INNOVATION STARTS HERE.
VIRGINIA BIOTECHNOLOGY RESEARCH PARK

November 1, 2014

Dear Members of the Virginia General Assembly:

In accordance with Chapter 946 of the 1993 Virginia Acts of Assembly (amended 2000, c. 731 and 2005, c. 788) please find the 2014 Report of the Financial Activity of the Virginia Biotechnology Research Partnership Authority.

Please do not hesitate to contact me at (804) 828-5391 or carrie.roth@vabiotech.com if additional information is requested.

Sincerely,

Carrie Roth

Carrie Roth
President/CEO

INNOVATION STARTS HERE.

VIRGINIA BIOTECHNOLOGY RESEARCH PARK

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

FINANCIAL STATEMENTS—JUNE 30, 2014

Annual Financial Report

For The

Virginia Biotechnology Research Partnership Authority

A Component Unit of the Commonwealth of Virginia

For The Fiscal Year Ended
June 30, 2014

Prepared by the Director of Finance and Human Resources of the
Virginia Biotechnology Research Partnership Authority

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VIRGINIA BIOTECHNOLOGY RESEARCH PARK

INTRODUCTORY SECTION

October 2014

Dear Authority and Corporation Boards and Stakeholders:

Big changes are happening at the Virginia Biotechnology Research Park. During the 2014 fiscal year, the Research Park experienced a transition between Executive Directors and a new strategic vision for the Park was developed and approved.

Like any business, in order to remain relevant and competitive, the Virginia Biotechnology Research Park must also evolve and innovate by fostering a knowledge-based community adaptive to the needs of today. We are strengthening our partnerships at the local and state level – both in the public and private sector, better utilizing the resources and talent within our scientific community, in order to move forward with our new strategic vision. With the adoption of the new strategic vision in June, we are poised to reposition and rebrand the Park as a core place component of a comprehensive regional innovation system. This new vision is paramount for the future of our innovation district and economic growth at large.

We are turning our attention to the process - not the place - through infrastructure for entrepreneurial, innovation and commercialization success. We can achieve this by taking the following steps:

- Integrating the present Research Park site with its adjacent context - defining the place as a larger, integrated, coordinated district forming a knowledge-based community;
- Developing a framework of strategic goals and associated metrics evaluating progress and accomplishments in innovation;
- Bolstering activity and support of all components within the regional strengths of the innovative and advanced technologies of the ecosystem including life sciences;
- Opening of a shared lab facility that will be utilized by scientists and Research Park companies, encouraging collaboration;
- Contributing to the reinvigoration of the community by sponsoring and participating in events that highlight and improve the Richmond region at large; and
- Supporting the formation of an organized regional innovation council to bolster the innovation ecosystem in a concerted, collaborative framework.

Additionally, the evolution of the Corporation Board into an innovation council with a regional focus will bring together stakeholders from across the region. A new Richmond regional innovation council will better define representation to reflect the innovation ecosystem stakeholders - maintaining the current state, local and university-led representation – allowing for the fulfillment of its original charge of educational and scientific purposes.

Future success of the Research Park will be through an evolution of our activity and business model to maintain and increase our relevancy and our impact, so our application can be more than imagined. The Virginia Biotechnology Research Park is the catalyst for the life sciences component of the ecosystem with assets and the entrepreneurial infrastructure we are building. Revolutionary effort will be the transformational change to defining the destiny of the Research Park. The opportunity is ours.

Regards,

Carrie Roth

Carrie Roth
Executive Director
Virginia Biotechnology Research Partnership Authority

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

As of June 30, 2014

Board of Directors

Michael Rao, Ph.D., Ex-Officio and Chair
Mary C. Doswell, Vice Chair

Douglas E. Harvey
Gail Letts
Tonya Mallory
Zobair M. Younossi M.D., M.PH.
Vacant

The Hon. Dwight C. Jones, Ex Officio
The Hon. Maurice Jones, Ex Officio

Interim Executive Director
Carrie Roth

Officers to the Board
Samuel B. Hunter M.D., Secretary to the Board
Joy P. Edgett, Assistant Treasurer and Secretary to the Board

VIRGINIA BIOTECHNOLOGY RESEARCH PARK CORPORATION

As of June 30, 2014

Board of Directors

Michael Rao, Ph.D., Ex-Officio and Chair
Charles H. Foster, Jr., Vice Chair
Samuel B. Hunter, M.D., Secretary

Donna Owens Cox
Ed A. Grier
Cecil R. “Rhu” Harris, Jr.
Douglas E. Harvey
Francis L. Macrina, Ph.D.
Carlton E. Miller, M.D.
Brandon J. Price, Ph.D.
James. A. Strickland, Ph.D.
William H. Weirich
William “Sandy” White
Patricia M. Woolsey

The Honorable Dwight C. Jones, Ex Officio
The Honorable Maurice Jones, Ex Officio
James J. L. “Jay” Stegmaier, Ex Officio
John A. Vithoulkas, Ex Officio

Interim President and CEO
Carrie Roth

Officer to the Board
Joy P. Edgett, Assistant Treasurer and Secretary to the Board

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Virginia Biotechnology Research Partnership Authority's ("the Authority") financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements and notes to financial statements.

About the Authority

The Authority is a political subdivision of the Commonwealth of Virginia created pursuant to Chapter 946, 1993 Virginia Acts of Assembly, as amended by Chapter 731, 2000 Acts of Assembly and Chapter 788, 2005 Acts of Assembly. The mission of the Authority is to advance life sciences by promoting scientific research and economic development through the attraction and creation of new jobs and companies. In order to facilitate and coordinate scientific and technological research and development, the Authority promotes the industrial and economic development of the Virginia Biotechnology Research Park (Research Park) and the Commonwealth, and also has authority for financing construction through bonds and other authorized means. The Research Park is a life sciences community adjacent to the Virginia Commonwealth University (VCU) Medical Center—housing private sector companies, research institutes, non-profits, and state and federal laboratories on a 34-acre campus in downtown Richmond, Virginia. The Research Park has also developed partnerships with neighboring Chesterfield, Hanover and Henrico Counties to expand its 34-acre downtown campus to extend the reach of the Research Park for future satellite parks that can accommodate larger companies on suburban campuses in the Greater Richmond area. The staff of the Authority manages the daily operations of the Research Park.

The Virginia Biotechnology Research Park Corporation (Corporation) is an Internal Revenue Code Section 501-c-3 corporation, and is organized and operated exclusively for scientific, educational and charitable purposes. The Authority and the Corporation have a financial and operational relationship requiring the Corporation's financial statements be blended into the Authority's financial statements (Blended Component Unit). The Corporation had no assets at June 30, 2014, and there were no revenues or expenses related to the Corporation for the same period.

The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues. Bond issuances, long-term notes payable, line of credit debt, appropriations from the Commonwealth, voluntary assessments from property owners located in the Research Park and contract support payments from VCU have funded both the operations and the acquisition and construction of capital assets. The Research Park, as of June 30, 2014, is home to 57 private and non-profit companies, state and federal laboratories, and research institutes/administrative functions of VCU and the VCU

Health System, filling nearly 1,100,000 square feet of laboratory and office space in seven buildings and employing approximately 2,400 researchers, scientists, engineers and support personnel.

Authority Highlights

- Investment and reserve account with the CommonFund Asset Management Company were merged to one investment account on March 31, 2014. The value on June 30, 2014, was $5,351,688;
- Principal balance of $955,254 on the line of credit with SunTrust Bank was paid off using funds from previous asset sales;
- Received $304,605 in distributions from Biotech 8 LLC and BioLing during the fiscal year representing the Authority's ownership percentage in the Biotech 8 project;
- Received second year appropriation of $250,000 from the Commonwealth. The $250,000/year proposed in the budget for the Authority was not approved during the 2014 General Assembly Session therefore there is no state appropriation for FY 2015-16.

Overview of Annual Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the financial condition and performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting. The financial statements themselves consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Authority including information about the type and amount of resources and obligations on June 30, 2014. The Statement of Revenues, Expenses, and Changes in Net Position present the results of the Authority's operating and non-operating activities and provide information as to changes to the net position. The Statement of Cash Flows presents changes in cash and cash equivalents, as a result of operational, non-operational, and financing activities.

The Notes to the Financial Statements provide required disclosures and other pertinent information necessary to provide a reader of the financial statements a complete understanding of the data being presented. The notes are comprised of information about the Authority's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is an indicator of the current fiscal health of the organization and the Authority's financial position over time.

A condensed summary of the Authority's assets, liabilities, and net position at June 30, 2014 and 2013 are as follows:

Statement of Net Position, as of June 30, 2014 and 2013

	2014	2013	Value of Change	Percentage Of Change
Assets:				
Current and other assets	$ 41,111,269	$ 43,905,044	$ (2,793,775)	(6) %
Capital assets, net	3,454,196	3,510,696	(56,500)	(2) %
Total assets	44,565,465	47,415,740	(2,850,275)	(6) %
Deferred outflows of resources:				
Deferred amount on refunding	1,939,017	2,189,213	(250,196)	(11) %
Liabilities:				
Current and other liabilities	3,840,791	4,698,218	(857,427)	(18) %
Long-term liabilities	30,610,993	34,390,268	(3,779,275)	(11) %
Total liabilities	34,451,784	39,088,486	(4,636,702)	(12) %
Net position:				
Net investment in capital assets	3,454,196	2,555,442	898,754	35 %
Unrestricted	8,598,502	7,961,025	637,477	8 %
Total net position	$ 12,052,698	$ 10,516,467	$ 1,536,231	15 %

The Authority's total assets decreased six percent due mainly to payments received on the lease receivable. Total liabilities decreased twelve percent from schedule payments made toward the outstanding Bond and payoff of the line of credit. The total assets and deferred outflows of resources of the Authority exceeded its liabilities by $12 million.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013 are as follows:

Statement of Revenues, Expenses, and Changes in Net Position
for the years ended June 30, 2014 and 2013

	2014	2013	Value of Change	Percentage Of Change
Operating revenues:				
Rental income	$ 307,135	$ 562,093	$ (254,958)	(45%)
Parking income	323,851	331,070	(7,219)	(2%)
Development fee	19,125	24,850	(5,725)	(23%)
Assessment fee	296,898	328,669	(31,771)	(10%)
Other income	31,640	13,151	18,489	141%
Total operating revenues	978,649	1,259,833	(281,184)	(22%)
Operating expenses:				
Salaries and benefits	654,129	697,253	(43,124)	(6%)
Marketing and promotion	69,413	65,211	4,202	6%
Occupancy costs	108,659	92,329	16,330	18%
Administrative	195,775	460,318	(264,543)	(57%)
Depreciation expense	56,500	95,179	(38,679)	(41%)
Bad debt expense	1,538	250	1,288	0%
Total operating expenses	1,086,014	1,410,540	(324,526)	(23%)
Operating income	(107,365)	(150,707)	43,342	(29%)
Non-operating revenues and expenses	1,643,596	1,713,589	(69,993)	(4%)
Transfers	-	555,625	(555,625)	0%
Change in net position	1,536,231	2,118,507	(582,276)	(27%)
Net position - beginning of year	10,516,467	8,397,960	2,118,507	25%
Net position - end of year	$ 12,052,698	$ 10,516,467	$ 1,536,231	15%

Operating revenues decreased twenty-two percent from the fiscal year due to the sale of Biotech Five. Operating expenses decreased twenty-three percent from the previous fiscal year due to the decrease in legal fees and accounting fees, and the change in classification of events from Administrative to Marketing.

Statement of Cash Flows

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where cash came from, what was it used for, and what was the change in cash balance during the reporting period.

Condensed Statement of Cash Flows
for the years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities	$ (127,413)	$ (61,884)
Cash flows from non-capital financing activities	554,604	433,845
Cash flows from capital and related financing activities	(753,052)	1,610,567
Net increase in cash and cash equivalents	(325,861)	1,982,528
Cash and cash equivalents:		
Beginning of year	3,347,414	1,364,886
End of year	$ 3,021,553	$ 3,347,414

The Authority's available cash and cash equivalents decreased from $3.3 million at the end of 2013 to $3.0 million at the end of 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 amounted to $3.5 million (net of accumulated depreciation). This investment in capital assets primarily includes land and equipment.

Long-Term Debt

Bonds

At June 30, 2014, the Authority had $30.6 million in long-term bond debt, excluding current maturities.

The Authority's Lease Revenue Refunding bonds were issued in 2009 for $36.7 million. Proceeds were used to refund a portion of the Authority's Lease Revenue bonds issued in 2001, which were paid in full fiscal year 2012. The 2009 bonds carry an AA+ rating from Standard and Poor's, Aa1 rating from

Moody's Investor Services and AA+ rating from Fitch Rating, Inc. The balance excluding current maturities at June 30, 2014 was $30.6 million.

In 2002, the Authority issued Variable Rate Revenue Bonds in the amount of $12 million for the construction of Biotech Seven. The 2002 bonds were issued as a conduit to finance construction of the new national headquarters for the United Network for Organ Sharing (UNOS) and as such the Authority does not have a financial obligation and does not carry a balance on the financial statements. The bonds carry a Standard and Poor's rating of A+/A-1.

In 2006, the Authority served as the conduit for issuing $14 million in tax-exempt variable rate revenue bonds to finance the construction of new facilities for Virginia Blood Services in Henrico County, Virginia. The bonds were secured by pledge payments from Virginia Blood Services and the ASTREA, the parent company of Virginia Blood Services and were secured by a letter of credit issued by Sun Trust Bank. The Bonds were defeased during fiscal year 2013.

During 2013, the Authority served as the conduit for issuing $15,000,000 variable rate revenue bonds to assist the Institute for Transfusion Medicine (ITxM) in connection with the transfer to ITxM of the sole corporate membership interest in VBS. The bonds are secured by a bond trust indenture and are payable solely from payments made by the borrower under the loan agreement.

Other Debt

During this fiscal year, the Authority paid off in full its revolving line of credit with SunTrust bank. At June 30, 2014, the $2.5M line of credit is still available to the Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, please contact the Authority's Director of Finance and Human Resources at 800 East Leigh Street, Richmond, VA 23219, (804) 828-0963.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF NET POSITION
As of June 30, 2014

ASSETS	VBRPA	Component Unit VBDC
Current assets:		
Cash and cash equivalents (Note 1 & 2)	$ 390,885	$ 5,450
Cash equivalents with Local Government Investment Pool (Note 2)	2,630,668	-
Accounts receivable, net of allowance for doubtful accounts of $-0-	22,848	-
Prepaid expenses	341	-
Net investment in lease receivable - current portion (Note 4)	3,385,000	-
BioTech Eight, LLC HLA Lab Receivable - current portion (Note 5)	141,508	-
Total current assets	6,571,250	5,450
Non-current assets, net of depreciation:		
Net investment in lease receivable (Note 4)	28,250,000	-
Investment in Biotech 8, LLC (Note 13)	368,335	-
Investment in Bioling, LLC (Note 13)	14,371	-
Investment in other partnerships (Note 13)	555,625	-
Commonfund Investments (Note 2)	5,351,688	-
Biotech Eight, LLC HLA Lab Receivable (Note 5)	-	-
Non-depreciable capital assets (Note 3)	3,369,446	-
Depreciable capital assets, net of accumulated depreciation (Note 1 & 3)	84,750	-
Total non-current assets	37,994,215	-
Total assets	44,565,465	5,450
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,939,017	-
LIABILITIES		
Current liabilities:		
Accounts payable	42,835	-
Customer deposit	12,316	-
Unearned revenue	24,926	-
Long-term debt - current portion (Note 7)	3,748,315	-
Compensated absences (Note 1 & 7)	12,399	-
Total current liabilities	3,840,791	-
Non-current liabilities:		
Long-term debt (Note 7)	30,606,284	-
Compensated absences (Note 1 & 7)	4,709	-
Total non-current liabilities	30,610,993	-
Total liabilities	34,451,784	-
NET POSITION		
Net investment in capital assets	3,454,196	-
Unrestricted	8,598,502	5,450
Total net position	$ 12,052,698	$ 5,450

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of June 30, 2014

	VBRPA	Component Unit VBDC
Operating revenues:		
Rental income	$ 307,135	$ -
Parking income	323,851	-
Development Fee	19,125	-
Assessment Fee	296,898	-
Other income	31,640	-
Total operating revenues	978,649	-
Operating expenses:		
Salaries and benefits	654,129	-
Marketing and promotion	69,413	-
Occupancy costs	108,659	-
Administrative	195,775	1,219
Depreciation expense (Note 3)	56,500	-
Bad debt expense	1,538	-
Total operating expenses	1,086,014	1,219
Income(Loss) from operations	(107,365)	(1,219)
Non-operating revenue/(expenses):		
Interest revenue	1,486,900	-
Interest expense	(1,401,009)	-
State Support	250,000	-
Unrealized gain on Commonfund Investments	794,325	-
Gain from Biotech Eight LLC (Note 13)	452,149	-
Gain from Bioling LLC (Note 13)	22,112	-
HLA Loan Payments (Note 5)	47,220	-
In-Kind Expense	(8,101)	-
Total non-operating activity	1,643,596	-
Income before transfers		
Transfer of investments		
Change in net position	1,536,231	(1,219)
Net position - beginning of year	10,516,467	6,669
Net position - end of year	$ 12,052,698	$ 5,450

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF CASH FLOWS
As of June 30, 2014

	VBRPA	Component Unit VBDC
Cash flows from operating activities:		
Cash received from rent	$ 315,566	$ -
Cash received from parking	324,177	-
Cash received from assessment program	307,939	-
Cash received from miscellaneous income	31,640	-
Payments for personnel expenses	(669,378)	-
Payments for marketing expenses	(72,118)	-
Payments for occupancy expenses	(158,818)	-
Payments for administrative expenses	(206,421)	(1,219)
Net cash provided (used) by operating activities	(127,413)	(1,219)
Cash flows from non-capital financing activities:		
State Support	250,000	
Distributions received from Biotech 8, LLC	290,684	-
Distributions received from Bioling, LLC	13,920	-
Net cash provided by noncapital financing activities	554,604	-
Cash flows from capital and related financing activities:		
HLA payments received	217,031	-
Principal paid	(955,254)	-
Interest paid	(14,829)	-
Net cash provided by capital and related financing activities	(753,052)	-
Net increase (decrease) in cash	(325,861)	(1,219)
Cash and cash equivalents - 6/30/13	3,347,414	6,669
Cash and cash equivalents - 6/30/14	$ 3,021,553	$ 5,450

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF CASH FLOWS
As of June 30, 2014

	VBRPA	Component Unit VBDC
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (107,365)	$ (1,219)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	56,500	-
Bad debt expense	1,538	-
Decrease in accounts payable	(54,882)	-
Increase in operating accounts receivable	(12,238)	-
Decrease in customer deposits	(391)	-
Increase in unearned revenue	13,302	-
Decrease in prepaid expenses	2,785	-
Decrease in leave accrual	(18,561)	-
In-kind expense	(8,101)	-
Net cash provided (used) by operating activities	$ (127,413)	$ (1,219)

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES

Under the Biotech Six lease agreement, the Department of General Services makes lease payments directly to the Commonwealth of Virginia, which are applied to the Authority's outstanding lease revenue bonds. During fiscal year 2014, payments under this agreement resulted in a $3,270,000 reduction in the Authority's lease receivable and a corresponding reduction in its outstanding debt. The Authority also recorded non-cash capital lease interest income and bond interest expense of $1,486,900 under this agreement for the year.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Biotechnology Research Partnership Authority (Authority), which began operations effective July 1, 1993, provides a mechanism for financing construction of the Biotechnology Research Park through bond issuances and other approved means.

The Authority is responsible for developing, leasing, operating, managing, and maintaining the Research Park properties and grounds, as well as oversight of contractors.

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

The accompanying annual financial report includes the financial activities of the Authority, and its component units, which are the Virginia Biotechnology Research Park Corporation (the Corporation) and the Virginia Biosciences Development Center (the Center). Financial information for the Authority and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Government Accounting Standards Board.

Blended Component Unit

The Virginia Biotechnology Research Park Corporation (the Corporation) is an Internal Revenue Code Section 501(c) (3) corporation and is organized and operated exclusively for scientific, educational, and charitable purposes. The Authority and the Corporation have a financial and operational relationship which requires that the Corporation’s financial statements be blended into the Authority’s financial statements.

The Corporation had no assets at June 30, 2014, and there were no revenues or expenses related to the Corporation for the year then ended.

Discretely Presented Component Unit

The Virginia Biosciences Development Center (the Center) was established by the Authority in fiscal year 2000. The Center is a private, not-for-profit corporation organized under 501(c) (3) of the Internal Revenue Code that provides administrative support to start-up biotechnology companies. The Authority has financially supported the Center in the past. There were no expenses incurred by the Authority related to the operations of the Center during fiscal year 2014.

Basis of Accounting

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred.

The Authority defines operating revenues as revenue derived from the primary business activities of the Authority. These activities include the following: 1) lease revenues related to non-capitalized leases with lease terms of one-year or less; 2) contributed income directly supporting the operations or advancement of the Research Park; 3) revenue derived from ownership and management of parking surface lots within the footprint of the Research Park; and 4) assessments and other miscellaneous revenue sources such as vending machine commissions, event fees for conference facilities, tenant fax and copying fees, and expenditure reimbursements that are not related to a specific capital outlay project.

The Authority defines non-operating revenues as revenue derived from capital lease agreements and capital financing activities such as interest income on funds held in trust accounts and developer's/issuer's fees earned on bond issuances and project development.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Asset Capitalization and Depreciation Method

Capital assets are generally assets with an initial cost of $2,500 or more and an estimated useful life in excess of two years. Capital assets are valued at historical costs or estimated historical cost if actual cost is not available. Capital assets are comprised of land, buildings, equipment, construction-in-progress, and other improvements. Donated capital assets are carried at market value at the date of contribution. Accumulated depreciation is reported on the Statement of Net Position. Depreciation is computed on the straight-line basis over the estimated useful life of the asset ranging from three to 48 years. Depreciable Capital Assets were evaluated at the beginning of the fiscal year 2005 and determined to have 40 years of useful life remaining from July 2004 going forward.

Buildings	20-48 years
Improvements	5-15 years
Equipment	3-20 years
Land	Non-depreciable assets

The costs for maintenance and repairs are charged to occupancy expense as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting profit or loss on such dispositions is reflected in non-operating activities.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Position. In accordance with paragraph 146 of GASB Statement No. 34, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The Authority elected to apply this policy prospectively beginning July 1, 2004.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) hours earned by employees, but not taken at June 30, 2014. PTO combines traditional vacation and sick leave and accrues based on employee's years of service. The amount reflects all earned PTO and related payroll taxes to be paid under the Authority's leave pay out policy upon employment termination.

Interest Income

Interest income and expense from operating and Local Government Investment Pool accounts are recorded as operating revenue. Interest income and administrative fees related to the bond accounts are recorded as non-operating revenue.

Unamortized Deferred Amount on Refunding

The deferred amount on refunding, resulting from the advance refunding of a portion of the Series 2006 Revenue Bonds, is being amortized on a straight-line basis over the life of the Series 2009 Bond. The amortization of $250,196 is included in interest expense for fiscal year 2014.

2. DEPOSITS AND INVESTMENTS

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. Cash with the trustee represents bond proceeds held by trustees. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool (LGIP), whose carrying value is equal to the market value.

Investments

Code of Virginia section 2.2-4500 et.seq. authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, and the African Development Bank; “prime quality” commercial paper and certain corporate notes; banker’s acceptances repurchase agreements; and the State Treasurer’s Local Government Investment Pool (LGIP).

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority’s investments are in Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC. These investments are 67% and 33%, respectively, of the Authority’s total investments in Commonfund.

Credit Risk

The Commonfund is an external investment pool whose asset portfolio is unrated.

Foreign Currency Risk

The Authority’s exposure to foreign currency risk derives from its holdings of foreign securities and the use of derivatives to hedge the related foreign currency exposure back to the U.S. dollar. These foreign securities are part of the holdings included in the Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC and represent 15% and 4% of the fund’s holdings, respectively. The Authority does not have a formal policy to limit foreign currency risk.

3. PROPERTY, PLANT, AND EQUIPMENT

A summary of changes in the Authority’s Property, Plant, and Equipment for the year ended June 30, 2014, is presented as follows:

	Beginning Balance	Acquired	Deleted	Ending Balance
Land	$ 3,369,446	$ -	$ -	$ 3,369,446
Equipment	282,500	-	-	282,500
Total at historical cost	3,651,946	-	-	3,651,946
Less accumulated depreciation for:				
Equipment	141,250	56,500	-	197,750
Total accumulated depreciation	141,250	56,500	-	197,750
Capital assets, net	$ 3,510,696	$ (56,500)	$ -	$ 3,454,196

4. LEASE RECEIVABLE

The Authority has a capital lease agreement with the Department of General Services for the Biotech Six building. The capital lease has a value of $38,042,425 at June 30, 2014, which equals the remaining principal and interest due on the debt for the Biotech Six building. The financial statements include unearned income of $6,407,425 related to the capital lease receivable for interest due in future periods.

The following lists the components of the net investment in lease receivable as of June 30, 2014:

Current portion:	
Minimum lease payments receivable	$ 4,755,150
Less: unearned revenue	(1,370,150)
Current net investment in lease receivable	3,385,000
Non-current portion:	
Minimum lease payments receivable	33,287,275
Less: unearned revenue	(5,037,275)
Non-current net investment in lease receivable	28,250,000
Total net investment in lease receivable	$ 31,635,000

At June 30, 2014, lease payments for each of the succeeding fiscal years are as follows:

Year	Amount
2015	$ 4,755,150
2016	4,756,950
2017	4,753,150
2018	4,753,550
2019	4,752,500
2020 – 2022	14,271,125
Total lease payments	$ 38,042,425

5. BIOTECH EIGHT, LLC HLA LAB RECEIVABLE

The Authority is in partnership with Biotech Eight, LLC which owns the Biotech Eight building. Effective May 2008, the Authority advanced funds to the Virginia Commonwealth University Health System in the amount of $1,188,671 for the build out of their lab located within the Biotech Eight building. The Virginia Commonwealth University Health System is invoiced $18,085 monthly as additional rent for the term of the lease, which includes both repayment of the advance and interest over the seven-year life of the agreement. As of June 30, 2014, the balance was $141,508 and 10 installments were still remaining.

6. CONDUIT DEBT OBLIGATIONS

On April 9, 2002, the Authority issued $12,000,000 in Series 2002 Variable Rate Revenue Bonds to fund construction of the Biotech Seven project. Biotech Seven is an office and data facility built specifically for United Network for Organ Sharing (UNOS).

The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. Upon repayment of the bonds, ownership of the facility transfers to UNOS. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements. These bonds have a scheduled maturity date of April 1, 2027.

On October 1, 2006, the Authority issued $14,000,000 in Series 2006 Variable Rate Revenue Bonds to finance the Virginia Blood Services (VBS) project. The Virginia Blood Services project was issued to finance the acquisition of land and the construction, equipping, and development of a new 60,000 square foot headquarters facility in Henrico County, including a collection center, a production facility, a distribution area, and other related improvements. In June 2013, the Authority issued $5,000,000 in Series 2013B Variable Rate Revenue Bonds, primarily to refund the remaining Series 2006 bonds. The proceeds from the Series 2013B Bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2006 bonds. As a result, the Series 2006 bonds are considered to be defeased at June 30, 2014. The Series 2013B bonds are secured by a bond trust indenture and are payable solely from payments made by the borrower under the loan agreement. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements. These bonds have a scheduled maturity date of October 1, 2028.

On June 1, 2013, the Authority issued $15,000,000 in Series 2013A Variable Rate Revenue Bonds to assist the Institute for Transfusion Medicine (ITxM) in connection with the transfer to ITxM of the sole corporate membership interest in VBS. VBS provides blood supply services, including collection, storage, and distribution of blood to hospitals and other health care providers in the Commonwealth of Virginia, and conducts related research. The bonds are secured by a bond trust indenture and are payable solely from payments made by the borrower under the loan agreement. The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements. These bonds have a scheduled maturity date of June 1, 2023.

7. NON-CURRENT LIABILITIES

The Authority's non-current liabilities consist of long-term debt, accrued, and other non-current liabilities.

Long-term debt of the Authority consists of the following bonds and line of credit at June 30, 2014:

3.00 percent to 5.00 percent Virginia Biotechnology Research Park Authority Commonwealth of Virginia Lease Revenue Bonds, (Biotech Six Consolidated Laboratories Project), Series 2009.	$ 31,635,000
LIBOR market index rate plus 2.0 percent, renewable, interest only, Suntrust Line of Credit of $2.5 million taken in November 2012. Credit line renewable annually.	-
Total long-term debt	$ 31,635,000

A summary of changes in the Authority's non-current liabilities for the year ended June 30, 2014 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Commonwealth of Virginia lease revenue bonds	$ 34,905,000	$ -	$ 3,270,000	$ 31,635,000	$ 3,385,000
Unamortized bond premium	3,070,515	-	350,916	2,719,599	350,916
Net bonds payable	37,975,515	-	3,620,916	34,354,599	3,735,916
Notes payable:					
Line of Credit	955,254	-	955,254	-	-
Total long-term debt	38,930,769	-	4,576,170	34,354,599	3,735,916
Compensated absences	35,669	-	18,561	17,108	12,399
Total long-term liabilities	$ 38,966,438	$ -	$ 4,594,731	$ 34,371,707	$ 3,748,315

Long-term debt matures as follows:

Fiscal year	Principle	Interest	Total
2015	$ 3,385,000	$ 1,370,150	$ 4,755,150
2016	3,525,000	1,231,950	$ 4,756,950
2017	3,665,000	1,088,150	$ 4,753,150
2018	3,815,000	938,550	$ 4,753,550
2019	3,990,000	762,500	$ 4,752,500
2020-2022	13,255,000	1,016,125	$ 14,271,125
Total	$ 31,635,000	$ 6,407,425	$ 38,042,425

8. LINE OF CREDIT

The Authority has a $2,500,000 unsecured revolving line of credit with SunTrust dated November 2012. The credit line charges interest at the LIBOR market index rate plus 2.00% and matures on September 30, 2014. There were no borrowings under this line at June 30, 2014.

9. DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple employer defined benefit pension plan administered by the VRS.

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. All members and retirees of the Authority participate in Plan 1; therefore, the information for Plan 2 and the Hybrid Plan have not been included here. The Plan 1 eligibility and benefit structure is set out in the table below:

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members
Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions
Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. 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. Beginning July 1, 2012, the Authority opted for employees to pay the entire 5% member contribution.

Creditable Service
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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.

Vesting
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 creditable service. 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.

Calculating the Benefit
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

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

Service Retirement Multiplier
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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age
Age 65.

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility
Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement
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%.

> **<u>Eligibility:</u>**
> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, 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 creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

<u>Exceptions to COLA Effective Dates:</u>
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 under the Virginia Sickness and Disability Program (VSDP).

• 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.

Disability Coverage
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.

Purchase of Prior Service
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 creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/pdf/Publications/2013-annual-report.pdf or by writing to the Chief Financial Officer at Post Office Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward retirement. All or part of the 5% member contribution may be assumed by the Authority. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2014 was 3.89% of annual covered payroll.

Annual Pension Cost

For fiscal year ended June 30, 2014, the Authority's annual pension cost of $17,318 was equal to the Authority's required and actual contributions.

Three-Year Trend Information for Virginia Biotechnology Research Partnership Authority

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
30-Jun-12	$ 59,301	100%	$ -
30-Jun-13	$ 16,296	100%	$ -
30-Jun-14	$ 17,318	100%	$ -

The FY 2014 required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011, included (a) 7.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 5.60% per year for general governmental employees, 3.75% to 6.2% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c), a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011, for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 107.64% funded. The actuarial accrued liability for benefits was $1,305,495 and the actuarial value of assets was $1,405,228, resulting in an unfunded actuarial accrued liability (UAAL) of $(99,733). The covered payroll (annual payroll of active employees covered by the plan) was $567,495, and the ratio of UAAL to the covered payroll was (17.57)%.

10. OTHER POST-EMPLOYMENT BENEFITS – LIFE INSURANCE PROGRAM

The Authority participates in the VRS-administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. Information relating to these plans is available at the statewide level in the CAFR. The Authority contributed 1.19% of eligible covered payroll in 2014 to this program for a total of $5,052.

11. OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM

The Authority participates in the VRS Retiree Health Insurance Credit Program which is an agent, multiple-employer plan. It provides eligible retirees a tax-free reimbursement for health insurance premiums for single coverage under qualifying health plans, including coverage under a spouse's plan, not to exceed the amount of the monthly premium or the maximum credit, whichever is less. Premiums for health plans covering specific conditions are ineligible for reimbursement. The amount is financed based on employer contribution rates determined by the VRS's actuary. The Authority contributed 0.15% of eligible covered payroll in 2014 to this program for a total of $635.

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Authority participates in insurance plans maintained by the Commonwealth. The Department of Human Resource Management administers the state employee health care plan. The risk management insurance plans and worker's compensation plans are administered by a private insurance agency. Risk management insurance includes property and general liability plans and faithful performance of duty bond. The Authority pays premiums directly to the vendor for insurance coverage. Information relating to the Commonwealth's employee health care plan is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

13. INVESTMENT IN PARTNERSHIPS

Biotech Eight, LLC is a for-profit development entity in which the Virginia Biotechnology Research Park has an equity interest. During fiscal year 2007, the Authority contributed land (740 Navy Hill Road) with a book value of $97,709 and a market value of $1,000,000 and cash in the amount of $500,000, for a total equity contribution of $1,500,000. In September 2009, an additional $115,000 was contributed per a loan agreement. During 2011, the Operating Agreement was amended to exclude the Authority from sharing in any additional profits or losses of the LLC. However, accounting standards require the Authority to recognize its proportionate share of the profit and losses in the LLC in line with allocation ratios used for preferred return distributions. The Authority will receive preferred returns of any distributions of excess cash and upon the sale or refinancing of the property from the LLC.

During fiscal year 2013, the Operating Agreement was amended to allow for the admission of another member. As a result, the Authority's equity interest was reduced from approximately 15.6 percent to approximately 11 percent. The net investment in Biotech Eight, LLC was $368,335 at June 30, 2014.

During fiscal year 2012, Virginia Biotechnology Research Park committed to an 8% equity interest in Bioling LLC, a for-profit development entity. The Park is subject to potential cash calls in proportion to their Percentage Interests and will share in distributions of excess cash in accordance with its partnership percentage. The net investment in Bioling, LLC was $14,371 at June 30, 2014.

As of June 30, 2014, the Authority had equity interests in partnerships with a book value (cost) of $555,625. The equity interests in partnerships were acquired in June 2013 through a transfer from Virginia Biosciences Development Center Inc., a component unit of the Authority.

14. RELATED PARTY OPERATING LEASE

In November, 2011, the Authority entered into a lease agreement with Virginia Commonwealth University for the use of the real property, building, and improvements located at 800 East Leigh Street, otherwise known as Biotech Center. Biotech Center is the property from which the Authority conducts the majority of its operations. The rent under the lease agreement was $30 and was paid in a lump sum at the beginning of the lease; therefore, there is no related rent expense represented within these financial statements. The lease term ends November 2041.

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION AS OF JUNE 30, 2014

The schedule of funding progress, presented below as Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Required Supplementary Information

Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll (4)	UAAL as % of Payroll (2-1)/(4)
30-Jun-11	$ 1,405,228	$ 1,305,495	$ -99,733	107.64%	$ 567,495	-17.57%
30-Jun-12	$ 1,482,058	$ 1,358,633	$ -123,425	109.08%	$ 504,564	-24.46%
30-Jun-13	$ 1,570,254	$ 1,402,757	$ -167,497	111.94%	$ 434,938	-38.51%

INDEPENDENT AUDITOR'S REPORT

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 27, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia Biotechnology Research Partnership Authority Board
Virginia Biotechnology Research Park Corporation Board

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the **Virginia Biotechnology Research Partnership Authority**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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 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.

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 financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Virginia Biotechnology Research Partnership Authority as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 14 and schedule of funding progress on page 34 be presented to supplement the basic financial statements. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014, on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS