Virginia Biotechnology Research Partnership Authority

Financial Statements—June 30, 2015

Comprehensive 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, 2015

Prepared by the Director of Business Development and Administration of the Virginia Biotechnology Research Partnership Authority

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INTRODUCTORY SECTION

INNOVATION STARTS HERE.
VIRGINIA BIOTECHNOLOGY RESEARCH PARK

October 2015

Dear Authority and Corporation Boards and Stakeholders:

Over the course of the 2014-15 fiscal year, many changes have been implemented, partnerships have been strengthened and created, and the Virginia Biotechnology Research Partnership Authority and Research Park are moving forward as an innovation leader in the Richmond region and Commonwealth at large.

The Research Park's Shared Lab opened in the fall of 2014 and is a story of partnerships. Generous donations of lab equipment from Altria's Center for Research and Technology have allowed Biotech Center companies to reduce costs and save significant amounts of time, as processes are shortened from hours to minutes. In addition, the Shared Lab allows for increased collaboration amongst our research scientists in the Research Park. The Shared Lab is not only a resource for the resident businesses but also for life sciences companies outside of the Research Park footprint.

The Research Partnership Authority restructured and strengthened our affiliation with the Dominion Resources Innovation Center in the Town of Ashland in Hanover County. This partnership allows for more focus on research, development and commercialization at the Center with the administrative functions being handled by the Authority.

In addition to growing our partnerships, we have expanded the reach of our programming. The Research Park has transformed our scientific luncheon series to be a broader luncheon series highlighting all forms of innovation happening in the Richmond region in addition to our life science focus. Some examples of topics covered by the #innovateinRVA series include the science of craft brewing, an update on the new Institute for Contemporary Art at VCU, the story of former Biotech Center company kaléo from Authority Board member Eric Edwards, and how biotech startup, C3 Nexus, is revolutionizing the healthcare industry using patient-generated data. Other new events including food trucks coming twice per month and our Perk in the Park – a monthly coffee and networking event – provide opportunities for residents to interact in a more social setting. Our inclusive approach to community is another example of how we are strengthening relationships within the Research Park.

The Research Park was a key sponsor and involved in the planning of the statewide THRIVE conference for the Virginia Biotechnology Association in April and serves as a member of the Virginia Beach Biomedical and Healthcare Task Force. These organizations are instrumental in moving the region, and the Commonwealth, forward in the area of life sciences.

We continue to strengthen our great partnership with Virginia Commonwealth University in a number of ways. In September 2014, the capabilities of the conference room were upgraded significantly and we were able to save $60,000 by leveraging our partnership with VCU. Dr. Rao committed $1.2 million in matching funds for startups, demonstrating the university's belief in the goals of the Research Park and the rebranded Innovation Council (Virginia Biotechnology

Research Park Corporation). The Research Park is also working with VCU's Innovation Gateway and their pre-accelerator program aimed at helping students make their business ideas a reality. Finally, we have been the customer to a VCU entrepreneurship class – mapping the resources in the region's innovation ecosystem. The end product will be a tool that can be leveraged by the entire community.

Perhaps our biggest accomplishment this year is the rebranding of the Virginia Biotechnology Research Park Corporation as The Innovation Council completing the strategic vision adopted in the prior fiscal year. The transition was approved during the June 2015 meeting of the Boards with the Council being a forum for collaboration and coordinated innovation activities amongst stakeholders in the Region. The role of the Innovation Council of the Research Park Corporation is:

- To set goals and metrics in innovation for the Region and monitoring progress toward goals.
- To identify gaps in the innovation ecosystem and lead efforts to identify sources to fill gaps in the Region.
- To identify gaps in capital requirements and leading effort to provide the financial means to sustain a successful innovation ecosystem.
- To craft a message for marketing organizations at the local, regional and statewide level of innovation excellence to help in recruitment, retention and expansion.

As we take a step back to our journey we began with the adoption of a new strategic vision in June 2014, we have put ourselves in a more competitive and compelling position. We have strengthened our partnerships and relationships in the region and the Commonwealth, and we are creating a greater sense of community within the Research Park. The market is responding – it is invigorating and exciting.

Regards,

Carrie Roth

Carrie Roth
Executive Director
Virginia Biotechnology Research Partnership Authority

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

As of June 30, 2015

Board of Directors

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

Ken Ampy	Gail Letts
Eric Edwards, M.D., Ph.D.	Tonya Mallory
Douglas E. Harvey	

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

Executive Director

Carrie Roth

Officers to the Board

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

VIRGINIA BIOTECHNOLOGY RESEARCH PARK CORPORATION

As of June 30, 2015

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	Carlton E. Miller, M.D.
Ed A. Grier	James. A. Strickland, Ph.D.
Cecil R. “Rhu” Harris, Jr.	William “Sandy” White
Douglas E. Harvey	Patricia M. Woolsey
Francis L. Macrina, Ph.D.	

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

President and CEO

Carrie Roth

Officers to the Board

Joy P. Edgett, Treasurer
Sara Maddox, Assistant 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 ending June 30, 2015. 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 sites that may accommodate larger companies on suburban campuses in the Greater Richmond area. The Dominion Resources Innovation Center located in the Town of Ashland is an affiliate of the Research Park. 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). Condensed combining statements are presented in the notes to the financial statements.

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, 2015, is home to 60 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.

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. Because not all the information was available to restate FY 2014 statements due to the effect of the implementation of GASB 68 the changes have been reflected in the 2015 statements. 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, 2015. 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, 2015 and 2014 are as follows:

Statement of Net Position, as of June 30, 2015 and 2014

	2015	2014	Value of Change	Percentage Of Change
Assets:				
Current and other assets	$ 38,584,389	$ 41,111,269	$ (2,526,880)	(6%)
Capital assets, net	3,433,321	3,454,196	(20,875)	(1%)
Total assets	42,017,710	44,565,465	(2,547,755)	(6%)
Deferred outflows of resources:				
Deferred pension contributions	23,634	-	23,634	100%
Deferred amount on refunding	1,688,821	1,939,017	(250,196)	(13%)
Total deferred outflows of resources	1,712,455	1,939,017	(226,562)	(12%)
Liabilities:				
Current and other liabilities	3,945,602	3,828,392	117,210	3%
Long-term liabilities	26,759,452	30,623,392	(3,863,940)	(13%)
Total liabilities	30,705,054	34,451,784	(3,746,730)	(11%)
Deferred inflows of resources:				
Deferred pension investment experience	117,556	-	117,556	100%
Net position:				
Net investment in capital assets	3,433,321	3,454,196	(20,875)	(1%)
Restricted for pensions	396,470	-	396,470	100%
Restricted for donor purposes	32,063	-	32,063	100%
Unrestricted	9,045,701	8,598,502	447,199	5%
Total net position	$ 12,907,555	$ 12,052,698	$ 854,857	7%

The Authority's total assets decreased six percent due mainly to payments received on the lease receivable. Total liabilities decreased eleven percent from scheduled payment made toward the outstanding bond. The total assets and deferred outflows of resources of the Authority exceeded liabilities by $13 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, 2015 and 2014 are as follows:

Statement of Revenues, Expenses, and Changes in Net Position
for the years ended June 30, 2015 and 2014

	2015	2014	Value of Change	Percentage Of Change
Operating revenues:				
Rental income	$ 312,327	$ 307,135	$ 5,192	2%
Parking income	340,805	323,851	16,954	5%
Development fee	17,625	19,125	(1,500)	(8%)
Assessment fee	291,576	296,898	(5,322)	(2%)
Business support services	18,447	-	18,447	100%
Program revenues and contributions	57,082	-	57,082	100%
Other income	13,619	31,640	(18,021)	(57%)
Total operating revenues	1,051,481	978,649	72,832	7%
Operating expenses:				
Salaries and benefits	519,194	654,129	(134,935)	(21%)
Marketing and promotion	64,373	69,413	(5,040)	(7%)
Occupancy costs	91,616	108,659	(17,043)	(16%)
Administrative	106,459	195,775	(89,316)	(46%)
Depreciation expense	57,535	56,500	1,035	2%
Bad debt expense	-	1,538	(1,538)	(100%)
Total operating expenses	839,177	1,086,014	(246,837)	(23%)
Operating income (loss)	212,304	(107,365)	319,669	(298%)
Non-operating revenues and expenses	375,678	1,643,596	(1,267,918)	(77%)
Change in net position	587,982	1,536,231	(948,249)	(62%)
Net position - beginning of year	12,319,573	10,516,467	1,803,106	17%
Net position - end of year	$ 12,907,555	$ 12,052,698	$ 854,857	7%

Operating revenues increased seven percent from the prior fiscal year due to new revenue generated from Business support services and program revenues and contributions. Operating expenses decreased twenty-three percent from the prior fiscal year due mainly to the decrease in salary expense and professional fees.

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, 2015 and 2014

	2015	2014
Cash flows from operating activities	$ 210,878	$ (127,413)
Cash flows from non-capital financing activities	361,879	554,604
Cash flows from capital and related financing activities	148,797	(753,052)
Net increase in cash and cash equivalents	721,554	(325,861)
Beginning of year	3,021,553	3,347,414
End of year	$ 3,743,107	$ 3,021,553

The Authority's available cash and cash equivalents increased from $3.0 million at the end of 2014 to $3.7 million at the end of 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2015, amounted to $3.4 million (net of accumulated depreciation). This investment in capital assets primarily includes land and equipment.

Long-Term Debt

Bonds

At June 30, 2015, the Authority had $26.7 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, 2015, was $26.7 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 (VBS) in Henrico County, Virginia. The bonds were secured by pledge payments from VBS and ASTREA, the parent company of VBS 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 fiscal year 2014, the Authority paid off in full its revolving line of credit with SunTrust bank. At June 30, 2015, 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 Business Development and Administration at 800 East Leigh Street, Richmond, VA 23219, (804) 828-0963.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF NET POSITION
As of June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents (Note 1 & 2)	$ 731,509
Cash with Local Government Investment Pool (Note 2)	3,011,598
Accounts receivable, net of allowance for doubtful accounts of $-0-	28,786
Prepaid expenses	2,278
Net investment in lease receivable - current portion (Note 5)	3,525,000
Total current assets	7,299,171
Non-current assets, net of depreciation:	
Net investment in lease receivable (Note 5)	24,725,000
Net Pension Asset (Note 10)	396,470
Investment in Biotech 8, LLC (Note 14)	530,227
Investment in Bioling, LLC (Note 14)	21,960
Investment in other partnerships (Note 14)	55,625
Commonfund Investments (Note 2)	5,555,936
Non-depreciable capital assets (Note 4)	3,369,446
Depreciable capital assets, net of accumulated depreciation (Note 1 & 4)	63,875
Total non-current assets	34,718,539
Total assets	42,017,710
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions (Note 1 & 10)	23,634
Deferred amount on refunding (Note 1)	1,688,821
	1,712,455
LIABILITIES	
Current liabilities:	
Accounts payable	43,326
Customer deposit	10,985
Unearned revenue	15,375
Long-term debt - current portion (Note 8)	3,875,916
Total current liabilities	3,945,602
Non-current liabilities:	
Long-term debt (Note 8)	26,742,767
Compensated absences (Note 1 & 8)	16,685
Total non-current liabilities	26,759,452
Total liabilities	30,705,054
DEFERRED INFLOWS OF RESOURCES	
Deferred pension investment experience	117,556
NET POSITION	
Net investment in capital assets	3,433,321
Restricted for pensions	396,470
Restricted for donor purposes	32,063
Unrestricted	9,045,701
Total net position	$ 12,907,555

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2015

Operating revenues:		
Rental income	$	312,327
Parking income		340,805
Development Fee		17,625
Assessment Fee		291,576
Business support services		18,447
Program revenues and contributions		57,082
Other income		13,619
Total operating revenues		1,051,481
Operating expenses:		
Salaries and benefits		519,194
Marketing and promotion		64,373
Occupancy costs		91,616
Administrative		106,459
Depreciation expense (Note 4)		57,535
Total operating expenses		839,177
Income from operations		212,304
Non-operating revenue/(expenses):		
Interest revenue		1,370,150
Interest expense		(1,269,430)
Unrealized gain on Commonfund Investments		204,248
Gain from Biotech Eight LLC (Note 14)		507,011
Gain from Bioling LLC (Note 14)		24,349
Loss on Investments (Note 14)		(500,000)
HLA Loan Payments (Note 6)		39,350
Total non-operating activity		375,678
Change in net position		587,982
Net position restated- 06/30/14 (Note 1 & 10)		12,319,573
Net position - 06/30/15	$	12,907,555

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

Cash flows from operating activities:		
Cash received from rent	$	322,265
Cash received from parking		332,115
Cash received from assessment program		280,535
Cash received from business support services		18,447
Cash received from development fees		36,750
Cash received from miscellaneous income		13,619
Cash received from donors		30,932
Payments for personnel expenses		(554,149)
Payments for marketing expenses		(69,769)
Payments for occupancy expenses		(87,497)
Payments for administrative expenses		(112,370)
Net cash provided by operating activities		210,878
Cash flows from non-capital financing activities:		
Distributions received from Biotech 8, LLC		345,119
Distributions received from Bioling, LLC		16,760
Net cash provided by noncapital financing activities		361,879
Cash flows from capital and related financing activities:		
HLA payments received		180,858
Purchase of capital assets		(32,061)
Net cash provided by capital and related financing activities		148,797
Net increase in cash		721,554
Cash and cash equivalents - 6/30/14		3,021,553
Cash and cash equivalents - 6/30/15	$	3,743,107

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Operating income	$	212,304
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		57,535
Decrease in accounts payable		(4,110)
Increase in operating accounts receivable		(5,936)
Decrease in customer deposits		(1,331)
Decrease in unearned revenue		(9,551)
Increase in prepaid expenses		(1,937)
Decrease in leave accrual		(423)
Increase in net pension asset and related deferred inflows/outflows of resources		(35,673)
Net cash provided by operating activities	$	210,878

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 2015, payments under this agreement resulted in a $3,385,000 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 $1,370,150 under this agreement for the year.

During the year, the Authority purchased $36,660 in fixed assets, $4,600 was included in accounts payable at 6/30/15.

An unrealized gain of $204,248 on the Commonfund Investments was recognized during the year.

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

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

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). The Center had no operating activity during the year and as of June 30, 2015, had no assets or liabilities. 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. Condensed combining financial statements for the Authority and its blended component unit are presented in Note 3 below.

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 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, 2015. 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 2015.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Accounting Pronouncement

The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* ("GASB No. 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* ("GASB No. 71") during fiscal year 2015. GASB No. 68 provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. GASB No. 71 provides accounting and financial reporting guidance for contributions, if any, made by the employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The accounting changes required by GASB No. 68 and No. 71 are applied by restating beginning net position as follows:

Retrospective Application of a Change in Accounting Principle

	(As Previously Reported) June 30, 2014	Record Effects of GASB 68 & 71	(As Adjusted) June 30, 2014
Total assets	$ 44,565,465	$ 248,784	$ 44,814,249
Deferred outflows of resources	1,939,017	18,091	1,957,108
Total liabilities	34,451,784	-	34,451,784
Net position			
Net investment in capital assets	3,454,196	-	3,454,196
Restricted	-	248,784	248,784
Unrestricted	8,598,502	18,091	8,616,593
Total net position	$ 12,052,698	$ 266,875	$ 12,319,573

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 65% and 35%, 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 16% and 9% of the fund's holdings, respectively. The Authority does not have a formal policy to limit foreign currency risk.

3. BLENDED COMPONENT UNIT

The Authority accounts for the Corporation as a blended component unit. Condensed combining information for the Corporation and the Authority is as follows:

Condensed Combining Statement of Net Position

	VBRPA	VBRPC	Total
Current assets	$ 7,266,108	$ 33,063	$ 7,299,171
Capital assets	3,369,446	-	3,369,446
Other assets	31,349,093	-	31,349,093
Total assets	41,984,647	33,063	42,017,710
Deferred outflows of resources	1,712,455	-	1,712,455
Current liabilities	3,593,686	1,000	3,594,686
Long-term liabilities	27,110,368	-	27,110,368
Total liabilities	30,704,054	1,000	30,705,054
Deferred inflows of resources	117,556	-	117,556
Net investment in capital assets	3,433,321	-	3,433,321
Restricted	396,470	32,063	428,533
Unrestricted	9,045,701	-	9,045,701
Total net position	$ 12,875,492	$ 32,063	$ 12,907,555

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position

	VBRPA	VBRPC	Total
Operating revenues			
Rental income	$ 312,327	$ -	$ 312,327
Parking income	340,805	-	340,805
Development fee	17,625	-	17,625
Assessment fee	291,576	-	291,576
Business support services	18,447	-	18,447
Other income	13,619	-	13,619
Program revenues and contributions	-	57,082	57,082
Total operating revenues	994,399	57,082	1,051,481
Operating expenses	814,158	25,019	839,177
Operating income (loss)	180,241	32,063	212,304
Nonoperating revenues (expenses)			
Interest revenue	1,370,150	-	1,370,150
Interest expense	(1,269,430)	-	(1,269,430)
Net gain on investments	235,608	-	235,608
HLA loan payments	39,350	-	39,350
Total nonoperating revenues	375,678	-	375,678
Change in net position	555,919	32,063	587,982
Beginning net position restated	12,319,573	-	12,319,573
Ending net position	$ 12,875,492	$ 32,063	$ 12,907,555

Condensed Combining Statement of Cash Flows

	VBRPA	VBRPC	Total
Net cash provided by operating activities	$ 203,965	$ 6,913	$ 210,878
Net cash provided by non-capital financing activities	361,879	-	361,879
Net cash provided by capital and related financing activities	148,797	-	148,797
Net increase in cash	714,641	6,913	721,554
Beginning cash and cash equivalents	3,021,553	-	3,021,553
Ending cash and cash equivalents	$ 3,736,194	$ 6,913	$ 3,743,107

4. PROPERTY, PLANT, AND EQUIPMENT

A summary of changes in the Authority's Property, Plant, and Equipment for the year ended June 30, 2015, is presented as follows:

	Beginning Balance	Acquired	Deleted	Ending Balance
Land	$ 3,369,446	$ -	$ -	$ 3,369,446
Equipment	282,500	36,660	-	319,160
Total at historical cost	3,651,946	36,660	-	3,688,606
Less accumulated depreciation for:				
Equipment	197,750	57,535	-	255,285
Total accumulated depreciation	197,750	57,535	-	255,285
Capital assets, net	$ 3,454,196	$ (20,875)	$ -	$ 3,433,321

5. 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 $33,287,275 at June 30, 2015, which equals the remaining principal and interest due on the debt for the Biotech Six building. The financial statements include unearned income of $5,037,275 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, 2015:

Current portion:	
Minimum lease payments receivable	$ 4,756,950
less: unearned revenue	(1,231,950)
Current net investment in lease receivable	3,525,000
Non-current portion:	
Minimum lease payments receivable	28,530,325
Less: unearned revenue	(3,805,325)
Non-current net investment in lease receivable	24,725,000
Total net investment in lease receivable	$ 28,250,000

At June 30, 2015, lease payments for each of the succeeding fiscal years are as follows:

Year	Amount
2016	$ 4,756,950
2017	4,753,150
2018	4,753,550
2019	4,752,500
2020	4,757,750
2021 – 2022	9,513,375
Total lease payments	$ 33,287,275

6. 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, 2015, the balance was $0 and the entire receivable had been collected.

7. 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.

8. 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 at June 30, 2015:

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.	$ 28,250,000

A summary of changes in the Authority's non-current liabilities for the year ended June 30, 2015 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Commonwealth of Virginia lease revenue bonds	$31,635,000	$ -	$ 3,385,000	$28,250,000	$3,525,000
Unamortized bond premium	2,719,599	-	350,916	2,368,683	350,916
Net bonds payable	34,354,599	-	3,735,916	30,618,683	3,875,916
Compensated absences	17,108	-	423	16,685	-
Total long-term liabilities	$34,371,707	$ -	$ 3,736,339	$30,635,368	$3,875,916

Long-term debt matures as follows:

Fiscal year	Total	Interest	Total
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	4,200,000	557,750	4,757,750
2021-2022	9,055,000	458,375	9,513,375
Total	$ 28,250,000	$ 5,037,275	$ 33,287,275

9. 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, 2015. There were no borrowings under this line at June 30, 2015.

10. DEFINED BENEFIT PENSION PLAN

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

Plan Description

All full-time, salaried permanent (professional) employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The Political Subdivision Retirement Plans are an agent, multiple-employer plan. 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, 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 – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

VRS PLAN 1

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

Employees contribute 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.

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. Political subdivisions hazardous duty employees: Age 60.

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 who are not in hazardous duty positions 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.

Hazardous duty members are eligible for a reduced retirement benefit at age 50 with at least five 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%.

Eligibility
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.

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 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.

<u>VRS PLAN 2</u>

About VRS Plan 2
VRS Plan 2 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 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 Members
Employees are in VRS 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.

Hybrid Opt-In Election
VRS 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

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

Creditable Service
Same as VRS Plan 1.

Vesting
Same as VRS Plan 1.

Calculating the Benefit
See definition under VRS Plan 1.

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

Service Retirement Multiplier
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 creditable service earned, purchased or granted on or after January 1, 2013. The retirement multiplier for sheriffs and regional jail superintendents and for hazardous duty employees is the same as Plan 1.

Normal Retirement Age
Normal Social Security retirement age. Political subdivisions hazardous duty employees: same as Plan 1.

Earliest Unreduced Retirement Eligibility
Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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 60 with at least five years (60 months) of creditable service.

Hazardous duty members are eligible for a reduced retirement benefit at age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement
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
Same as VRS Plan 1

Exceptions to COLA Effective Dates
Same as VRS Plan 1

Disability Coverage
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.

Purchase of Prior Service
Same as VRS Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service 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
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions
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.

Creditable Service

<u>Defined Benefit Component:</u>
Under the defined benefit component of the plan, 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.

<u>Defined Contributions Component:</u>
Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

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 creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service 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.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Benefit Component:

See definition under VRS 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

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

Service Retirement Multiplier

The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component

Same as VRS Plan 2.

Defined Contribution Component

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component

Same as VRS Plan 2.

Defined Contribution Component

Not applicable.

Eligibility

Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates

Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan2 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 VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component

Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After than one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component

Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2013, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	1
Inactive members:	
Vested	3
Non-vested	4
Active elsewhere in VRS	3
Total inactive members	10
Active members	4
Total	15

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of 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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 5.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $23,634 and $18,091 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Asset

The Authority's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-

LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per

year All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
*Expected arithmetic nominal return			8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

Changes in Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	$1,402,757	$1,651,541	$(248,784)
Balances at June 30, 2013			
Changes for the year:			
Service cost	57,102	-	57,102
Interest	96,454	-	96,454
Contributions – employer	-	18,091	(18,091)
Contributions – employee	-	22,363	(22,363)
Net investment income	-	262,181	(262,181)
Benefit payments, including refunds of employee contributions	(49,685)	(49,685)	-
Administrative expense	-	(1,407)	1,407
Other changes	-	14	(14)
Net changes	103,871	251,557	(147,686)
Balances at June 30, 2014	$1,506,628	$1,903,098	$(396,470)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following represents the net pension asset calculated using the stated discount rate, as well as what the net position asset would be if it were calculated using a stated discount rate that is one-percentage- point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan’s Net Pension Liability (Asset)	$(211,680)	$(396,470)	$(550,987)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ending June 30, 2015, the Authority recognized pension expense (recovery) of $(12,039). At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	$ 23,634	$ -
Net difference between projected and actual earnings on plan investments	-	117,556
	$ 23,634	$ 117,556

Amounts reported as deferred inflows of resources related to pensions as of June 30, 2015, will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 29,389
2017	29,389
2018	29,389
2019	29,389
Total	$ 117,556

11. 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 2015 to this program for a total of $5,461.

12. 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 0.13% of eligible covered payroll in 2015 to this program for a total of $597.

13. 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.

14. 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 $530,227 at June 30, 2015.

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 $21,960 at June 30, 2015.

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. During 2015, it was determined that one of the partnership equity interests was impaired and the entire interest of $500,000 was written off. As of June 30, 2015, the Authority had equity interests in the remaining partnerships with a book value (cost) of $55,625.

15. 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

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
Schedule of Changes in Net Pension Liability and Related Ratios
As of June 30, 2015

		FY 2014
Total pension liability		
Service cost	$	57,102
Interest		96,454
Benefit payments		(49,685)
Net change in total pension liability		103,871
Total pension liability - beginning		1,402,757
Total pension liability - ending (a)	$	1,506,628
Plan fiduciary net position		
Contributions - employer	$	18,091
Contributions - employee		22,363
Net investment income		262,181
Benefit payments		(49,685)
Administrative expenses		(1,407)
Other changes		14
Net change in plan fiduciary net position		251,557
Plan fiduciary net position - beginning		1,651,541
Plan fiduciary net position - ending (b)	$	1,903,098
Authority's net pension liability (asset) - ending (a) - (b)	$	(396,470)
Plan fiduciary net position as a percentage of the total pension liability		126.3%
Covered-employee payroll	$	388,489
Net pension liability (asset) as a percentage of covered-employee payroll		-102.1%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY
Schedule of Employer Contributions
For the year ended June 30, 2015

	2015
Actuarially determined contribution	$ 23,634
Contributions in relation to the actuarially determined contribution	23,634
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 458,917
Contributions as a percentage covered-employee payroll	5.1%

Notes to Schedule

Actuarily determined contribution rates are based on the most recent valuation date, which was June 30, 2013. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	5-years for investment gains and losses
Investment rate of return*	7.00%
Projected salary increases*	3.50% - 5.35%
Cost-of-living adjustments	2.25% - 2.50%
*Includes inflation at	2.50%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Changes of benefit terms:

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions:

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

November 18, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

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

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 **Virginia Biotechnology Research Partnership Authority,** a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2015, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Biotechnology Research Partnership Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71, related to pension accounting and financial reporting for employers. Our opinion is not modified with respect to these matters.

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, the Schedule of Changes in Net Pension Liability and Related Ratios on page 46, the Schedule of Employer Contributions on page 47, and the Notes to Required Supplementary Information on page 48 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 November 18, 2015, on our consideration of the Virginia Biotechnology Research Partnership 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

ZLB/clj