions. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

PMRH Program

The discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2020. Spousal coverage was reduced from 25% to 20% and retiree participation was reduced from 50% to 45% based on a blend of recent experience and the prior year assumptions.

Attachment F

VSDP, GLI, HIC programs

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by Virginia Tech for each of these programs will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB fiduciary net position for these programs was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability for each of these programs.

LODA program

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and they will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by Virginia Tech to the LODA OPEB program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of Virginia Tech's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents Virginia Tech's proportionate share of the net OPEB liability for PMRH using the discount rate of 2.21%; VSDP, GLI, and HIC using the discount rate of 6.75%; and LODA using the discount rate of 2.21%. As well, Virginia Tech's proportionate share of the net OPEB liability (asset) is presented as it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Virginia Tech's Proportionate Share of Net OPEB Liability (Asset)

	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.21%	2.21%	3.21%
PMRH	$ 53,453	$ 50,797	$ 48,105
	5.75%	6.75%	7.75%
VSDP	$ (7,493)	$ (8,213)	$ (8,859)
GLI	$ 66,368	$ 50,486	$ 37,589
HIC	$ 87,810	$ 79,244	$ 71,872
	1.21%	2.21%	3.21%
LODA	$ 1,136	$ 957	$ 822

Sensitivity of Virginia Tech's Proportionate Share of the Net PMRH OPEB and LODA OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Pre-Medicare Retiree Healthcare and Line of Duty Act programs contain provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents Virginia Tech's proportionate share of the net OPEB liability for these programs using health care trend rate of 6.75% decreasing to 4.50% for PMRH and 7.00% decreasing to 4.75% for LODA. As well, Virginia Tech's proportionate share of the net OPEB liability is presented as it would be if it were calculated using a health care trend rate that is one percentage point lower or one percentage point higher than the current rate:

Virginia Tech's Proportionate Share of Net OPEB Liability

	1.00% Decrease	Current Health Care Trend Rate	1.00% Increase
PMRH	5.75% decreasing to 3.50%	6.75% decreasing to 4.50%	7.75% decreasing to 5.50%
	$ 45,535	$ 50,797	$ 56,968
LODA	6.00% decreasing to 3.75%	7.00% decreasing to 4.75%	8.00% decreasing to 5.75%
	$ 791	$ 957	$ 1,174

Fiduciary Net Position

Detailed information about Fiduciary Net Position for each of these programs is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VSDP, GLI, and HIC OPEB programs

The amount payable outstanding at June 30, 2021 to each of these OPEB programs was as follows:

VSDP	$ 5,000
GLI	$ 188,000
HIC	$ 393,000

Attachment F

21. Grants, Contracts, and Other Contingencies

The university has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the outlay of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the university.

In addition, the university is required to comply with various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2021, the university estimates that no material liabilities will result from such audits or questions.

22. Federal Direct Lending Program

The university participates in the Federal Direct Lending Program. Under this program, the university receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs, and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student.

These loan proceeds are treated as student payments, with the university acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Position.* The activity is included in the noncapital financing section of the *Statement of Cash Flows.* For the fiscal year ended June 30, 2021, cash provided by the program totaled $149,337,000 and cash used by the program totaled $149,337,000.

23. Appropriations

The *Appropriation Act* specifies that unexpended general fund appropriations remaining on the last day of the current year, ending on June 30, 2021, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2021, except as may be specifically provided otherwise by the Virginia General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

Adjustments made to the university's original appropriation during this fiscal year are as follows *(all dollars in thousands)*:

Original legislative appropriation	
(per Chapter 1289, as amended by Chapters 56 and 552)	
Education and general programs	$ 255,167
Student financial assistance	22,986
Commonwealth Research Initiative and Federal Action Contingency Trust	5,389
Unique military activities	2,757
Total appropriation	286,299
Adjustments	
Tech talent investment program	12,957
Affordable access	4,000
Commonwealth Research Initiative and Federal Action Contingency Trust	616
Student financial assistance	255
Other adjustments	(1,859)
Total adjustments	15,969
Adjusted appropriation	$ 302,268

24. Expenses by Natural Classification within Functional Classification

The university's operating expenses by functional classification for the year ended June 30, 2021
(all dollars in thousands)

	Compensation and Benefits	Contractual Services	Travel	Supplies and Materials	Other Operating Expenses	Sponsored Program Subcontracts	Scholarships and Fellowships	Total
Instruction	$ 389,279	$ 18,903	$ 1,491	$ 9,374	$ 5,118	$ 135	$ 1,627	$ 425,927
Research	229,164	27,787	1,587	21,851	2,505	30,769	17,133	330,796
Public service	62,491	18,627	630	3,249	2,277	1,262	530	89,066
Academic support	78,257	14,997	334	7,010	5,022	-	296	105,916
Student services	20,185	2,679	95	1,340	443	713	108	25,563
Institutional support	76,373	4,828	802	1,415	8,878	24	603	92,923
Operations and maintenance	36,372	8,221	131	7,666	39,530	-	30	91,950
Student financial assistance*	238	2	-	2	15	-	31,830	32,087
Auxiliary enterprises	112,097	28,223	5,520	28,694	29,792	4	1,981	206,311
Subtotal before other costs	$ 1,004,456	$ 124,267	$ 10,590	$ 80,601	$ 93,580	$ 32,907	$ 54,138	1,400,539
Depreciation and amortization								112,896
Total operating expenses								$ 1,513,435

**Includes loan administrative fees and collection costs.*

Attachment F

25. Component Unit

The component unit statements and subsequent notes comply with the Governmental Accounting Standards Board (GASB) presentation format. Virginia Tech Foundation Inc. follows the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Virginia Tech Foundation Statement of Net Position

As of June 30, 2021

(all dollars in thousands)

Assets	
Current assets	
Cash and cash equivalents	$ 50,593
Short-term investments	90,835
Accounts and contributions receivable, net	80,938
Notes receivable, net	535
Inventories	297
Prepaid expenses	1,422
Other current assets	8,351
Total current assets	232,971
Noncurrent assets	
Cash and cash equivalents	111,624
Accounts and contributions receivable, net	118,216
Notes and deeds of trust receivable, net	22,556
Net investments in direct financing leases	69,432
Irrevocable trusts held by others, net	5,839
Long-term investments	1,740,491
Depreciable capital assets, net	199,856
Nondepreciable capital assets	175,954
Intangible assets, net	3,622
Other noncurrent assets	7,042
Total noncurrent assets	2,454,632
Total assets	2,687,603
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	8,140
Accrued compensated absences	427
Deferred revenue	7,326
Long-term debt payable	26,202
Other current liabilities	6,591
Total current liabilities	48,686
Noncurrent liabilities	
Accrued compensated absences	341
Deferred revenue	3,524
Long-term debt payable	301,782
Liabilities under trust agreements	25,595
Agency deposits held in trust	570,833
Other noncurrent liabilities	6,997
Total noncurrent liabilities	909,072
Total liabilities	957,758
Net Position	
Invested in capital assets, net of related debt	198,849
Restricted, nonexpendable	736,643
Restricted, expendable	
Scholarships, research, instruction, and other	634,690
Unrestricted	159,663
Total net position	$ 1,729,845

Virginia Tech Foundation Statement of Revenues, Expenses, and Changes in Net Position

For the year ended June 30, 2021

(all dollars in thousands)

Operating Revenues	
Gifts and contributions	$ 105,772
Auxiliary enterprise revenue	
Hotel Roanoke	11,185
River Course	1,627
Rental income	44,397
Other operating revenues	19,028
Total operating revenues	182,009
Operating Expenses	
Instruction	5,004
Research	8,049
Public service	5,563
Academic support	14,505
Institutional support	
Other university programs	14,067
Fundraising	10,869
Management and general	6,355
Operation and maintenance of plant	
Operation and maintenance of plant	7,249
Research cost centers	8,707
Student financial assistance	32,763
Auxiliary enterprises	
Hotel Roanoke	7,457
River Course	1,938
Depreciation expense	10,842
Other operating expenses	13,167
Total operating expenses	146,535
Operating Income	35,474
Non-Operating Revenues (Expenses)	
Investment income, net	12,823
Net gain on investments	199,200
Interest expense on debt related to capital assets	(9,243)
Net non-operating revenues	202,780
Income Before Other Revenues, Expenses, Gains, or Losses	238,254
Change in valuation of split interest agreements	8,143
Capital grants and gifts	18,439
Gain on disposal of capital assets	48
Additions to permanent endowments	52,740
Loss on extinguishment of debt	(1,646)
Other revenues	5,431
Total other revenues, expenses, gains, or losses	83,155
Net Position	
Increase in net position	321,409
Net position – beginning of year	1,408,436
Net position – end of year	$ 1,729,845

Attachment F

Notes to Component Unit Statements

Contributions Receivable – Virginia Tech Foundation Inc.

The following summarizes unconditional promises to give at June 30, 2021 *(all dollars in thousands)*:

Receivable in less than one year	$	67,273
Receivable in one to five years		73,259
Receivable in more than five years		54,460
Total contributions receivable, gross		194,992
Discount to reduce estimated future cash flows to fair value and allowance for uncollectible contributions receivable		(11,556)
Contributions receivable, measured at fair value	$	183,436

The discount rates ranged from 0.14% to 2.05% at June 30, 2021 and as of June 30, 2021 the foundation is unaware of any conditional promises to give.

Investments – Virginia Tech Foundation Inc.

The overall investment objective of the foundation is to invest its operating funds in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities, and to invest its endowed funds in a manner that maintains the purchasing power of the endowment. The foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions, such as asset allocation and spending, are authorized by the board's Investment Committee, which oversees the foundation's investment program in accordance with established guidelines.

In addition to traditional equity and fixed-income securities, the foundation may also hold shares or units in traditional institutional funds, as well as in alternative investment funds involving hedged, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds primarily employ buyout and venture capital strategies. Real asset funds generally hold interests in public real estate investment trusts (REITs), public natural resource equities, private commercial real estate, and private natural resources such as power plants and oil and gas companies. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable public earnings multiples, projected cash flows, recent sale prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

The following tabulation summarizes changes in relationships between cost and fair value of investments *(all dollars in thousands)*:

	Fair value	Cost	Net gain
June 30, 2021	$ 1,831,326	$ 1,588,925	$ 242,401
June 30, 2020	1,479,250	1,399,232	80,018
Unrealized net gain for the year, including net gain on agency deposits held in trust of $60,772			162,383
Realized net gain for the year, including net gain on agency deposits held in trust of $47,036			144,673
Total net gain for the year, including net gain on agency deposits held in trust of $107,808			$ 307,056

As of June 30, 2021, long-term investments included investment assets held in internally-managed trust funds with a carrying value totaling $58,869.

The foundation is required by Maryland state law to maintain segregated assets for all annuities issued in an amount at least equal to the sum of its outstanding deferred giving arrangements liability, discounted to present value. As of June 30, 2021, the foundation had recorded annuity obligations of $6,783. As of June 30, 2021, the foundation had separately invested cash reserves of $13,975 and had met its minimum reserve requirement under Maryland state law.

Fair Value Hierarchy – Virginia Tech Foundation Inc.

Accounting Standards Codification (ASC) Topic 820 establishes a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that use quoted prices (unadjusted) in active markets for identical assets or liabilities that the foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The fair values of the foundation's corporate debt securities and state, county and municipal securities are obtained from a third-party pricing service provider. The fair values provided by the pricing service provider are estimated using pricing models, where the inputs to those models are based on observable market inputs including credit spreads and broker-dealer quotes, among other inputs. The foundation classifies the prices obtained from the pricing services within Level 2 of the fair value hierarchy because the underlying inputs are directly observable from active markets. However, the pricing models used do entail a certain amount of subjectivity and, therefore, differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The assets that were measured at fair value on a recurring basis at June 30, 2021 are presented in the first table on the next page.

The second table on the next page summarizes the foundation's investments in entities that calculate net asset value as a practical expedient to estimate fair value as of June 30, 2021, as well as liquidity and funding commitments.

Attachment F

Assets measured at fair value - Virginia Tech Foundation Inc.
At June 30, 2021
(all dollars in thousands)

	Total	Level 1	Level 2	Level 3	NAV*
		Fair value measurements at reporting date using			
Contributions receivable	$ 183,436	$ -	$ -	$ 183,436	$ -
Short-term investments					
Corporate debt securities	39,496	39,496	-	-	-
U.S. government treasuries	44,780	44,780	-	-	-
U.S. government agencies	6,559	6,559	-	-	-
Total short-term investments	90,835	90,835	-	-	-
Long-term investments					
Cash and cash equivalents	49,975	49,237	738	-	-
U.S. government treasuries	17,356	1,221	16,135	-	-
U.S. government agencies	10,118	10,118	-	-	-
State, county, and municipal securities	97	-	97	-	-
Equity securities	219,739	219,739	-	-	-
Hedge funds	235,607	580			235,027
Private real assets	91,432	-	-	-	91,432
Private credit	167,190	-	288	-	166,902
Private equity	221,036	-	-	-	221,036
Private equity alternative investments	299,172	-	-	-	299,172
Corporate bonds	22,908	22,908	-	-	-
Corporate debt securities	217,804	146,474	70,221	1,109	-
Mortgage receivable	4,496	4,496	-	-	-
Foreign securities	147,353	131,711	-	-	15,642
Real estate	36,208	-	-	36,208	-
Total long-term investments	1,740,491	586,484	87,479	37,317	1,029,211
Irrevocable trusts held by others	5,839	-	-	5,839	-
Total	$ 2,020,601	$ 677,319	$ 87,479	$ 226,592	$ 1,029,211

* *Certain investments that are measured at fair value using the 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 consolidated financial statements.*

Assets measured using NAV estimate - Virginia Tech Foundation Inc.
At June 30, 2021
(all dollars in thousands)

	Fair Value	Uncalled Commitments	Remaining Life	Redemption Frequency	Trade to Settlement Terms	Redemption Notice Period
Public equity funds(1)	$ 81,529	$ -	N/A	≤ Quarterly	5-15 days	30-90 days
Public equity funds(2)	231,430	7,236	N/A	> Quarterly	5-15 days	30-180 days
Hedge funds(3)	32,746	-	N/A	≤ Quarterly	5-15 days	30-90 days
Hedge funds(3)	202,034	-	N/A	> Quarterly	5-15 days	30-90 days
Private credit funds(4)	138,547	35,208	1-10 years	N/A	N/A	N/A
Private equity funds(5)	222,165	61,722	1-10 years	N/A	N/A	N/A
Private real assets funds(6)	120,759	65,279	1-10 years	N/A	N/A	N/A
	$ 1,029,210	$ 169,445				

(1) The amount represents funds that invest in publicly traded equity securities and can be liquidated at the end of each quarter or more frequently. There are currently no restrictions on redemption of these investments. The managers directly invest primarily in long equity securities and, at times, opportunistically invest in short equity securities. Management seeks to achieve a return in excess of an appropriate equity benchmark such as the MSCI ACWI.

(2) The amount represents funds that invest in publicly traded equity securities and can be liquidated at times longer than the end of a quarter. The longest time to liquidation is 42 months. There are currently no restrictions on redemption of these investments. The managers directly invest primarily in long equity securities and, at times, opportunistically invest in short equity securities. Management seeks to achieve a return in excess of an appropriate equity benchmark such as the MSCI ACWI.

(3) The amount represents investments in funds that invest in hedge fund strategies such as long/short, event-driven and global macro. Management of the funds seeks to achieve an annualized return that is at least 7% in excess of the 91-day U.S. Treasury Bill rate. The funds invest both long and short equity and fixed income securities and there is no restriction on the types of securities and financial instruments they are allowed to invest in.

(4) The amount represents investments in funds that invest in credit related securities and have a liquidity structure similar to private equity. These investments can never be redeemed from the funds, and it is estimated that the underlying assets of the fund will be liquidated over the next one to 10 years.

(5) The amount represents investments in funds that invest in private equity in buyouts and venture capital, both domestically and internationally. The allocation to buyouts is 96% and to venture capital 4%. Uncalled commitments are approximately $46,542 to buyouts and $15,180 to venture capital. These investments can never be redeemed from the funds and it is estimated that the underlying assets of the fund will be liquidated over the next one to 10 years.

(6) The amount represents investments in funds that invest in private real assets in real estate and natural resources, primarily domestically. The allocation to real estate is 65% and to natural resources 35%. Uncalled commitments are approximately $49,398 to real estate and $15,881 to natural resources. These investments can never be redeemed from the funds, and it is estimated that the underlying assets of the fund will be liquidated over the next one to 10 years.

Attachment F

Notes to Component Unit Statements, continued

Land, Buildings, and Equipment - Virginia Tech Foundation Inc.

A summary of land, buildings, and equipment at cost, less accumulated depreciation for the year ending June 30, 2021 is presented as follows *(all dollars in thousands)*:

Depreciable capital assets	
Buildings	$ 286,375
Equipment and other	41,426
Land improvements	25,807
Total depreciable capital assets, at cost	353,608
Less accumulated depreciation	(153,752)
Total depreciable capital assets, net	199,856
Nondepreciable capital assets	
Land	119,014
Vintage and other collection items	7,004
Livestock	876
Construction in progress	49,060
Total nondepreciable capital assets	175,954
Total capital assets, net	$ 375,810

As of June 30, 2021, outstanding contractual commitments for projects under construction approximated $62,892.

Long-Term Debt Payable - Virginia Tech Foundation Inc.

Notes payable

The following is a summary of outstanding notes payable at June 30, 2021 *(all dollars in thousands)*:

Unsecured revolving line of credit note payable with total availability of $100,000 due August 1, 2021, plus variable interest at one-month LIBOR plus 0.4% (0.500% as of June 30, 2021)	$ 3,972
Unsecured note payable issued March 30, 2021 to VTF as part of the extended federal COVID-19 Paycheck Protection Program (PPP) administered by the U.S. Small Business Association (SBA). Loan proceeds may only be used for payroll costs, interest on covered mortgage obligations, covered rent obligations, covered utility payments, worker protection costs related to COVID-19, and certain supplier costs and operating expenses incurred during the 24-week period after the loan disbursement date. The note bears interest at 1% with principal and interest payments deferred for 10 months following the 24-week covered period. The foundation intends to use the entire loan for qualifying expenses. Under the terms of the PPP, certain amounts may be forgiven if proceeds are used for qualifying expenses.	363
Unsecured note payable issued February 19, 2021 to the Hotel Roanoke LLC (HRLLC) as a second draw PPP loan issued as part of the extended federal COVID-19 relief program administered by the SBA. Loan proceeds may only be used for payroll costs, interest on covered mortgage obligations, covered rent obligations, covered utility payments, worker protection costs related to COVID-19, and certain supplier costs and operating expenses incurred during the 24-week period after the loan disbursement date. The note bears interest at 1% with principal and interest payments deferred for 10 months following the 24 week covered period. The foundation intends to use the entire loan for qualifying expenses. Under the terms of the PPP, certain amounts may be forgiven if proceeds are used for qualifying expenses.	1,726
Unsecured note payable upon the sale of the hotel and repayment of all debt of the hotel and the Hotel Roanoke Foundation	1,775
Total notes payable	$ 7,836

The aggregate annual maturities of notes payable for each of the five years and thereafter subsequent to June 30, 2021, are *(all dollars in thousands)*:

Year ending June 30,	
2022	$ 4,025
2023	575
2024	575
2025	576
2026	310
Upon the sale of the hotel and repayment of all debt of the hotel and HRF	1,775
Total notes payable	$ 7,836

During 2003, the foundation used proceeds from borrowings on notes payable totaling $13,800 to provide a loan to an unrelated party through a promissory note receivable. The unrelated party used the proceeds to purchase the University Mall building located in Blacksburg, Virginia. The promissory note receivable, which requires interest payments only until maturity, earned interest at a fixed rate of 6.18% through June 30, 2013 and 6.96% thereafter through June 30, 2023, the maturity date. The promissory note receivable is secured by a first deed of trust in the real property of the University Mall, as well as the assignment of leases, rents, and security agreements.

Bonds payable

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2011A) and Taxable Revenue and Refunding Bonds (Series 2011B) dated November 17, 2011. Proceeds were used to refinance all or a portion of the outstanding Series 2000, Series 2005, Series 2009A, and Series 2009B bonds and two notes payable, retire certain interest rate swaps, and finance the construction of several commercial facilities and other facilities to be used in support of the university. The original Series 2011A and Series 2011B bonds, which bear a weighted average fixed interest rate of 3.69% and 4.03%, respectively, have annual serial and sinking fund maturities beginning June 1, 2012 and concluding June 1, 2039 in varying amounts ranging from $1,505 to $5,200. The Series 2017A and Series 2017B bonds, as further described below, refunded portions of the Series 2011A bonds. The Series 2019A and Series 2019B, as further described below, refunded portions of the Series 2011B bonds. The Series 2020A bonds refunded the remaining 2011A bonds. The Series 2011B bonds currently have a final maturity of 2022.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Tax-Exempt Revenue and Refunding Bonds (Series 2012A) and Taxable Revenue and Refunding Bonds (Series 2012B) dated December 1, 2012. Proceeds were used to refinance a portion of the outstanding Series 2009B bonds and to finance the construction of several facilities to be used in support of the university. During 2014, an additional $1,817 was borrowed on the Series 2012B bonds to finance the construction of a facility to be used in support of the university. The Series 2012A bonds, which bear a fixed interest rate of 1.99%, have monthly payments of principal and interest beginning February 1, 2013 and concluding June 1, 2022. The Series 2012B bonds bore a variable interest rate of LIBOR plus 125 basis points (1.44% at June 30, 2013), until the final advance date of October 1, 2013 and thereafter bear a fixed interest rate of 3.05%, have monthly interest commencing on February 1, 2013, and have monthly payments of principal and interest beginning November 1, 2013 and concluding on January 1, 2033. The Series 2012B bonds are subject to mandatory tender on December 27, 2022 at the bondholder's option.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2013A) and Taxable Revenue and Refunding Bonds (Series 2013B) dated October 30, 2013. Proceeds were used to finance the construction of several commercial facilities and several facilities to be used in support of the university. The bonds, which bear a weighted average fixed interest rate of 3.95% and 3.87%, respectively, have annual serial and sinking fund maturities beginning June 1, 2014 and concluding June 1, 2038 in varying amounts ranging from $280 to $4,010. At June 30, 2021 unspent bond proceeds of $308 were included in restricted cash and cash equivalents. The Series 2020A bonds, as further described below, refunded portions of the Series 2013A and 2013B bonds. The unrefunded portion of the Series 2013A and 2013B bonds currently have a final maturity of 2024.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017A) and Taxable Revenue and Refunding Bonds (Series 2017B) dated May 17, 2017. Proceeds were used to refinance all or a portion of the outstanding Series 2009A, Series 2010A, Series 2010B, and Series 2011A bonds, refinance a VTREF note payable, and renovate a facility used in support of the university. The Series 2017A and 2017B bonds, which bear a weighted average fixed interest rate of 2.93% and 3.43%, respectively, have annual serial and sinking fund maturities beginning June 1, 2018 and concluding June 1, 2039 in varying amounts ranging from $580 to $4,670.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue and Refunding Bonds (Series 2017C) dated May 17, 2017. Proceeds were used to refinance all of the outstanding Series 2005 bonds and the remaining portion of the Series 2009A bonds. The Series 2017C bonds, which bear a variable interest rate calculated as 65% of one-month LIBOR plus 0.407%, have annual serial maturities beginning June 1, 2018 and concluding June 1, 2027 in varying amounts ranging from $1,340 to $3,380.

The foundation is obligated under a promissory note with Union Bank and Trust (Series 2017D) dated December 19, 2017. Proceeds were used to finance the construction of several facilities to be used in support of the university. The promissory note, which bears a fixed interest rate of 3.7%, has annual serial maturities beginning

Attachment F

October 1, 2019 and concluding October 1, 2037 in varying amounts ranging from $115 to $825. At June 30, 2021 unspent bond proceeds of $4 were included in restricted cash and cash equivalents.

During the year ended June 30, 2017, the foundation used the proceeds from the Series 2017 bond issuances to refinance all of its Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds Series 2005 and Industrial Development Authority of Montgomery County, Virginia Revenue Bonds Series 2009A bonds in the amounts of $12,065 and $16,495, respectively. The foundation also partially refunded $44,190 of its Series 2010A, $5,620 of its Series 2010B, and $14,515 of its Series 2011A bonds as well. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's component unit financial statements.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Revenue Bonds (Series 2019A) and Taxable Revenue and Refunding Bonds (Series 2019B) dated November 5, 2019. Proceeds will be used to finance costs related to the acquisition, construction, and equipping of certain facilities, funding capitalized interest, refinancing all or a portion of the outstanding Series 2010B and Series 2011B bonds, and paying certain costs of issuance. The Series 2019A and 2019B bonds, which bear a weighted average fixed interest rate of 2.54% and 3.06%, respectively, have annual serial and sinking fund maturities beginning June 1, 2020 and concluding June 1, 2044 in varying amounts ranging from $60 to $7,615. At June 30, 2021 unspent bond proceeds of $40,406 and $31,614 are included in restricted cash and cash equivalents and short-term investments, respectively.

The foundation is obligated under the Economic Development Authority of Montgomery County, Virginia Taxable Revenue and Refunding Bonds (Series 2020A) dated July 7, 2020. Proceeds will be used to finance costs related to the acquisition, construction, and equipping of certain facilities; refinance all or a portion of the outstanding Series 2011A, Series 2013A and Series 2013B bonds; and pay certain costs of issuance. The Series 2020A bonds, which bear a weighted average fixed interest rate of 2.24%, have annual serial maturities beginning June 1, 2021 and concluding June 1, 2038 in varying amounts ranging from $565 to $4,625.

The foundation refunded the remaining $29,150 of its Series 2011A, partially refunded $13,170 of its Series 2013A, and partially refunded $6,575 of its 2013B bonds. The foundation defeased or partially refunded these bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased or partially refunded bonds are not reflected in the foundation's component unit statements. In connection with these bond transactions, the foundation recorded a loss on early extinguishment of debt of $2,953 in the component unit statement of revenues, expenses, and changes in net position for the year ended June 30, 2021.

Principal amounts outstanding for bonds payable and the related unamortized premium amounts where applicable as of June 30, 2021, are as follows *(all dollars in thousands)*:

Bond Series	
Series 2011B	$ 2,190
Series 2012A	80
Series 2012B	4,710
Series 2013A	1,880
Series 2013B	5,045
Series 2017A	35,520
Series 2017B	38,580
Series 2017C	11,065
Series 2017D	10,670
Series 2019A	52,900
Series 2019B	99,640
Series 2020A	49,320
Unamortized premium on Series 2013A	130
Unamortized premium on Series 2017A	2,042
Unamortized premium on Series 2019A	9,377
Unamortized discount on Series 2019B	(685)
Unamortized bond issuance cost	(2,316)
Total bonds payable	$ 320,148

The aggregate annual maturities of bonds payable for each of the five years and thereafter subsequent to June 30, 2021, are as follows *(all dollars in thousands)*:

Year ending June 30,	
2022	$ 22,409
2023	20,686
2024	19,834
2025	19,380
2026	26,632
2027 – 2031	85,835
2032 – 2036	79,713
2037 – 2041	43,060
2042 – 2044	4,915
Total	$ 322,464

Total interest expense incurred in the aggregate related to notes payable and bonds payable during the year ended June 30, 2021 totaled $7,139.

Interest Rate Swaps

Effective September 1, 2005, the foundation entered into an interest rate swap agreement (Swap 1) with a lending institution. This agreement was based on the principal balances of the Series 2001A and Series 2002A bond issues, which were refinanced by the Series 2005 bonds and more recently by the Series 2017C bonds. The foundation participates as a fixed rate payer with a fixed rate of 3.265% for a 17-year term ending June 1, 2022. The lending institution participates as a floating rate payer with a floating interest rate, which is calculated based on the weighted average of 70% of USD-LIBOR-BBA of 0.05889% at June 30, 2021.

Effective September 1, 2006, the foundation entered into an interest rate swap agreement (Swap 2) with a lending institution. This agreement was based on the principal balances of the Series 2005 bond issue, which were refinanced by the Series 2017C bonds. The foundation participates as a fixed rate payer with a fixed rate of 3.21300% ending June 1, 2025. The lending institution participates as a floating rate payer with a floating interest rate, which is calculated based on the weighted average of 70% of USD-LIBOR-BBA of 0.05945% at June 30, 2021.

Effective March 14, 2007, the foundation entered into an interest rate swap agreement (Swap 3) with a lending institution. This agreement was based on the principal balances of the Series 2007 bond issue, which were refinanced by the Series 2009 bonds and more recently by the 2017C bonds. The foundation participates as a fixed rate payer with a fixed rate of 3.737% ending June 1, 2027. The lending institution participates as a floating rate payer with a floating interest rate, which is calculated based on the weighted average of SIFMA Municipal Swap Index, of 0.03133% at June 30, 2021.

The following table summarizes the fair values of the foundation's interest rate swaps at June 30 and changes in the fair values of those swaps during the year ended June 30, 2021 *(all dollars in thousands)*:

	Fair values	Change in Fair values
Swap 1	$ 1	$ 52
Swap 2	260	153
Swap 3	893	326
Total	$ 1,154	$ 531

Agency Deposits Held in Trust – Virginia Tech Foundation Inc.

Under an agreement between the university and the foundation, the foundation serves as agent in connection with the investment, management, and administration of the Pratt Estate Funds. Under a similar agreement, the foundation also serves as agent for the investment and management of other university non-general funds to assist the university in its goal of achieving enhanced earnings. In addition, the foundation serves as agent and maintains investments for the Virginia Tech Alumni Association Inc., Virginia Tech Services Inc., and certain other associations.

A summary of agency deposits held in trust for the year ending June 30, 2021 is presented as follows *(all dollars in thousands)*:

University – Pratt Estate	$ 49,605
University – other	451,160
Virginia Tech Alumni Association Inc.	5,173
Virginia Tech Services Inc.	4,212
Other	60,683
Total agency deposits held in trust	$ 570,833

Attachment F

26. Joint Ventures

The Hotel Roanoke Conference Center Commission was created by a joint resolution of the university and the City of Roanoke. The purpose of the commission is to establish and operate a publicly owned conference center in Roanoke adjacent to the renovated Hotel Roanoke. The powers of the commission are vested in commissioners. Each participating governing body appoints three commissioners for a total of six commissioners. The commission has authority to issue debt, and such debt is the responsibility of the commission. The intention of the commission is to be self-supporting through its user fees. The university and the City of Roanoke equally share in any operating deficit or additional funding needed for capital expenditures. The university made contributions of $80,000 using private funds to the commission for the fiscal year ended June 30, 2021. The administrative offices for the Hotel Roanoke Conference Center Commission are located at 106 Shenandoah Avenue, Roanoke, Virginia, 24016.

27. Jointly Governed Organizations

NRV Regional Water Authority

Created by a concurrent resolution of the university, the towns of Blacksburg and Christiansburg and joined by the county of Montgomery in fiscal year 2013, the authority operates and maintains the water supply system for the university and the other participating governing bodies. A five-member board governs the authority with one member appointed by each governing body and one at-large member appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid $1,563,000 to the authority for the purchase of water for the fiscal year ended June 30, 2021.

Blacksburg-VPI Sanitation Authority

Created by a concurrent resolution of the university and the town of Blacksburg, the authority operates and maintains the wastewater treatment system for the participating governing bodies. Each participating governing body appoints one member of the five-member board of directors. Three at-large members are appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid $1,233,000 to the authority for the purchase of sewer services for the fiscal year ended June 30, 2021.

Montgomery Regional Solid Waste Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority represents its members in solid waste and recycling issues as well as operating a recycling facility. The authority is governed by its board which is comprised of representatives from each of the four jurisdictions served. Each governing body provides collection of solid waste and recyclables from within its jurisdiction, and delivers the collected materials to the authority for disposal of the waste and processing and marketing of the recyclables. All indebtedness is the obligation of the authority and payable from its revenues. The university paid $185,000 to the authority for disposal fees for the fiscal year ended June 30, 2021.

Virginia Tech/Montgomery Regional Airport Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority serves to develop a regional airport based on the mission of servicing corporate executive markets and other general aviation markets; obtaining grants, loans and other funding for airport improvements and other activities; and promoting and assisting regional economic development. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. All indebtedness is the obligation of the authority and payable from its revenues. The university's funding commitment for fiscal year 2021 was $60,000, all of which Virginia Tech paid to the authority.

New River Valley Emergency Communications Regional Authority

Created by a joint resolution of the university, towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority provides 911 dispatch and emergency communication services to the people of each jurisdiction and campus. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. The university paid $962,000 to the authority for the fiscal year ended June 30, 2021.

28. Risk Management and Employee Health Care Plans

The university is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The university participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, as well as air and watercraft plans. The university pays premiums to the Commonwealth of Virginia for the aforementioned insurance coverage. In addition, the university contracts with private insurers to provide additional fidelity bonding coverage, automobile physical damage coverage, and overseas liability coverage. Information relating to the commonwealth's insurance plans is available in the Commonwealth of Virginia's *Annual Comprehensive Financial Report.*

29. Pending Litigation

The university has been named as a defendant in a number of lawsuits. The final outcome of the lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the university may be exposed will not have a material effect upon the university's financial position.

30. COVID-19 Relief Funding

During the fiscal year, the university was awarded an additional Higher Education Emergency Relief Fund (HEERF II) amount of $27.9 million from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and $49.7 million from the American Rescue Plan (ARP). CRRSAA funds of $9.8 million were spent to provide students with emergency aid grants. CRRSAA funds were also spent to address institutional pandemic impacts, including $2.8 million for implementing evidence-based measures for preventing the spread of COVID-19 and $13.3 million for recovery of lost revenues caused by the disruption of on-campus operations. The university's total lost revenues stemming from the pandemic exceeded the institutional portion of the awarded HEERF amounts. At year end, $2.0 million of CRRSAA and $49.7 million of ARP were unexpended.

The university was also awarded $13.3 million in Coronavirus Relief Funding (CRF) as federal pass-through funds from the Commonwealth of Virginia during the fiscal year. The funds were used primarily to refund student dorm and dining fees, utilize university facilities for implementing evidence-based practices to stop the spread of COVID-19, provide personal protective equipment, and reimburse computer and peripheral equipment used in distance learning and teleworking. As of June 30, 2021, the university had spent $1.6 million of unexpended award from the previous fiscal year and $13.3 million of the current year's award towards these purposes. All CRF monies were expended at fiscal year end.

The university also expended the remaining balance of its CARES Act award from the prior fiscal year, allocating $0.9 million to emergency aid grants to students and $0.8 million to institutional support. Additionally, the university received and expended numerous small awards throughout the year totaling $0.9 million.

Attachment F

Required Supplementary Information

Required Supplementary Information for Pension Plans

Schedule of Virginia Tech's Share of Net Pension Liability (SERP)*
For the years ended June 30, 2021-2015
(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a percentage of employer's covered payroll	Plan fiduciary net position as a percentage of total pension liability
2021	6.35%	$ 460,400	$ 271,869	169.35%	72.15%
2020	6.42%	$ 405,894	$ 270,954	149.80%	75.13%
2019	6.46%	$ 349,811	$ 270,309	129.41%	77.39%
2018	6.55%	$ 381,766	$ 262,376	145.50%	75.33%
2017	6.58%	$ 433,375	$ 263,416	164.52%	71.29%
2016	6.52%	$ 398,980	$ 246,888	161.60%	72.81%
2015	6.30%	$ 352,916	$ 243,099	145.17%	74.28%

Schedule of Virginia Tech's Share of Net Pension Liability (VaLORS)*
For the years ended June 30, 2021-2015
(all dollars in thousands)

	Proportion of net pension liability	Proportionate share of net pension liability	Employer's covered payroll	Proportionate share of net pension liability as a percentage of employer's covered payroll	Plan fiduciary net position as a percentage of total pension liability
2021	0.64%	$ 5,024	$ 2,296	218.82%	65.74%
2020	0.66%	$ 4,557	$ 2,293	198.74%	68.31%
2019	0.66%	$ 4,144	$ 2,294	180.65%	69.56%
2018	0.67%	$ 4,397	$ 2,315	189.94%	67.22%
2017	0.67%	$ 5,201	$ 2,328	223.41%	61.01%
2016	0.66%	$ 4,716	$ 2,247	209.88%	62.64%
2015	0.70%	$ 4,706	$ 2,461	191.22%	63.05%

****The amounts presented have a measurement date of the previous fiscal year end.***

Schedule of Virginia Tech's Pension Contributions (SERP)
For the years ended June 30, 2021 - 2015
(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2021	$ 39,309	$ 39,309	$ -	$ 271,869	14.46%
2020	$ 37,758	$ 37,758	$ -	$ 283,418	13.32%
2019	$ 36,003	$ 36,003	$ -	$ 270,954	13.29%
2018	$ 36,466	$ 36,466	$ -	$ 270,309	13.49%
2017	$ 35,348	$ 35,348	$ -	$ 262,376	13.47%
2016	$ 36,931	$ 36,931	$ -	$ 263,416	14.00%
2015	$ 30,392	$ 30,392	$ -	$ 246,488	12.30%

Schedule of Virginia Tech's Pension Contributions (VaLORS)
For the years ended June 30, 2021 - 2015
(all dollars in thousands)

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of employer's covered payroll
2021	$ 512	$ 512	$ -	$ 2,296	22.30%
2020	$ 503	$ 503	$ -	$ 2,367	21.25%
2019	$ 496	$ 496	$ -	$ 2,293	21.63%
2018	$ 483	$ 483	$ -	$ 2,294	21.05%
2017	$ 487	$ 487	$ -	$ 2,315	21.04%
2016	$ 439	$ 439	$ -	$ 2,328	18.86%
2015	$ 397	$ 397	$ -	$ 2,247	17.67%

All schedules above are intended to show information for 10 years. Since 2015 is the first year for this presentation, only seven years are available. Additional years will be included as they become available.

Attachment F

Notes to Required Supplementary Information for Pension Plans

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except for the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows.

VRS – State Employee Retirement Plans (SERP)

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020`
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Retirement Plan

Mortality Rates	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Required Supplementary Information for Other Postemployment Benefit Plans

Schedule of Virginia Tech's Share of OPEB Liability (Asset)

For the years ended June 30, 2021-2018

(all dollars in thousands)

	Year*	PMRH	VSDP	GLI	HIC	LODA
Employer's proportion of the collective total OPEB liability (asset)	2021	8.93%	3.72%	3.03%	8.63%	0.23%
	2020	8.72%	3.79%	2.99%	8.59%	0.24%
	2019	8.53%	3.81%	2.95%	8.32%	0.23%
	2018	8.34%	3.79%	2.87%	8.19%	0.25%
Employer's proportionate share of the collective total OPEB liability (asset)	2021	$ 50,797	$ (8,213)	$ 50,486	$ 79,244	$ 957
	2020	$ 59,214	$ (7,438)	$ 48,635	$ 79,327	$ 868
	2019	$ 85,746	$ (8,583)	$ 44,770	$ 75,868	$ 735
	2018	$ 108,278	$ (7,790)	$ 43,235	$ 74,567	$ 663
Employer's covered payroll (where applicable)	2021		$ 161,260	$ 622,611	$ 621,914	
	2020		$ 153,447	$ 585,890	$ 585,614	
	2019		$ 147,739	$ 553,929	$ 558,853	
	2018		$ 142,553	$ 526,681	$ 531,560	
Proportionate share of the collective total OPEB liability (asset) as a percentage of employer's covered payroll	2021		5.09%	8.11%	12.74%	
	2020		4.85%	8.30%	13.55%	
	2019		5.81%	8.08%	13.58%	
	2018		5.46%	8.21%	14.03%	
Covered-employee payroll (where applicable)	2021	$ 642,357				N/A**
	2020	$ 601,489				N/A**
	2019	$ 575,313				N/A**
	2018	$ 548,609				N/A**
Proportionate share of the collective total OPEB liability (asset) as a percentage of covered-employee payroll	2021	7.91%				N/A**
	2020	9.84%				N/A**
	2019	14.90%				N/A**
	2018	19.74%				N/A**
Plan Fiduciary Net Position as a percentage of the total OPEB liability (asset)	2021	N/A	181.88%	52.64%	12.02%	1.02%
	2020	N/A	167.18%	52.00%	10.56%	0.79%
	2019	N/A	194.74%	51.22%	9.51%	0.60%
	2018	N/A	186.63%	48.86%	8.03%	1.30%

**The amounts presented have a measurement date of the previous fiscal year end.*

***The contributions for the Line of Duty Act Program (LODA) are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.*

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be included as they become available.

Schedule of Virginia Tech's Share of OPEB Contributions

For the years ended June 30, 2021-2018

(all dollars in thousands)

	Year	VSDP	GLI	HIC	LODA
Contractually required contribution	2021	$ 971	$ 3,397	$ 7,050	$ 34
	2020	$ 968	$ 3,231	$ 7,262	$ 31
	2019	$ 950	$ 3,039	$ 6,836	$ 32
	2018	$ 977	$ 2,880	$ 6,653	$ 25
Contributions in relation to contractually required contribution	2021	$ 971	$ 3,397	$ 7,050	$ 34
	2020	$ 968	$ 3,231	$ 7,262	$ 31
	2019	$ 950	$ 3,039	$ 6,836	$ 32
	2018	$ 977	$ 2,880	$ 6,653	$ 25
Contribution deficiency (excess)	2021	$ -	$ -	$ -	$ -
	2020	$ -	$ -	$ -	$ -
	2019	$ -	$ -	$ -	$ -
	2018	$ -	$ -	$ -	$ -
Employer's covered payroll (where applicable)	2021	$ 159,351	$ 625,278	$ 623,963	
	2020	$ 161,260	$ 622,611	$ 621,914	
	2019	$ 153,447	$ 585,890	$ 585,614	
	2018	$ 147,739	$ 553,929	$ 558,853	
Contributions as a percentage of employer's covered payroll	2021	0.61%	0.54%	1.13%	
	2020	0.60%	0.52%	1.17%	
	2019	0.62%	0.52%	1.17%	
	2018	0.66%	0.52%	1.19%	
Covered-employee payroll (where applicable)	2021				N/A*
	2020				N/A*
	2019				N/A*
	2018				N/A*
Contributions as a percentage of covered-employee payroll	2021				N/A*
	2020				N/A*
	2019				N/A*
	2018				N/A*

**The contributions for the Line of Duty Act Program (LODA) are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.*

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only four years are available. Additional years will be included as they become available.

Notes to Required Supplementary Information for OPEB Plans

PMRH Program

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the July 1, 2019 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation – reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including ages over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax. The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

GLI, HIC, LODA, and VSDP Programs

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Attachment F

General State Employees (GLI, LODA, VSDP)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

Teachers (GLI)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

SPORS Employees (GLI, LODA, VSDP)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

VaLORS Employees (GLI, LODA, VSDP)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75% (N/A for LODA)

JRS (GLI)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers – General Employees (GLI, HIC)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – General Employees (GLI, HIC)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI, HIC)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75%

Attachment F

Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI, HIC)

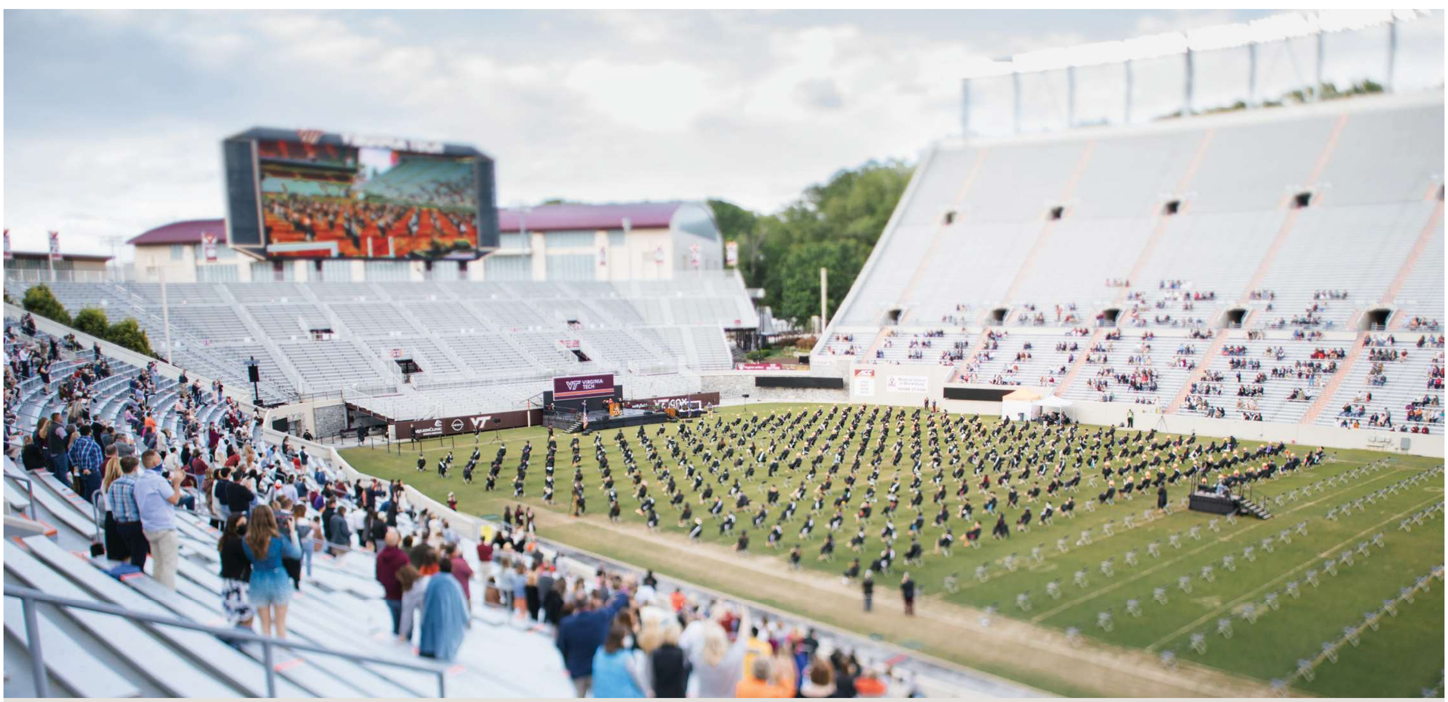
Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers with Public Safety Employees (LODA)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers with Public Safety Employees (LODA)

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%



Students and visitors attended a socially-distanced commencement ceremony for the College of Architecture and Urban Studies in Lane Stadium. The event was one of several in-person ceremonies held in May 2021 over the course of one week to celebrate graduating Hokies.

Attachment F

Optional Supplementary Information

Virginia Tech Foundation Inc.

The purpose of Virginia Tech Foundation Inc. is to receive, invest, and manage private funds given for the support of programs at Virginia Tech and to foster and promote the growth, progress, and general welfare of the university.

During the current fiscal year, the foundation recognized $177.0 million in contributions for support of the university. Investment income of $12.8 million, along with net gain on investments of $199.3 million, resulted in a $212.1 million net gain on investment activity. Property rental, hotel operating, and golf course income totaled $57.2 million. Other income accounted for $19.0 million.

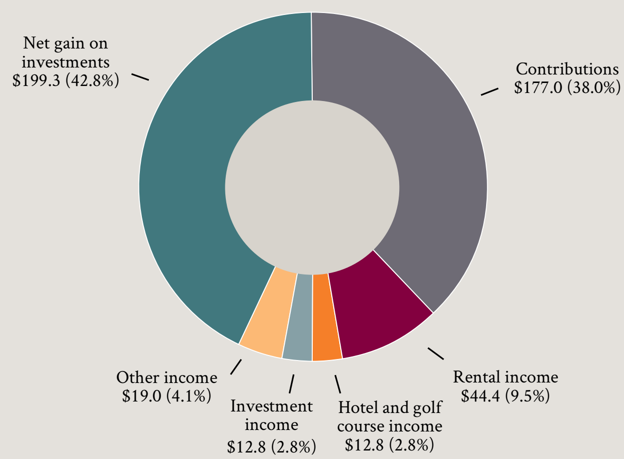
Total income of $465.3 million was offset by $155.8 million in expenses that supported the university and its programs. Direct support to various university programs aggregated $97.8 million, which included $32.8 million in scholarship support to students and faculty and $13.7 million towards university capital projects. Additional expenses such as fundraising, management and general, research center, hotel operating, golf course, and other costs totaled $58.0 million. Total net position increased by $321.4 million over the previous year.

The graphs on this page are categorized as presented in the foundation's audited financial statements that follow the Financial Accounting Standards Board (FASB) presentation requirements.

Virginia Tech Foundation Revenues and Investment Gains

For the year ended June 30, 2021

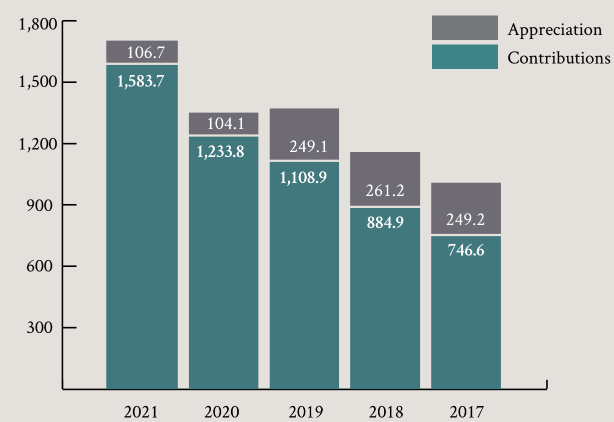
(all dollars in millions)



Virginia Tech Foundation Endowment Market Value*

For the year ended June 30, 2021

(all dollars in millions)



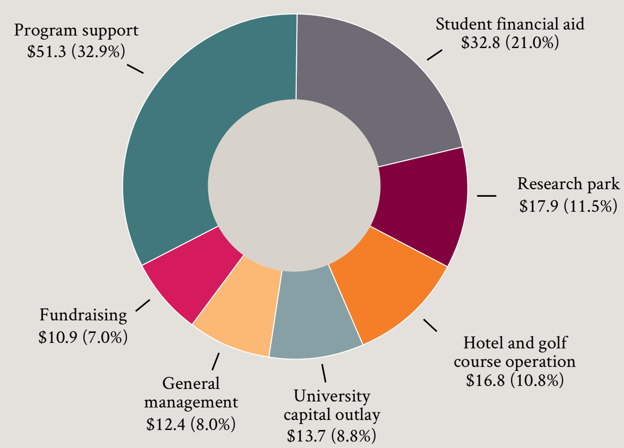
*Market value of endowment funds includes agency deposits held in trust of $570.8 million.

(Source: Virginia Tech Investment Managers, unaudited)

Virginia Tech Foundation Expenses

For the year ended June 30, 2021

(all dollars in millions)



Attachment F

AFFILIATED CORPORATIONS FINANCIAL HIGHLIGHTS

For the years ended June 30, 2021-2017
(all dollars in thousands)

	2021[1]	2020	2019[2]	2018	2017
ASSETS					
Virginia Tech Foundation Inc.	$ 2,687,603	$ 2,265,838	$ 2,107,138	$ 1,891,019	$ 1,723,910
Virginia Tech Innovation Corporation	N/A	9,488	10,798	11,646	11,956
Virginia Tech Services Inc.	7,380	7,311	6,803	8,762	10,595
Virginia Tech Applied Research Corporation	4,610	4,219	4,885	4,414	3,696
Virginia Tech Intellectual Properties Inc.	2,102	1,735	1,201	1,063	933
Total Assets	$ 2,701,695	$ 2,288,591	$ 2,130,825	$ 1,916,904	$ 1,751,090
REVENUES					
Virginia Tech Foundation Inc.	$ 465,260	$ 210,179	$ 257,082	$ 266,582	$ 318,291
Virginia Tech Innovation Corporation	N/A	4,921	7,015	5,564	5,401
Virginia Tech Services Inc.	2,533	4,172	18,872	22,160	22,187
Virginia Tech Applied Research Corporation	13,419	11,233	11,431	12,038	9,233
Virginia Tech Intellectual Properties Inc.	2,502	2,052	2,193	1,932	2,016
Total Revenues	$ 483,714	$ 232,557	$ 296,593	$ 308,276	$ 357,128
EXPENSES					
Virginia Tech Foundation Inc.	$ 155,779	$ 180,673	$ 170,041	$ 179,567	$ 164,310
Virginia Tech Innovation Corporation	N/A	6,612	6,655	5,600	4,993
Virginia Tech Services Inc.	2,433	3,438	18,957	22,133	22,480
Virginia Tech Applied Research Corporation	13,262	11,415	10,715	10,985	8,640
Virginia Tech Intellectual Properties Inc.	2,138	2,016	2,155	1,727	2,235
Total Expenses	$ 173,612	$ 204,154	$ 208,523	$ 220,012	$ 202,658

(1) Virginia Tech Innovation Corporation amounts for the current year were not available at publication date.
(2) Virginia Tech Services Inc. restated.

The organizations included above are related to the university by affiliation agreements. These agreements, approved by the Virginia Tech Board of Visitors, require an annual audit to be performed by independent auditors. These auditors have examined the financial records of the organizations presented in the table above and copies of their audit reports have been or will be provided to the university. Values presented in this table are based solely upon these audit reports and do not include any consolidation entries to alter these amounts. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Virginia Tech Athletic Fund Inc., Virginia Tech Corps of Cadets Alumni Inc., and Virginia Tech Alumni Association meet exemption requirements and are not presented separately in this table. Additionally, Virginia Tech India Research and Education Forum (VTIREF) is not presented in this table due to the immateriality of its financial figures in comparison with the organizations included.

The Holtzman Alumni Center is home to the Virginia Tech Alumni Association. The center hosts conferences, alumni events, hotel guests, weddings, and other special events. It also showcases alumni and local artists throughout the year in its second-floor gallery.

Attachment F

Consolidating Schedule of Net Position

As of June 30, 2021
(*all dollars in thousands*)

	Current Funds		Loan	Endowment &	Plant	Agency	
Assets	Unrestricted	Restricted	Funds	Similar Funds	Funds	Funds	Total
Current Assets							
Cash and cash equivalents (Note 4)	$ 188,648	$ 68,910	$ 3,196	$ -	$ -	$ 12,608	$ 273,362
Short-term investments (Notes 4, 25)	-	-	-	-	-	-	-
Accounts and contributions receivable, net (Notes 1, 5, 25)	19,715	47,767	-	-	-	-	67,482
Notes receivable, net (Notes 1, 6)	-	-	1,020	-	-	-	1,020
Due from Commonwealth of Virginia (Note 10)	14,827	-	-	-	-	-	14,827
Inventories	15,153	-	-	-	-	-	15,153
Prepaid expenses	18,250	919	-	-	-	-	19,169
Other current assets	-	-	-	-	-	-	-
Due to (from) other funds	(58,256)	9,650	-	(542)	49,148	-	-
Total current assets	198,337	127,246	4,216	(542)	49,148	12,608	391,013
Noncurrent assets							
Cash and cash equivalents (Note 4)	6	-	-	27	27,551	-	27,584
Short-term investments (Note 4)	-	-	-	331	3,339	-	3,670
Due from Commonwealth of Virginia (Note 10)	-	-	-	-	7,798	-	7,798
Accounts and contributions receivable, net (Notes 1, 5, 25)	-	-	-	-	8,886	-	8,886
Notes receivable, net (Notes 1, 6)	4,273	-	7,590	-	-	-	11,863
Net investments in direct financing leases	-	-	-	-	-	-	-
Irrevocable trusts held by others, net	-	-	-	-	-	-	-
Long-term investments (Notes 4, 25)	620,890	-	-	74,429	23,829	-	719,148
Depreciable capital assets, net (Notes 7, 25)	-	-	-	-	1,697,904	-	1,697,904
Nondepreciable capital assets (Notes 7, 25)	-	-	-	-	345,276	-	345,276
Intangible assets, net	-	-	-	-	-	-	-
Other assets	106	8,213	-	-	-	-	8,319
Total noncurrent assets	625,275	8,213	7,590	74,787	2,114,583	-	2,830,448
Total assets	823,612	135,459	11,806	74,245	2,163,731	12,608	3,221,461
Deferred Outflows of Resources							
Deferred loss on long-term debt defeasance (Note 14)	-	-	-	-	4,527	-	4,527
Deferred outflow for VRS pension (Note 18)	96,523	3,974	-	-	-	-	100,497
Deferred outflow for other post employment benefits (Note 20)	33,343	4,395	-	-	-	-	37,738
Total deferred outflows	129,866	8,369	-	-	4,527	-	142,762
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities (Note 8)	107,816	20,784	-	-	27,363	739	156,702
Accrued compensated absences (Notes 1, 15)	22,714	4,842	-	-	-	-	27,556
Unearned revenue (Notes 1, 9)	25,209	22,639	-	-	-	-	47,848
Funds held in custody for others	2	-	-	-	-	11,869	11,871
Commercial paper (Note 11)	-	-	-	-	21,370	-	21,370
Long-term debt payable (Notes 12, 13, 25)	-	-	-	-	24,076	-	24,076
Other postemployment benefits liabilities (Note 20)	2,891	437	-	-	-	-	3,328
Other liabilities	-	-	-	-	-	-	-
Total current liabilities	158,632	48,702	-	-	72,809	12,608	292,751
Noncurrent liabilities							
Accrued compensated absences (Notes 1, 15)	23,152	4,930	-	-	-	-	28,082
Federal student loan program contributions refundable (Note 15)	-	-	8,377	-	-	-	8,377
Unearned revenue	-	-	-	-	-	-	-
Long-term debt payable (Notes 12, 13, 25)	-	-	-	-	487,471	-	487,471
Liabilities under trust agreements	-	-	-	-	-	-	-
Agency deposits held in trust (Note 25)	-	-	-	-	-	-	-
Pension liability (Note 18)	463,151	2,274	-	-	-	-	465,425
Other postemployment benefits liabilities (Note 20)	179,872	(1,716)	-	-	-	-	178,156
Other liabilities	4,755	-	-	-	-	-	4,755
Total noncurrent liabilities	670,930	5,488	8,377	-	487,471	-	1,172,266
Total liabilities	829,562	54,190	8,377	-	560,280	12,608	1,465,017
Deferred Inflows of Resources							
Deferred gain on long-term debt defeasance (Note 14)	-	-	-	-	1,788	-	1,788
Deferred inflow for VRS pension (Note 18)	9,827	-	-	-	-	-	9,827
Deferred inflow for other postemployment benefits (Note 20)	71,408	2,059	-	-	-	-	73,467
Total deferred outflows	81,235	2,059	-	-	1,788	-	85,082
Net Position							
Net investment in capital assets	-	-	-	-	1,519,767	-	1,519,767
Restricted, nonexpendable	-	-	-	14,864	-	-	14,864
Restricted, expendable							
Scholarships, research, instruction, and other	-	87,579	3,429	59,381	-	-	150,389
Capital projects	-	-	-	-	7,224	-	7,224
Debt service and auxiliary operations	-	-	-	-	79,199	-	79,199
Unrestricted	42,681	-	-	-	-	-	42,681
Total net position	$ 42,681	$ 87,579	$ 3,429	$ 74,245	$ 1,606,190	$ -	$ 1,814,124

Attachment F

Consolidating Schedule of Revenues, Expenses, and Changes in Net Position

As of June 30, 2021
(*all dollars in thousands*)

	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment & Similar Funds	Plant Funds	Total
Operating Revenues						
Student tuition and fees	$ 579,816	$ 1,724	$ -	$ -	$ -	$ 581,540
Federal appropriations	-	13,412	-	-	-	13,412
Federal grants and contracts	54,972	169,027	-	-	597	224,596
State grants and contracts	1,052	15,498	-	-	-	16,550
Local grants and contracts	437	15,674	-	-	-	16,111
Nongovernmental grants and contracts	7,662	48,400	-	-	-	56,062
Sales and services of educational departments	22,927	61	-	-	-	22,988
Auxiliary enterprise revenue	222,184	3	-	-	-	222,187
Other operating revenues	7,305	1,434	65	-	-	8,804
Total operating revenues	896,355	265,233	65	-	597	1,162,250
Operating Expenses						
Instruction	419,280	6,647	-	-	-	425,927
Research	116,884	213,897	-	-	15	330,796
Public service	47,643	41,423	-	-	-	89,066
Academic support	102,857	3,059	-	-	-	105,916
Student services	25,229	334	-	-	-	25,563
Institutional support	80,371	12,552	-	-	-	92,923
Operation and maintenance of plant	80,492	18	-	-	11,440	91,950
Student financial assistance	10,374	22,414	(701)	-	-	32,087
Auxiliary enterprises	197,357	8,954	-	-	-	206,311
Depreciation and amortization	-	-	-	-	112,896	112,896
Total operating expenses	1,080,487	309,298	(701)	-	124,351	1,513,435
Operating Income (Loss)	(184,132)	(44,065)	766	-	(123,754)	(351,185)
Non-Operating Revenues (Expenses)						
State appropriations	270,264	32,004	-	-	-	302,268
Gifts	12,286	56,764	-	-	-	69,050
Coronavirus relief funds	25	43,410	-	-	-	43,435
Non-operating grants and contracts	-	1,335	-	-	-	1,335
Federal student financial aid (Pell)	-	22,078	-	-	-	22,078
Investment income, net	67,623	(703)	-	14,714	14,991	96,625
Interest expense on debt related to capital assets	(132)	-	-	-	(13,848)	(13,980)
Other non-operating revenue	(5,747)	(9,640)	-	-	15,657	270
Net non-operating revenues (expenses)	344,319	145,248	-	14,714	16,800	521,081
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	160,187	101,183	766	14,714	(106,954)	169,896
Capital grants and gifts	15,353	5,114	-	-	107,491	127,958
Gain on disposal of capital assets	-	-	-	-	2,309	2,309
Total other revenues, expenses, gains, and losses	15,353	5,114	-	-	109,800	130,267
Increase in Net Position	175,540	106,297	766	14,714	2,846	300,163
Mandatory transfers	(58,804)	(545)	-	-	59,349	-
Nonmandatory transfers	21,631	(5,405)	(405)	(2,473)	(13,348)	-
Equipment and library book transfers	(34,488)	(8,909)	-	-	43,397	-
Scholarship allowance transfer	74,368	(74,368)	-	-	-	-
Total transfers	2,707	(89,227)	(405)	(2,473)	89,398	-
Increase in Net Position after Transfers	178,247	17,070	361	12,241	92,244	300,163
Net position - beginning of year	(135,566)	70,509	3,068	62,004	1,513,946	1,513,961
Net position - end of year	$ 42,681	$ 87,579	$ 3,429	$ 74,245	$ 1,606,190	$ 1,814,124

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 5, 2021

The Honorable Glenn A. Youngkin, Governor of Virginia

The Honorable Kenneth R. Plum, Chairman, Joint Legislative Audit and Review Commission

Board of Visitors, Virginia Polytechnic Institute and State University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component unit of **Virginia Polytechnic Institute and State University** (Virginia Tech) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements and have issued our report thereon dated November 5, 2021. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component unit of Virginia Tech, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Tech's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Tech's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Tech's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Status of Prior Findings and Recommendations

We did not follow-up on the finding included in our report dated November 12, 2020, and titled "Report Student Status Enrollment Changes Timely to National Student Loan Data System" as part of our audit because Virginia Tech did not implement corrective action during our audit period. Virginia Tech anticipates completing corrective action by April 2022 and as such, we will follow-up on this finding as part of our fiscal year 2022 financial statement audit. Despite the timing of the corrective action, we were required to complete certain procedures in this area for fiscal year 2021 to support our opinion on compliance over the Student Financial Assistance Programs Cluster major federal program for the Commonwealth of Virginia's Single Audit. Additional information regarding the Commonwealth of Virginia's Student Financial Assistance Programs Cluster audit is available as part of a standalone Student Financial Assistance Programs Cluster report which will be issued in February 2022. Virginia Tech took adequate corrective action for the findings titled, "Strengthen the Schedule of Expenditures of Federal Awards Review Process" and "Improve Timeliness of Grant Closeout."

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. We discussed this report with management at an exit conference held on November 11, 2021.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

KJS/vks

Attachment F

University Administrative Officers

(as of June 30, 2021)

Virginia Tech Board of Visitors

Horacio A. Valeiras, *Rector*

Letitia A. Long, *Vice Rector*

Edward H. Baine

Shelley Butler Barlow

Carrie H. Chenery

Greta J. Harris

Charles T. Hill

Anna L. James

Sharon Brickhouse Martin

Melissa Byrne Nelson

L. Chris Petersen

Mehul P. Sanghani

Jeffrey E. Veatch

Preston M. White

Academic Deans

Alan L. Grant
College of Agriculture and Life Sciences

Richard J. Blythe
College of Architecture and Urban Studies

Julia M. Ross
College of Engineering

Paul Knox
Honors College

Laura Belmonte
College of Liberal Arts and Human Sciences

Paul M. Winistorfer
College of Natural Resources and Environment

Robert T. Sumichrast
Pamplin College of Business

Ronald D. Fricker Jr. *(interim)*
College of Science

Tyler O. Walters
University Libraries

M. Daniel Givens
Virginia-Maryland College of Veterinary Medicine

Lee A. Learman
Virginia Tech Carilion School of Medicine

Senior Officers

Timothy D. Sands
President

Cyril R. Clarke
Executive Vice President and Provost

Dwayne L. Pinkney
Senior Vice President and Chief Business Officer

Charles D. Phlegar
Vice President for Advancement

Christopher H. Kiwus
Vice President for Campus Planning, Infrastructure, and Facilities

Kenneth E. Miller
Vice President for Finance

Karen P. DePauw
Vice President and Dean for Graduate Education

Michael J. Friedlander
Vice President for Health Sciences and Technology

Bryan Garey
Vice President for Human Resources

Lance R. Collins
Vice President and Executive Director, Innovation Campus

Scott F. Midkiff
Vice President for Information Technology and Chief Information Officer

Guru Ghosh
Vice President for Outreach and International Affairs

Kim T. O'Rourke
Vice President for Policy and Governance

Daniel Sui
Vice President for Research and Innovation

Menah Pratt-Clarke
Vice President for Diversity, Inclusion, and Strategic Affairs

Steven H. McKnight
Vice President for Strategic Alliances

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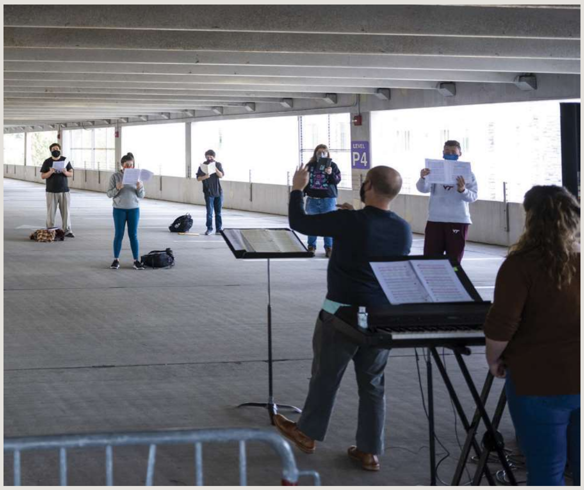
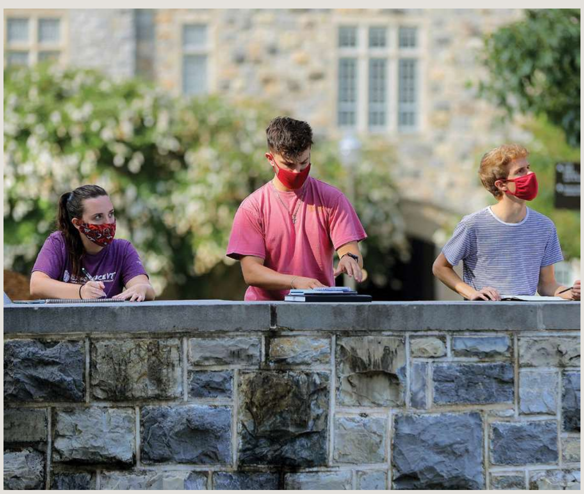
Executive Director of Audit, Risk, and Compliance





Prepared by the Office of the University Controller,
Virginia Tech, Blacksburg, VA, 24061.

Published January 2022.

This report and reports from prior years are available at www.controller.vt.edu/resources/financialreporting.html.

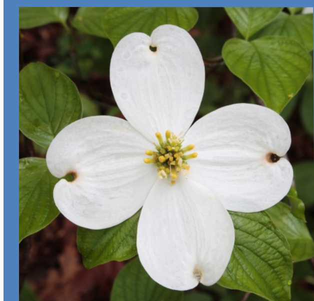
Photographs courtesy of Virginia Tech University Relations.

For more information, contact the Financial Reporting department at 540.231.6418.

Attachment F

VIRGINIA TECH

Attachment F



VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA
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–TABLE OF CONTENTS–

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 7, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Timothy D. Sands
President, Virginia Polytechnic Institute and State University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on **Virginia Polytechnic Institute and State University's** (Virginia Tech) Schedule of Revenues and Expenses (Schedule) for the year ended June 30, 2021. University management is responsible for the Schedule and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures are appropriate to meet the intended purpose of evaluating whether the Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures and associated findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audit of the university's financial statements. In addition, we identified and reviewed those controls unique to the

Intercollegiate Athletics Department, which were not reviewed in connection with our audit of the university's financial statements.

2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the Information Technology Department.

3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the university's intercollegiate athletics programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.

5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the university's intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.

6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2021, as prepared by the university and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.

8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates.

Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

Line Item	Explanation
Admin Salaries (Budget Item)	The university had a $4.5 million or 93 percent difference between budgeted and actual admin salaries due to the budget for football being held in the admin salary fund instead of being allocated out to the football fund where the actual year-to-date expenses were recorded.
Direct state or other government support	The direct state or other government support line item of $13 million is new to the Schedule for fiscal year 2021 to reflect an allocation of federal Higher Education Emergency Relief Funding (HEERF) to offset lost revenue caused by the COVID-19 pandemic.
Contributions	The reduction of $5.6 million or 25.5 percent in contributions is due to a decrease in funds drawn from the Virginia Tech Foundation to cover scholarship and other operating expenses.

Revenues

9. We obtained the amount of ticket sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

10. We obtained the amount of direct state or other government support revenue from the Schedule. We compared amounts to corroborative supporting documentation and noted them to be substantially in agreement.

11. We obtained documentation of the university's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement with minor differences attributed to the methodology used for projecting student fee revenue.

12. We compared amounts reported in the Schedule for indirect institutional support to corroborative supporting documentation and noted them to be substantially in agreement.

13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by its intercollegiate athletics programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Virginia Tech Foundation, Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics programs. We reviewed contributions from the Virginia Tech Foundation, Inc., which exceeded ten percent of all contributions and agreed them to supporting documentation. We identified a reconciling difference of $2,969 between the amount reported in the Schedule and the amount reported as contributions by the Virginia Tech Foundation.

14. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

15. Intercollegiate Athletics Department management provided us with a listing and copy of the agreements related to media rights. We gained an understanding of the relevant terms of the agreement and agreed selected amounts to proper posting in the accounting records and supporting documentation. We identified a reconciling difference of $18,896 between the amount reported on the Schedule and the amount reported in the accounting system. Following adjustment, media rights revenue has been properly reported in the Schedule.

16. We obtained the amount of NCAA distribution revenue from the Schedule. We agreed amounts to corroborative supporting documentation and noted them to be substantially in agreement.

17. We obtained the amount of conference distributions (non-media and non-football bowl) revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

18. We obtained the amount of conference distributions of football bowl generated revenue from the Schedule. After reclassifying $6,657,296 from conference distributions (non-media and non-football bowl) to conference distributions of football bowl generated revenue, we deemed the amount to be properly reported in the Schedule.

19. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

20. We obtained the amount of royalties, licensing, advertisement, and sponsorships revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

21. We obtained the amount of athletics-restricted endowment and investments income revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

22. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.

Expenses

23. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. Since the university used the ARMS software to prepare athletic aid detail, we selected 60 individual student-athletes across all sports and obtained the students' account detail from the university's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System by comparing the reported amounts to amounts in the finance and student information systems. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting system. We performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.

24. We obtained the amount of guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.

25. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the university during the reporting period. We selected and tested individuals, including football and men's and women's basketball coaches, and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.

26. We obtained the amount of severance payments expense from the Schedule. The amount was deemed to be immaterial for detailed testing.

27. We obtained the amount of recruiting and team travel expense from the Schedule. These amounts were deemed to be immaterial for detailed testing.

28. We selected a sample of disbursements for direct overhead and administration and other operating expenses from the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.

29. We obtained the amount of lease payments and rental fees from the Schedule. The amount was deemed to be immaterial for detailed testing.

30. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected a sample of debt payments included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.

31. We obtained an understanding of the university's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.

Other Reporting Items

32. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation.

33. We agreed total outstanding institutional debt to supporting debt schedules and the university's audited financial statements and general ledger.

34. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the university's foundation.

35. We agreed the fair value of institutional endowments to supporting documentation provided by the university's foundation.

36. We obtained a schedule of athletics-related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

37. We compared the sports sponsored, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the ARMS software for the institution. We noted agreement of the sports reported.

38. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted no variations exceeding four percent when compared to prior year.

39. We obtained the university's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants

as defined in NCAA Bylaw 20.9.6.3 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

40. We compared the current number of sports sponsored to the prior year total reported in the university's NCAA Membership Financial Report submission and noted no variations when compared to prior year.

41. We obtained a listing of student-athletes receiving Pell grant awards from the university's student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.

42. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

We were engaged by university management to perform this agreed-upon procedures engagement and conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Virginia Tech and its President and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JRQ/vks

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2021

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
Operating revenues:							
Ticket sales	$ -	$ 3,180	$ -	$ 45,880	$ -	$ -	$ 49,060
Direct state or other government support	-	-	-	-	-	13,028,286	13,028,286
Student fees	-	-	-	-	2,536,926	8,353,029	10,889,955
Direct institutional support	-	584		1,597	1,534	-	3,715
Indirect Institutional Support	-	-	-	-	-	5,447,267	5,447,267
Contributions	2,190,290	41,959	10,094	194,572	115,889	13,689,130	16,241,934
In-Kind	7,755	48,223	-	-	3,104	28,287	87,369
Media rights	21,701,689	7,702,508	290,030	-	-	25,897	29,720,124
NCAA distributions	-	2,302,320	-	-	-	1,298,946	3,601,266
Conference distributions (non-media and non-football bowl)	-	262,337	-	35,000	119,000	-	416,337
Conference distributions of football bowl generated revenue	6,657,296	-	-	-	-	-	6,657,296
Program, novelty, parking, and concession sales	136,615	-	-	-	-	805	137,420
Royalties, licensing, advertisement and sponsorships	1,230,973	72,500	72,500	293,003	232,140	996,372	2,897,488
Athletics-Restricted endowment and investments income	33,069	-	-	-	-	2,914,901	2,947,970
Other operating revenue	-	-	-	62,665	62,833	434,660	560,158
Total operating revenues	31,957,687	10,433,611	372,624	632,717	3,071,426	46,217,580	92,685,645
Operating expenses:							
Athletic student aid	4,562,916	725,868	857,033	3,367,277	4,769,046	266,762	14,548,902
Guarantees	419,000	215,000	59,164	23,998	4,221	-	721,383
Coaching salaries, benefits, and bonuses paid by the university and related entities	8,410,355	3,315,870	1,238,965	3,071,442	2,695,626	-	18,732,258
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	1,879,385	805,090	544,199	450,954	249,860	12,628,724	16,558,212
Severance payments	115,612	63,890	16,039	11,841	14,504	141,699	363,585
Recruiting	86,362	57,040	60,249	18,208	10,823	-	232,682
Team travel	772,872	337,856	196,984	681,059	647,393	-	2,636,164
Sports equipment, uniforms, and supplies	1,613,980	114,810	27,690	523,555	370,180	311,983	2,962,198
Game expenses	402,633	63,476	50,572	145,109	92,363	804,264	1,558,417
Fundraising, marketing and promotion	132,991	16,776	6,440	30,801	19,106	847,494	1,053,608
Sports camp expenses	25	-	-	-	-	-	25
Spirit groups	144,545	-	-	-	-	116,338	260,883
Athletic facility leases and rental fees	-	-	-	126,192	125,720	-	251,912
Athletic facility debt service	3,597,483	279,935	279,935	-	-	2,301,593	6,458,946
Direct overhead and administrative expenses	2,115,195	429,866	65,152	271,737	199,389	2,205,334	5,286,673
Indirect institutional support	-	-	-	-	-	5,447,267	5,447,267
Indirect cost paid to the institution by athletics	75,744	-	-	-	-	459,769	535,513
Medical expenses and insurance	239,723	34,362	43,095	249,957	283,331	992,450	1,842,918
Memberships and dues	4,984	355	944	23,037	20,775	20,981	71,076
Student-Athlete meals (non-travel)	1,074,654	116,098	57,540	447,418	356,259	89,031	2,141,000
Other operating expenses	979,155	112,754	68,906	199,341	92,360	4,769,112	6,221,628
Football bowl expenses	72,259	-	-	-	-	-	72,259
Total operating expenses	26,699,873	6,689,046	3,572,907	9,641,926	9,950,956	31,402,801	87,957,509
Excess (deficiency) of revenues over (under) expenses	$ 5,257,814	$ 3,744,565	$ (3,200,283)	$ (9,009,209)	$ (6,879,530)	$ 14,814,779	$ 4,728,136
Other Reporting Items:							
Total athletics-related debt							$ 98,863,000
Total institutional debt							$ 485,361,000
Value of athletics-dedicated endowments							$ 73,420,735
Value of institutional endowments							$ 1,583,719,452
Total athletics-related capital expenditures							$ 17,311,000

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

VIRGINIA TECH
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the university for the year ended June 30, 2021. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the university's athletics programs by outside organizations not under the accounting control of the university. Because the Schedule presents only a selected portion of the activities of the university, it is not intended to and does not present either the financial position, changes in fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The university received $19,189,903 from the Virginia Tech Foundation, Inc. Approximately $14,548,902 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: $12,247,154 is included in the Contributions line item and $2,301,748 is included in the Athletics-Restricted Endowment and Investments Income line item.

3. LONG-TERM DEBT

<u>Externally-Funded debt</u>

The university, on behalf of the Intercollegiate Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the university or notes payable issued through the Virginia College Building Authority (VCBA) and will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (in dollars):

Project	Maturity	Principal
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	6,075,000
		$35,505,000

Internally-Funded debt

The university has internally loaned the Intercollegiate Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2021 (all dollars):

Project	Maturity	Principal
Student Athletic Performance Center	2030	$ 4,248,000
ACC Media Studio	2031	10,250,000
Creativity & Innovation District	2041	21,200,000
Baseball Stadium and Rector Field House	2045	27,660,000
		$63,358,000

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2021 is presented as follows (all dollars):

	Principal	Interest	Total
2022	$ 3,049,000	$ 1,751,000	$ 4,800,000
2023	3,098,000	1,645,000	4,743,000
2024	4,864,000	1,592,000	6,456,000
2025	5,175,000	1,531,000	6,706,000
2026	4,987,000	1,460,000	6,447,000
2027-2031	25,088,000	6,167,000	31,255,000
2032-2036	19,882,000	4,183,000	24,065,000
2037-2041	21,538,000	2,189,000	23,727,000
2042-2045	11,182,000	427,000	11,609,000
	$98,863,000	$20,945,000	$119,808,000

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the university charges the Intercollegiate Athletic Department an administrative fee. For fiscal year 2021, the university was authorized by the state to reduce the amount of administrative fee charged to the auxiliaries due to the significant financial impact on auxiliary enterprises caused by the COVID-19 pandemic. During the fiscal year the Intercollegiate Athletic Department paid $535,513 to the university. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item and includes $75,744 in Football and $459,769 in the Non-Program Specific category. The university waived $4,165,940 of the administrative fee which is included in the Non-Program Specific category of the Indirect Institutional Support line item.

5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at fair marketvalue as of the donation date.

Equipment is capitalized when the unit acquisition cost is $2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed $100,000. Renovation costs are capitalized when expenses total more than $100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year theexpense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2021 (all dollars in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	$ 209,592	$ 22,540	$ 63	$232,069
Moveable equipment	13,595	1,600	39	15,156
Software	313	-	-	313
Fixed equipment	13,101	1,487	-	14,588
Infrastructure	20,547	1,392	628	21,311
Total depreciable capital assets, at cost	257,148	27,019	730	283,437
Less accumulated depreciation:				
Buildings	$ 63,134	$ 5,076	$ 63	$ 68,147
Moveable equipment	6,644	1,357	36	7,965
Software	285	9	-	294
Fixed equipment	5,502	681	-	6,183
Infrastructure	17,927	702	628	18,001
Total accumulated depreciation	93,492	7,825	727	100,590
Total depreciable capital assets net of accumulated depreciation	163,656	19,194	3	182,847
Non-depreciable capital assets				
Construction in progress	15,435	14,761	24,469	5,727
Total non-depreciable capital assets	15,435	14,761	24,469	5,727
Total capital assets, net of accumulated depreciation	$ 179,091	$ 33,955	$ 24,472	$ 188,574

VIRGINIA TECH

As of June 30, 2021

BOARD OF VISITORS

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Rector

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Director of Intercollegiate Athletics Programs