# Basic Financial Statements and Supplementary Information

Virginia Commonwealth University Health System Authority
(A Component Unit of Virginia Commonwealth University)
June 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

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# Report of Independent Auditors

The Board of Directors
Virginia Commonwealth University Health System Authority

## Opinion

We have audited the accompanying financial statements of the enterprise fund of Virginia Commonwealth University Health System Authority (the Authority), a component unit of Virginia Commonwealth University, which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund of the Authority at June 30, 2024 and 2023, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Employer Contributions, the Schedule of Authority's Share of Net Pension Liability, the Schedule of Authority's Share of Net OPEB Liability Health Insurance Credit Program, and the Schedule of Authority's Share of Net OPEB Liability Pre-Medicare Retiree Healthcare be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position – Enterprise Fund and the Combining Schedule of Revenues, Expenses and Changes in Net Position – Enterprise Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst & Young LLP

October 15, 2024

This section of Virginia Commonwealth University Health System Authority's (VCUHSA or the Authority) annual financial report provides management's overview of VCUHSA's financial activities for the fiscal years ended June 30, 2024, 2023 and 2022. Please read it in conjunction with the Authority's basic financial statements, which begin on page 17. As discussed in Note 1(v) to the basic financial statements, effective July 1, 2022 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Implementation of this standard resulted in restatements to the balances and activity as of and for the year ended June 30, 2022.

**Financial Statement Overview**

The financial statements herein are composed of the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows of the Enterprise Fund. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors or enabling legislation.

The Authority, consisting of Medical College of Virginia Hospitals (VCUMC), is an enterprise fund of Virginia Commonwealth University (VCU), a component unit of the Commonwealth of Virginia. VCU incorporates the Authority's financial statements for the years ended June 30, 2024 and 2023, into its financial statements for the years then ended. The Authority's reporting entity includes VCUMC, MCV Associated Physicians (MCVAP), Community Memorial Hospital, Inc. and subsidiaries (CMH), VCU Health Tappahannock Hospital (TAPP), VCU Health Children's Services at Brook Road (Children's), Virginia Children's Care Network, LLC (VCCN), VCU Health Ambulatory Surgical Center, LLC (ASC), University Health Services, Inc. and subsidiaries (UHS) and Aries Insurance Services, Ltd. (ARIES). The Clinical Enterprise includes VCUMC, MCV Associated Physicians (MCVAP), Community Memorial Hospital, Inc. and subsidiaries (CMH), VCU Health Tappahannock Hospital (TAPP), VCU Health Children's Services at Brook Road (Children's), Virginia Children's Care Network, LLC (VCCN), VCU Health Ambulatory Surgical Center, LLC (ASC) and University Health Services, Inc.

***June 30, 2024 Compared to June 30, 2023***

**Financial Highlights**

- The Authority's net position increased by $396,798, or 13.3%, over prior year as a result of this year's results of operations.

- Patient service revenue comprises the majority of the Authority's revenues. Net patient service revenue increased by $472,418, or 15.7%, from prior year. The Authority continued to recover from the impact of COVID-19 in FY2024 and operationalized new facilities for the health system positively impacting patient service revenue.

- The Authority reported an operating income for the year ended June 30, 2024, of $298,186, a $289,027 increase from operating income of $9,159 for the year ended June 30, 2023, primarily driven by strong patient revenue and strong diligence managing operational expenses. The Clinical Enterprise had an increase of $292,605 in operating income over prior year as a result of this year's results of operations.

- The major capital expenditures for the Authority in 2024 are related to renovations to clinical areas, purchases of new and replacement medical equipment, and investments in information system infrastructure and business systems. The pediatric inpatient hospital on the VCUMC downtown Richmond campus completed construction in 2023.

- As a result of COVID-19 impacts, the Authority recognized revenue of $2,607 and $3,737 from the CARES Act and other federal grants during the years ended June 30, 2024 and 2023, respectively. These items are included in non-operating revenues on the statement of revenues, expenses and changes in net position.

- Reflected in non-operating revenues and (expenses) in the financial statements for the year is income from equity method investments of $0 and $5,400 for the years ended June 30, 2024 and 2023, respectively. In FY2023, the Authority sold the remaining 20% ownership in Virginia Premier resulting in $61,231 gain from the sale, which is recorded in other nonoperating expenses, net. In FY24, the gain from sale of Virginia Premier was reduced by an adjustment of $10,022, due to sales agreement required periodic reconciliations of actuarial estimates. Additional information is available in Note 3 of the basic financial statements. Equity method investments totaled $3,269 as of June 30, 2024. During FY23, the Authority terminated and defeased all obligations of the Authority under a Deed of Lease dated July 15, 2021. In connection with the transaction, the Authority was required to pay $72,998, which is also recorded in other nonoperating expenses, net.

(in thousands)

As indicated in Table 1 below, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3,400,949 as of June 30, 2024. Of this net position 34.4% ($1,169,350) are related to capital assets, 0.9% ($29,155) are restricted funds, and the remaining 64.8% ($2,202,444) are unrestricted funds, which can be used for ongoing operations of the Authority:

**Table 1**

**Virginia Commonwealth University**
**Health System Authority**

Condensed Statements of Net Position

| | June 30 | |
|---|---|---|
| | **2024** | **2023** |
| Current assets | $ 1,089,208 | $ 881,953 |
| Capital assets, net | 1,765,954 | 1,814,802 |
| Other noncurrent assets | 1,753,606 | 1,558,474 |
| Total assets | 4,608,768 | 4,255,229 |
| Deferred outflows of resources | 22,836 | 22,947 |
| Total assets and deferred outflows of resources | $ 4,631,604 | $ 4,278,176 |
| Current liabilities | $ 365,332 | $ 439,533 |
| Long-term liabilities | 816,978 | 809,382 |
| Total liabilities | 1,182,310 | 1,248,915 |
| Deferred inflows of resources | 48,345 | 49,833 |
| Total liabilities and deferred inflows of resources | $ 1,230,655 | $ 1,298,748 |
| Net position: | | |
| Net investment in capital assets | $ 1,169,350 | $ 1,331,799 |
| Restricted – expendable | 4,856 | 4,653 |
| Restricted – nonexpendable | 24,299 | 22,635 |
| Unrestricted | 2,202,444 | 1,620,341 |
| Total net position | $ 3,400,949 | $ 2,979,428 |

(in thousands)

**Table 2**

**Virginia Commonwealth University**
**Health System Authority**

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | Year Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| Operating revenues: | | |
| Net patient service revenue | $ 3,497,494 | $ 3,000,353 |
| Other contract revenue | 19,588 | 21,490 |
| Other operating revenue | 26,221 | 29,198 |
| Total operating revenues | 3,543,303 | 3,051,041 |
| Operating expenses: | | |
| Salaries, wages and employee benefits | 1,786,843 | 1,703,534 |
| Purchased services | 363,193 | 338,494 |
| Supplies | 796,764 | 706,356 |
| Depreciation and amortization | 126,173 | 120,949 |
| Other operating expenses | 172,144 | 172,549 |
| Total operating expenses | 3,245,117 | 3,041,882 |
| Operating income | 298,186 | 9,159 |
| Net nonoperating revenues | 144,321 | 91,239 |
| Excess of revenues over expenses before other changes in net position | 442,507 | 100,398 |
| Other changes in net position, net | (20,986) | (16,235) |
| Increase in net position | 421,521 | 84,163 |
| Beginning net position | 2,979,428 | 2,895,265 |
| Ending net position | $ 3,400,949 | $ 2,979,428 |

The Authority's operating revenue increased by 16.1% ($492,262) over the prior year. This increase in revenues resulted from increased patient volumes. The Clinical Enterprise had an increase of $507,482, or 16.2%, in total operating revenues over prior year due to this year's results of operations.

Total operating expenses increased 6.7% ($203,235). Personnel costs are the largest single cost of the Authority in 2024, comprising 55.1% of operating costs in 2024. An increase in personnel related costs of $83,309, or 4.9%, from prior year reflects salary and contract labor expenses required to meet market demands and the required staff levels to meet both quality and volume initiatives. The Clinical Enterprise had a net increase of $214,877, or 6.8%, in total operating expenses over prior year due to this year's results of operations.

(in thousands)

## Capital Asset and Debt Administration

### *Capital Assets*

The Authority's net capital assets decreased by $48,848, or (2.7%), over prior year amounts.

**Table 3**

**Virginia Commonwealth University**
**Health System Authority**

Capital Assets

| | 2024 | 2023 |
|---|---|---|
| Land | $ 25,425 | $ 25,468 |
| Land improvements | 6,909 | 6,984 |
| Buildings and fixed equipment | 2,102,756 | 2,068,752 |
| Moveable equipment | 1,075,108 | 992,967 |
| Construction in progress | 35,315 | 109,592 |
| Leased assets | 86,532 | 71,698 |
| SBITA assets | 73,782 | 56,679 |
| | 3,405,827 | 3,332,140 |
| Accumulated depreciation and impairment | (1,639,873) | (1,517,338) |
| Total capital assets, net | $ 1,765,954 | $ 1,814,802 |

(in thousands)

**Table 4**

**Virginia Commonwealth University**
**Health System Authority**

Schedule of Additions and Retirements

| | 2024 | 2023 |
|---|---|---|
| Capital assets – net, beginning of year | $ 1,814,802 | $ 1,796,405 |
| Additions | 45,909 | 125,799 |
| Additions, leased assets | 14,834 | 1,592 |
| Additions, SBITA assets | 17,103 | 12,423 |
| Disposals, net of accumulated depreciation | (520) | (468) |
| Depreciation, current fiscal year | (126,174) | (120,949) |
| Capital assets – net, end of year | $ 1,765,954 | $ 1,814,802 |

Capital asset additions during fiscal year 2024 and 2023 are composed of:

| | Year Ended June 30 | |
|---|---|---|
| | 2024 | 2023 |
| Children’s outpatient facility | $ 8,608 | $ 78,065 |
| New building construction and major renovation projects | 14,097 | 13,808 |
| Purchase and replacement of moveable equipment | 15,385 | 19,320 |
| Investments in information system infrastructure, business systems and equipment | 7,819 | 14,606 |
| Leased assets | 14,834 | 1,592 |
| SBITA assets | 17,103 | 12,423 |
| Total capital asset additions | $ 77,846 | $ 139,814 |

The Authority has a five-year capital plan, which includes a capital projection of $149,000 of expenditures in fiscal year 2025.

Additional information regarding the Authority’s capital assets is included in Note 5 to the basic financial statements.



(Continued)

(in thousands)

***Debt***

**Table 5**

**Virginia Commonwealth University**
**Health System Authority**

Debt

| | June 30 | |
|---|---|---|
| | **2024** | **2023** |
| General Revenue Bonds Series 2024 | $ 213,700 | $ – |
| Discount – Bonds Series 2024 | (2,345) | – |
| General Revenue Bonds Series 2021 | 59,250 | 62,714 |
| General Revenue Bonds Series 2017 | 183,080 | 188,190 |
| Premium – Bonds Series 2017 | 13,249 | 14,420 |
| General Revenue Bonds Series 2014 | 165,000 | 165,000 |
| General Revenue Bonds Series 2013 | – | 110,870 |
| Note payable | – | 100,000 |
| CMH USDA loan | 60,068 | 60,975 |
| CMH First Citizens loan | – | 359 |
| Leased assets liability | 51,095 | 47,338 |
| SBITA assets liability | 22,259 | 26,123 |
| Total | $ 765,356 | $ 775,989 |

Additional information regarding the Authority's debt is included in Note 6 to the basic financial statements.

***June 30, 2023 Compared to June 30, 2022***

**Financial Highlights**

- The Authority's net position increased by $84,163, or 2.9%, over prior year as a result of this year's results of operations.

- Patient service revenue comprises the majority of the Authority's revenues. Net patient service revenue increased by $313,281, or 11.7%, from prior year. The Authority continued to recover from the impact of COVID-19 in FY2023 and operationalized new facilities for the health system positively impacting patient service revenue. Regulatory changes and governmental reduction acts have significant effects on VCUMC's reimbursement rates given its high mix of government payors.

- The Authority reported an operating income for the year ended June 30, 2023, of $9,159, a $58,051 increase from operating loss of $48,892 for the year ended June 30, 2022, primarily driven by strong patient revenue and strong diligence managing operational expenses. The Clinical Enterprise had an increase of $56,458 in operating loss/income over prior year as a result of this year's results of operations.

- The major capital expenditures for the Authority in 2023 related to the completion of a new pediatric inpatient hospital on the VCUMC downtown Richmond campus, renovations to clinical areas, purchases of new and replacement medical equipment, and investments in major information system infrastructure and business systems. The adult outpatient building completed construction in 2022.

- In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. Since that time, VCUHSA has been operating under the declared pandemic. Our primary focus was the health and safety of our patients, employees and physicians, while ensuring we were able to provide adequate patient access throughout the pandemic. We implemented various measures to provide the safest possible environment within our facilities, expanded facility capacity and maintained full staffing throughout the pandemic to date. In May 2023, WHO declared an end to the COVID-19 public health emergency.

- As a result of COVID-19 impacts, the Authority recognized revenue of $3,737 and $22,334 from the CARES Act and other federal grants during the years ended June 30, 2023 and 2022, respectively. These items are included in non-operating revenues on the statement of revenues, expenses and changes in net position.

- Reflected in non-operating revenues and (expenses) in the financial statements for the year is income from equity method investments of $5,400 and $17,709 for the years ended June 30, 2023 and 2022, respectively. In FY2023, the Authority sold the remaining 20% ownership in Virginia Premier resulting in $61,231 gain from the sale, which is recorded in other nonoperating expenses, net. Additional information is available in Note 3 of the basic financial statements. Equity method investments totaled $3,068 as of June 30, 2023. During FY2023, the Authority terminated and defeased all obligations of the Authority under a Deed of Lease dated July 15, 2021. In connection with the transaction, the Authority was required to pay $72,998, which is also recorded in other nonoperating expenses, net.

- During FY2023, VCUHSA adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB Statement No. 96). GASB Statement No. 96 establishes a single model for SBITA accounting based on the principle that SBITAs are financings of the right-to-use an underlying asset.

(in thousands)

Under this Statement, VCUHSA was required to recognize a SBITA liability and an intangible right-to-use SBITA asset for certain of its SBITAs that were previously reported as operating expense under the previous accounting standards. As a result of the adoption of GASB Statement No. 96, amounts for the fiscal year ended June 30, 2022, reflect a retrospective increase of $33,251 for the recognition of the right-to-use assets included in capital assets, net with a corresponding increase in SBITA obligations. Implementation of this standard resulted in a decrease of $1,807 to the net position as of June 30, 2022, in the Authority's basic financial statements.

As indicated in Table 1 below, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $2,979,428 as of June 30, 2023. Of this net position 44.7% ($1,331,799) are related to capital assets, 0.9% ($27,288) are restricted funds, and the remaining 54.4% ($1,620,341) are unrestricted funds, which can be used for ongoing operations of the Authority:

**Table 1**

**Virginia Commonwealth University**
**Health System Authority**

Condensed Statements of Net Position

| | June 30 | |
|---|---|---|
| | **2023** | **2022** |
| Current assets | $ 881,953 | $ 915,282 |
| Capital assets, net | 1,814,802 | 1,796,405 |
| Other noncurrent assets | 1,558,474 | 1,570,755 |
| Total assets | 4,255,229 | 4,282,442 |
| Deferred outflows of resources | 22,947 | 26,575 |
| Total assets and deferred outflows of resources | $ 4,278,176 | $ 4,309,017 |
| Current liabilities | $ 439,533 | $ 483,069 |
| Long-term liabilities | 809,382 | 877,378 |
| Total liabilities | 1,248,915 | 1,360,447 |
| Deferred inflows of resources | 49,833 | 53,305 |
| Total liabilities and deferred inflows of resources | $ 1,298,748 | $ 1,413,752 |
| Net position: | | |
| Net investment in capital assets | $ 1,331,799 | $ 1,289,168 |
| Restricted – expendable | 4,653 | 5,768 |
| Restricted – nonexpendable | 22,635 | 21,935 |
| Unrestricted | 1,620,341 | 1,578,394 |
| Total net position | $ 2,979,428 | $ 2,895,265 |



(Continued)

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2024
(in thousands)

**Table 2**

**Virginia Commonwealth University**
**Health System Authority**

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | Year Ended June 30 | |
|---|---|---|
| | **2023** | **2022** |
| Operating revenues: | | |
| Net patient service revenue | $ 3,000,353 | $ 2,687,072 |
| Other contract revenue | 21,490 | 26,705 |
| Other operating revenue | 29,198 | 31,043 |
| Total operating revenues | 3,051,041 | 2,744,820 |
| Operating expenses: | | |
| Salaries, wages and employee benefits | 1,703,534 | 1,503,330 |
| Purchased services | 338,494 | 334,340 |
| Supplies | 706,356 | 638,843 |
| Depreciation and amortization | 120,949 | 134,487 |
| Other operating expenses | 172,549 | 182,712 |
| Total operating expenses | 3,041,882 | 2,793,712 |
| Operating income (loss) | 9,159 | (48,892) |
| Net nonoperating revenues (expenses) | 91,239 | (185,757) |
| Excess/(deficiency) of revenues over expenses before other changes in net position | 100,398 | (234,649) |
| Other changes in net position, net | (16,235) | (17,813) |
| Increase/(decrease) in net position | 84,163 | (252,462) |
| Beginning net position | 2,895,265 | 3,147,727 |
| Ending net position | $ 2,979,428 | $ 2,895,265 |

The Authority's operating revenue increased by 11.2% ($306,221) over the prior year. This increase in revenues resulted from increased patient volumes. The Clinical Enterprise had an increase of $308,882, or 10.9%, in total operating revenues over prior year as a result of this year's results of operations.

Total operating expenses increased 8.9% ($248,170). Personnel costs are the largest single cost of the Authority in 2023, comprising 56% of operating costs in 2023. An increase in personnel related costs of $200,204, or 13.3%, from prior year reflects salary and contract labor expenses required to meet market demands and the required staff levels to meet both quality and volume initiatives. The Clinical Enterprise had a net increase of $252,424, or 8.7%, in total operating expenses over prior year as a result of this year's results of operations.

(in thousands)

## Capital Asset and Debt Administration

### *Capital Assets*

The Authority's net capital assets increased by $18,397, or 1.0%, over prior year amounts.

**Table 3**

**Virginia Commonwealth University**
**Health System Authority**

Capital Assets

| | 2023 | 2022 |
|---|---|---|
| Land | $ 25,468 | $ 25,468 |
| Land improvements | 6,984 | 6,984 |
| Buildings and fixed equipment | 2,068,752 | 1,651,901 |
| Moveable equipment | 992,967 | 918,193 |
| Construction in progress | 109,592 | 482,085 |
| Leased assets | 71,698 | 70,442 |
| SBITA assets | 56,679 | 44,256 |
| | 3,332,140 | 3,199,329 |
| Accumulated depreciation and impairment | (1,517,338) | (1,402,924) |
| Total capital assets, net | $ 1,814,802 | $ 1,796,405 |

(in thousands)

**Table 4**

**Virginia Commonwealth University**
**Health System Authority**

Schedule of Additions and Retirements

| | 2023 | 2022 |
|---|---|---|
| Capital assets – net, beginning of year | $ 1,796,405 | $ 1,492,151 |
| Additions | 125,799 | 378,233 |
| Additions, leased assets | 1,592 | 16,252 |
| Additions, SBITA assets | 12,423 | 44,256 |
| Disposals, net of accumulated depreciation | (468) | – |
| Depreciation, current fiscal year | (120,949) | (134,487) |
| Capital assets – net, end of year | $ 1,814,802 | $ 1,796,405 |

Capital asset additions during fiscal year 2023 and 2022 are composed of:

| | Year Ended June 30 | |
|---|---|---|
| | 2023 | 2022 |
| Adult outpatient facility | $ 3,189 | $ 40,746 |
| Children's outpatient facility | 78,065 | 147,818 |
| Major renovation projects | 8,599 | 42,419 |
| Purchase and replacement of moveable equipment | 19,320 | 65,195 |
| New building purchase and construction | 2,020 | 13,858 |
| Investments in information system infrastructure, business systems and equipment | 14,606 | 68,197 |
| Leased assets | 1,592 | 16,252 |
| SBITA assets | 12,423 | 44,256 |
| Total capital asset additions | $ 139,814 | $ 438,741 |

The Authority has a five-year capital plan, which includes a capital projection of $100,000 of expenditures in fiscal year 2024.

Additional information regarding the Authority's capital assets is included in Note 5 to the basic financial statements.

(in thousands)

***Debt***

**Table 5**

**Virginia Commonwealth University**
**Health System Authority**

Debt

| | June 30 | |
|---|---|---|
| | **2023** | **2022** |
| General Revenue Bonds Series 2021 | $ 62,714 | $ 66,086 |
| General Revenue Bonds Series 2017 | 188,190 | 193,050 |
| Premium – Bonds Series 2017 | 14,420 | 15,628 |
| General Revenue Bonds Series 2014 | 165,000 | 200,000 |
| General Revenue Bonds Series 2013 | 110,870 | 112,180 |
| Note payable | 100,000 | 100,000 |
| Capital leases | – | 144 |
| CMH USDA loan | 60,975 | 61,851 |
| CMH First Citizens loan | 359 | 2,473 |
| Leased assets liability | 47,338 | 56,140 |
| SBITA assets liability | 26,123 | 30,554 |
| Total | $ 775,989 | $ 838,106 |

Additional information regarding the Authority's debt is included in Note 6 to the basic financial statements.

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Statements of Net Position – Enterprise Fund

June 30, 2024
(In thousands)

| | June 30 | |
|---|---|---|
| | **2024** | **2023** |
| **Assets and deferred outflows of resources** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 340,400 | $ 321,578 |
| Restricted cash | 113 | 137 |
| Patient accounts receivable, net | 484,194 | 381,652 |
| Settlements due from third-party payors | 131,118 | 38,578 |
| Other accounts receivable | 30,953 | 49,064 |
| Due from related parties | 1,373 | 190 |
| Current portion of assets whose use is designated | 8,000 | 7,400 |
| Supplies and other current assets | 93,057 | 83,354 |
| Total current assets | 1,089,208 | 881,953 |
| Capital assets: | | |
| Land | 25,424 | 25,468 |
| Depreciable capital assets, net | 1,632,711 | 1,607,926 |
| Construction in progress | 35,315 | 109,592 |
| Leased assets, net | 45,051 | 41,537 |
| SBITA assets, net | 27,453 | 30,279 |
| Total capital assets, net | 1,765,954 | 1,814,802 |
| Other assets: | | |
| Assets whose use is restricted | 42,077 | 39,523 |
| Assets whose use is designated, less current portion | 1,612,524 | 1,436,501 |
| Long-term investments | 74,612 | 57,106 |
| Equity method investments | 3,269 | 3,068 |
| Other assets | 21,124 | 22,276 |
| Total other assets | 1,753,606 | 1,558,474 |
| Total assets | 4,608,768 | 4,255,229 |
| Deferred outflows of resources: | | |
| Interest rate swap | 1,213 | – |
| Deferred loss on debt refunding | 18,116 | 20,057 |
| Pension and postretirement related deferred outflows | 3,507 | 2,890 |
| Total deferred outflows of resources | 22,836 | 22,947 |
| Total assets and deferred outflows of resources | $ 4,631,604 | $ 4,278,176 |

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Statements of Net Position – Enterprise Fund (Continued)
(In thousands)

| | June 30 | |
|---|---|---|
| | **2024** | **2023** |
| **Liabilities, deferred inflows of resources and net position** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 15,746 | $ 11,200 |
| Current portion of lease obligations | 10,809 | 9,299 |
| Current portion of SBITA obligations | 13,357 | 14,724 |
| Trade accounts payable | 115,502 | 132,160 |
| Settlements due to third-party payors | 50,073 | 124,841 |
| Accrued salaries, wages and employee benefits | 77,068 | 67,519 |
| Accrued leave | 44,326 | 40,859 |
| Accrued interest payable | 10,490 | 12,667 |
| Current portion of estimated workers' compensation claims | 1,600 | 1,100 |
| Current portion of estimated losses on malpractice claims | 6,400 | 6,300 |
| Other accrued liabilities | 19,961 | 18,864 |
| Total current liabilities | 365,332 | 439,533 |
| | | |
| Other liabilities: | | |
| Long-term debt, less current portion | 676,257 | 691,328 |
| Long-term lease obligations | 40,286 | 38,040 |
| Long-term SBITA obligations | 8,901 | 11,399 |
| Estimated workers' compensation claims | 4,936 | 6,343 |
| Estimated losses on malpractice claims | 22,232 | 23,737 |
| Fair value of hedging derivatives | 9,910 | 13,193 |
| Net pension and postretirement liability | 16,812 | 19,573 |
| Other liabilities | 37,644 | 5,769 |
| Total liabilities | 1,182,310 | 1,248,915 |
| | | |
| Deferred inflows of resources: | | |
| Change in fair value of interest rate swap | – | 17,183 |
| Deferred gain on debt refunding | 21,366 | – |
| Pension and postretirement related deferred inflows | 10,949 | 15,235 |
| Right to use leases | 16,030 | 17,415 |
| Total deferred inflows of resources | 48,345 | 49,833 |
| Total liabilities and deferred inflows of resources | 1,230,655 | 1,298,748 |
| | | |
| Net position: | | |
| Net investment in capital assets | 1,169,350 | 1,331,799 |
| Restricted for: | | |
| Expendable | 4,856 | 4,653 |
| Nonexpendable permanent endowment | 24,299 | 22,635 |
| Unrestricted | 2,202,444 | 1,620,341 |
| Total net position | 3,400,949 | 2,979,428 |
| Total liabilities, deferred inflows of resources and net position | $ 4,631,604 | $ 4,278,176 |

*See accompanying notes to basic financial statements.*

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Statements of Revenues, Expenses and Changes in Net Position – Enterprise Fund
(In thousands)

| | Year Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| Operating revenues: | | |
| Net patient service revenue | $ 3,497,494 | $ 3,000,353 |
| Other contract revenue | 19,588 | 21,490 |
| Other operating revenue | 26,221 | 29,198 |
| | 3,543,303 | 3,051,041 |
| Operating expenses: | | |
| Salaries and wages | 1,448,642 | 1,369,554 |
| Employee benefits | 338,201 | 333,980 |
| Purchased services | 363,193 | 338,494 |
| Supplies | 796,764 | 706,356 |
| Other expenses | 172,144 | 172,549 |
| Provision for depreciation and amortization | 126,173 | 120,949 |
| | 3,245,117 | 3,041,882 |
| Operating income | 298,186 | 9,159 |
| Nonoperating revenues and (expenses): | | |
| Investment income | 213,764 | 117,596 |
| Interest expense | (33,716) | (32,445) |
| Other nonoperating expense, net | (51,042) | (19,175) |
| Income from equity method investments | – | 5,400 |
| CARES Act and other COVID-19 revenue | 2,607 | 3,737 |
| Donations and gifts, net | 12,708 | 16,126 |
| Nonoperating revenues and (expenses), net | 144,321 | 91,239 |
| Income before change in beneficial trust and transfers | 442,507 | 100,398 |
| Change in beneficial interest in trusts | 1,646 | 703 |
| Transfer to affiliates | (22,632) | (16,938) |
| Increase in net position | 421,521 | 84,163 |
| Net position at beginning of year | 2,979,428 | 2,895,265 |
| Net position at end of year | $ 3,400,949 | $ 2,979,428 |

*See accompanying notes to basic financial statements.*

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Statements of Cash Flows – Enterprise Fund
(In thousands)

| | Year Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| **Operating activities** | | |
| Cash received from third-party payors and patients | $ 3,225,994 | $ 3,074,996 |
| Cash paid to employees and employee benefits | (1,780,741) | (1,732,213) |
| Cash paid to suppliers | (1,355,685) | (1,217,409) |
| Other operating cash receipts, net | 45,414 | 46,139 |
| Net cash provided by operating activities | 134,982 | 171,513 |
| **Noncapital financing activities** | | |
| Donations and gifts, net | 12,708 | 16,126 |
| Transfers to affiliates | (22,632) | (16,939) |
| Principal paid on debt | (100,925) | – |
| Cash paid for interest | (15,538) | – |
| Accelerated Medicare advance repayments | – | (26,679) |
| CARES Act federal funding and Virginia Coronavirus Relief Fund funding | 1,036 | 1,814 |
| Net cash used in noncapital financing activities | (125,351) | (25,678) |
| **Capital and related financing activities** | | |
| Purchases of capital assets | (45,909) | (115,900) |
| Proceeds from issuance of bonds | 211,336 | – |
| Principal paid on long-term debt | (119,784) | (47,675) |
| Principal paid on lease liabilities | (11,077) | (10,394) |
| Principal paid on SBITA liabilities | (20,967) | (16,854) |
| Cash paid for interest | (19,879) | (29,493) |
| Cash paid to terminate real estate lease | – | (74,360) |
| Other financing cash flows | (7,647) | (4,027) |
| Net cash used in financing cash flows | (13,927) | (298,703) |
| **Investing activities** | | |
| Interest and dividends on investments | 22,580 | 10,111 |
| Purchases of investments | (182,609) | (112,683) |
| Proceeds from sales of investments | 173,463 | 182,528 |
| Net proceeds from sale of Virginia Premier Health Plan | 3,900 | 88,601 |
| Dividends from investment in Virginia Premier Health Plan | – | 18,600 |
| Equity contributions on joint venture | – | 5,400 |
| Net cash provided by investing activities | 17,334 | 192,557 |
| Net increase in cash and cash equivalents | 13,038 | 39,689 |
| Cash and cash equivalents at beginning of year | 342,051 | 302,362 |
| Cash and cash equivalents at end of year | $ 355,089 | $ 342,051 |
| Reconciliation of cash and cash equivalents at end of year to the basic statements of net position – enterprise fund: | | |
| Cash and cash equivalents | $ 340,400 | $ 321,578 |
| Restricted cash | 113 | 137 |
| Assets whose use is restricted | 14,576 | 20,336 |
| Total cash and cash equivalents | $ 355,089 | $ 342,051 |

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Statements of Cash Flows – Enterprise Fund
(In thousands)

| | Year Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | $ 298,187 | $ 9,159 |
| Depreciation and amortization | 126,173 | 120,949 |
| Loss on disposal of capital assets | 520 | 74 |
| Change in: | | |
| Patient A/R | (102,541) | 59,829 |
| Third-party settlements | (168,959) | 14,815 |
| Other A/R | 5,760 | (3,530) |
| Due to/from affiliates | (1,183) | 2,161 |
| Supplies and other assets | (8,624) | 4,025 |
| Accounts payable | (16,657) | (10,738) |
| Accrued salaries | 9,549 | (20,305) |
| Accrued leave | 3,467 | 2,636 |
| Workers' comp accrual | (907) | (1,561) |
| Malpractice accrual | (1,406) | 2,705 |
| Other liabilities | (8,397) | (8,706) |
| Net cash provided by operating activities | $ 134,982 | $ 171,513 |
| **Supplemental disclosure of cash flow information** | | |
| **Supplemental schedule of non-cash operating activity:** | | |
| Capital asset purchases in trade accounts payable | $ – | $ 9,506 |
| Lease receivable | 17,330 | 18,462 |
| Deferred inflows of resources – leases | 16,029 | 17,415 |
| **Supplemental schedule of non-cash capital and related financing activity:** | | |
| Lease assets | $ 14,834 | $ 1,592 |
| Lease liabilities | 14,834 | 1,592 |
| SBITA assets | 17,103 | 12,423 |
| SBITA liabilities | 17,103 | 12,423 |

*See accompanying notes to basic financial statements.*

## (1) Reporting Entity

Virginia Commonwealth University Health System Authority (the Authority or VCUHSA) is a public corporate body and political subdivision of the Commonwealth of Virginia created and established by an Act of the General Assembly of the Commonwealth of Virginia during 1996. The Authority is tax exempt as an integral part of the Commonwealth of Virginia.

The Authority's principal activity is operation of the Medical College of Virginia Hospitals (VCUMC), MCV Associated Physicians (MCVAP), Community Memorial Hospital, Inc. and subsidiaries (CMH), VCU Health Tappahannock Hospital (TAPP), VCU Health Children's Services at Brook Road (Children's), Virginia Children's Care Network, LLC (VCCN), VCU Health Ambulatory Surgical Center, LLC (ASC), University Health Services, Inc. and subsidiaries (UHS) and Aries Insurance Services, Ltd (ARIES). Each of these is considered a component unit of the Authority as the Authority has the voting majority of the governing body of each entity and has the ability to impose its will on the organizations as defined under generally accepted accounting standards as promulgated by the Governmental Accounting Standards Board. In addition, each component unit is blended into the primary enterprise for purposes of financial statement reporting.

VCUMC is an approximately 800-bed teaching hospital which provides inpatient, outpatient and emergency care services primarily to patients in the Commonwealth of Virginia. The VCUMC campus includes the Children's Hospital of Richmond and the Adult Outpatient Pavilion, both located in downtown Richmond.

MCVAP, formed in 1991 as a nonstock, not-for-profit charitable educational organization with the Authority as sole corporate member, functions as the group practice plan for those physicians and health care professionals who have faculty appointments in the Virginia Commonwealth University (VCU) School of Medicine (SOM).

CMH, located in South Hill, Virginia, is a not-for-profit healthcare facility. CMH provides inpatient, outpatient, emergency care and long-term care for residents of Southside Virginia. CMH Physician Services, LLC (CMHP) is a component unit of CMH and operates outpatient clinics in South Hill, Clarksville and Chase City, Virginia. CMHP is organized as a single member limited liability company, of which CMH is the sole member. CMHP is disregarded for tax purposes. Community Memorial Foundation (CMH Foundation), a component unit of CMH, was established to solicit, administer and distribute funds to support the charitable purpose of CMH.

TAPP, located in the eastern neck of Virginia, is a not-for-profit healthcare facility. TAPP is a 67-bed hospital which provides services ranging from traditional hospital care to intensive care. In January 2021, the Authority purchased TAPP from Riverside Hospital.

Children's was created in 1920 and is a Virginia not-for-profit corporation. The 47-bed hospital provides pediatric specialty care to both inpatients and outpatients. On January 1, 2021, the outpatient therapy service and operating room from Children's now operate under the license of VCUMC. The dental clinic is still operated on site and is part of the overall business of Children's.

VCCN was created in April 2020 as a single member limited liability company in the Commonwealth of Virginia. It is the first clinically integrated network for VCUHSA. The network was established to improve the health of Virginia's children by improving access to medical services, coordinating care, enhancing communication and professional satisfaction, and expanding opportunities for quality, safety, research and education.

ASC was created in May 2021 as a single member limited liability company in the Commonwealth of Virginia. ASC was created to provide ambulatory surgical services to preserve and restore the health of patients in the Richmond community, Virginia and beyond.

UHS is a not-for-profit, nonstock, tax-exempt corporation, which was incorporated in January 1995 to support the educational, scientific, and charitable purpose and activities of VCU and, in particular, the activities of the SOM and VCUMC. These activities include, but are not limited to, activities undertaken pursuant to Section 23-50.16B of the Code of Virginia. UHS is the sole member of UHS Professional Education Programs, Inc. (UHS PEP), which was also created in 1995 for the purpose of providing educational programs for VCUMC physicians and other physicians within and outside of Virginia.

ARIES is a wholly owned, captive insurance company domiciled in the Cayman Islands, which was incorporated in May 2018 to manage certain insurance risks and reduce insurance costs to the companies that comprise the Authority. Policies may cover, but are not limited to, health care professional liability, general liability, medical professional liability, commercial automobile liability, affiliated miscellaneous liability, worker compensation, excess umbrella coverage, and related risks of the Authority and certain affiliates.

The financial statements as of June 30, 2023 include the Authority's equity interest investments with Virginia Premier Health Plan, Sheltering Arms Institute, Health at Home, LLC and HealthEco CPP SPV I, LLC. During fiscal year 2023, the remaining equity interest in Virginia Premier was sold. The financial statements as of June 30, 2024 include the Authority's equity interest investments with Sheltering Arms Institute, Health at Home, LLC and HealthEco CPP SPV I, LLC. The investments are reported using the equity method.

## (2) Summary of Significant Accounting Policies

### *(a) Principles of Presentation*

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses, as appropriate. All significant inter-fund balances and transfers have been eliminated in the accompanying basic financial statements.

The enterprise fund is used to account for the Authority's ongoing activities.

The Governmental Accounting Standards Board (GASB) establishes standards for external financial reporting for all state and local governmental entities. These standards require a statement of net position, a statement of activities and changes in net position and a statement of cash flows. They also require the classification of net position into three components – net investment in capital assets; amounts that are restricted; and amounts that are unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, lease and subscription based liabilities or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same component as the unspent amount.

- *Restricted* – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets are either expendable or nonexpendable. Nonexpendable assets are those that are required to be retained in perpetuity.

- *Unrestricted* – This component is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The accounting policies and practices of the Authority are in accordance with U.S. generally accepted accounting principles applicable to a proprietary fund of a government unit, promulgated by the Governmental Accounting Standards Board. The financial statement presentation and significant accounting policies adopted by the Authority conform to general practice within the governmental healthcare industry, as published by the American Institute of Certified Public Accountants in its audit and accounting guide, *Health Care Organizations*.

### *(b) Enterprise Fund Accounting*

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using economic resources measurement focus.

### *(c) Cash Equivalents*

Cash and cash equivalents, excluding amounts shown within assets whose use is restricted, assets whose use is designed and investments, consist of cash, money market funds invested in mutual funds and highly liquid instruments with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Authority has not experienced such losses on these funds**.**

### *(d) Investments and Investment Income*

Investments in marketable debt and equity securities are carried at fair value based on quoted market prices. Investments in nonreadily determinable securities, including investment companies and limited partnerships, are accounted for at fair value using net asset value (NAV) as a practical expedient based on the underlying net asset value of the investment. Changes in market conditions and the economic environment may significantly impact the investments' net asset value and the carrying value of the Authority's interest. The Authority's ownership structure does not provide for control over the related investees and the Authority's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Individual investment holdings within the nonreadily determinable investments include non-marketable and market traded debt, equity and real asset securities and interests in other alternative investments. The Authority may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options and other derivative products. Such investments often have liquidity restrictions under which the Authority's capital may be divested only at specified times. Financial information used by the Authority to evaluate its nonreadily determinable investments is provided by the investment manager or general partner and includes valuations (based on quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investee companies does not coincide with the Authority's annual financial statement reporting. There is uncertainty in the accounting for nonreadily determinable investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investment income, including net realized and unrealized gains or losses, is reported as nonoperating revenues. The income earned on nonexpendable restricted funds is restricted primarily for indigent care. Gains and losses from the sale of securities are recorded using specific identification.

### *(e) Equity Method Investments*

The equity method of accounting is used for investments in companies where the Authority has the ability to exercise significant influence over operating and financial policies of an investee even though the Authority holds 50 percent or less of the voting interest. These investments are accounted for under the equity method because either the Authority has joint control or a minority interest in a legally separate entity. Equity method investments are accounted for initially at cost and are subsequently adjusted for the Authority's share of the joint venture's change in net position, regardless of whether the amount is actually remitted.

At June 30, 2024, the Authority's 45% ownership interest in the Sheltering Arms Corporation joint venture (Rehab JV), 49% ownership interest in Health at Home, LLC and 45% ownership interest in HealthEco CPP SPV I, LLC (HealthEco is the holder of Kallaco equity securities) are the investments accounted for under the equity method. During fiscal year 2023, the Authority sold the 20% ownership interest in Virginia Premier. The agreement includes calculations associated with claims through December 2025.

The Authority reviews the carrying value of its equity method investments on a regular basis and considers whether any factors exist that might indicate an impairment in value that is other than temporary. At June 30, 2024 and 2023, the Authority determined that no such factors existed with respect to those investments.

### *(f) Allowance for Doubtful Accounts*

The Authority records an allowance for doubtful accounts during the period in which collection is considered doubtful. The allowance for doubtful accounts was approximately $141,406 and $137,960 at June 30, 2024 and 2023, respectively.

### *(g) Assets Whose Use Is Restricted and Assets Whose Use Is Designated*

Resources restricted for debt service under bond indenture agreements, by donors, and amounts held by Children's Hospital Foundation, are reported as assets whose use is restricted; unrestricted resources appropriated or designated by the Board of Directors for quasi-endowment, capital acquisition, medical malpractice program, workers' compensation program and other designated purposes are reported as assets whose use is designated; and all are carried at fair value. Quasi-endowment investments have been designated by the Board of Directors to function as an endowment, in that the principal is to be retained and invested, but may be spent at any time at the discretion of the Board of Directors. All assets whose use is restricted or designated, except for the portion required for the payment of current liabilities, are classified as noncurrent assets.

Restricted resources limited by donors to a specific period or purpose are also reported as assets whose use is restricted. These assets consist principally of beneficial interests in perpetual trust funds established by split-interest agreements. Split-interest agreements are trust agreements established by donors under which the Authority receives benefits that are shared with other beneficiaries. The trust agreements established by donors provide for a third party to hold the trust assets. These trusts do not permit donors to revoke their charitable contributions. Trust assets of $21,512 and $19,866 are restricted by donors for VCUMC in perpetuity and are included in assets whose use is restricted at June 30, 2024 and 2023, respectively.

***(h) Supplies Inventory***

Supplies inventory is stated at the lower of cost (first-in, first-out method) or market.

***(i) Capital Assets***

Capital assets are stated at cost or, if donated or impaired, at fair value at the date of donation or impairment, respectively. The Authority capitalizes expenditures for equipment when the unit acquisition cost is $5 or greater and the estimated useful life is greater than one year.

Depreciation on capital assets, excluding land and construction in progress, is computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is 10 to 40 years for buildings and fixed equipment and 3 to 20 years for moveable equipment. Expenditures for construction in progress are carried as nondepreciable assets and capitalized when the asset is placed in service.

***(j) Derivative Financial Instruments***

VCUHSA uses interest rate swap agreements to limit exposure to rising interest rates on its variable-rate debt. Interest rate differentials to be paid or received as a result of the swap agreements are accrued and recognized as an adjustment of interest expense related to the associated debts. Derivatives are recognized on the statements of net position at their fair value. Fair value is calculated using the zero-coupon method, which considers known and projected contractual cash flows. VCUHSA assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items. Changes in the fair value of a derivative that are effective, designated and qualified as cash flow hedges are recorded as deferred inflows or outflows on the accompanying statements of net position.

***(k) Lease Obligations and Right-to-Use Lease Assets***

Effective July 1, 2021, VCUHSA adopted GASB Statement No. 87, *Leases* (GASB Statement No. 87). GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. GASB Statement No. 87 requires a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions. As such, VCUHSA recognized a lease obligation and right-to-use asset for agreements whereby VCUHSA obtains the right to the present service capacity of the underlying asset and the right to determine the nature and manner of use of the underlying assets for a period of one year or greater.

VCUHSA is a lessee for non-cancellable leases. The lease obligations represent the net present value of payments expected to be made during the lease term, and VCUHSA then reduces the liability by the principal portion of the lease payments. VCUHSA monitors changes in circumstances that would require a re-measurement of a lease. Most of the leases include one or more options to renew, and have terms that range from 3 to 15 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from the measurement since VCUHSA is not reasonably certain it will exercise options to extend the leases. Lease payments are apportioned between interest expense and the principal based on the effective interest method.

The right-to-use asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date and adjusted for certain costs. The right-to-use lease assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position.

***(l) Subscription Based Information Technology Arrangements (SBITA)***

In fiscal year 2023, VCUHSA adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB Statement No. 96). GASB Statement No. 96 establishes a single model for SBITA accounting and that a SBITA would result in a right-to-use intangible subscription asset and a corresponding subscription liability. The statement also defines a SBITA and provides the criteria for outlays other than subscription payments, including implementation costs of a SBITA. As such, VCUHSA recognized a subscription obligation and a right-to-use intangible subscription asset for agreements whereby VCUHSA obtains the right to the present service capacity of the underlying assets for a period greater than one year.

VCUHSA's SBITA obligations represent the net present value of payments expected to be made during the subscription term, and VCUHSA then reduces the liability by the principal portion of the subscription payment. VCUHSA monitors changes in circumstances that would require a re-measurement of a SBITA. Some of the SBITAs include options to renew and have terms that range from 2 to 5 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from measurement since VCUHSA is not reasonably certain it will exercise the options to extend the SBITAs. Subscription payments are apportioned between interest expense and the principal based on the effective interest method. The right-to-use intangible asset is measured as the sum of the initial subscription liability amount, adjusted for payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs. The right-to-use intangible subscription assets are amortized using the straight-line method over the subscription term. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position.

***(m) Accrued Leave***

The Authority records a liability for all paid time off and related payroll taxes expected to be paid.

### *(n) Estimated Workers' Compensation Claims*

Effective July 2019, the Authority obtains workers' compensation coverage through ARIES. ARIES provides for the liability on a blended discounted and undiscounted basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported. The liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

### *(o) Estimated Losses on Malpractice Claims*

VCUMC is self-insured for medical malpractice and provides for the liability on an undiscounted basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported. The liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

MCVAP obtains medical malpractice coverage through ARIES. ARIES provides for the liability on a present value basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported, discounting future expected payments assuming a zero to two percent expected investment yield. The liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

### *(p) Clinical Earnings Support to VCU School of Medicine*

MCVAP is required by agreement with the VCU SOM to provide financial support for VCU SOM's academic and educational goals. This support is based on a percentage of net patient service revenue, as defined, and may be used for academic, research, clinical or operational costs at the discretion of the Dean of the VCU SOM. The Dean has directed that all unspent support remain a designated unrestricted fund balance of MCVAP until such time as the amounts are needed for a designated purpose. These assets who use is designated totaled approximately $62,984 and $56,255 at June 30, 2024 and 2023, respectively, and are included in unrestricted net position in the accompanying statements of net position.

### *(q) Operating Revenues and Expenses*

The Authority's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care and other core services. Nonexchange revenues, including investment income and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Donations and gifts represent amounts received from and given to other not-for-profit organizations, including MCV Foundation (related entity), and are reported as nonoperating revenues (expenses). CARES Act and other COVID-19 funding represent amounts received as grants from various federal and state agencies and are reported as nonoperating revenues.

### *(r) Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payors, and include estimated retroactive adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments and settlements become known or as years are no longer subject to such audits, reviews, appeals and investigations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The effect of these settlement adjustments, including final settlements and updated cost report estimates, was to increase the Authority's net patient service revenue by approximately $170,812 and $71,129 in 2024 and 2023, respectively. Estimated settlements due to and from third-party payors include amounts that are currently under appeal with various federal and state agencies.

Net patient service revenue includes an estimate of uncollectible charges which is a deduction from gross revenue. The Authority's estimated cost associated with these charges is approximately $197,223 and $126,273 for the years ended June 30, 2024 and 2023, respectively.

The Authority has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of payment arrangements with major third-party payors follows:

*Anthem* – Inpatient acute care services rendered to Anthem subscribers are paid at prospectively determined rates per discharge or discounted rates. Outpatient services rendered to Anthem subscribers are paid at discounted rates or applicable fee schedule. The rates can be subject to retroactive adjustments based on quality standards or calculations above a predetermined charge increase percentage.

*Medicare* – Inpatient acute care services and defined capital costs rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and education related to Medicare beneficiaries are paid based on prospectively determined rates and a discounted cost payment methodology. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's Medicare cost reports have been final audited by the Medicare fiscal intermediary through June 30, 2016.

*Medicaid* – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a per diem rate and APDRG (rates per discharge) prospective payment system rates on an interim basis but eventually settled to a percentage of cost. Outpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates and a cost reimbursement methodology. In addition to inpatient and outpatient services provided to Medicaid program beneficiaries, Medicaid reimburses the Authority most of its costs related to services provided to indigent patients and its education mission, which resulted in total Medicaid and indigent reimbursement to the Authority of approximately $791,260 and $753,896 in 2024 and 2023, respectively. The Authority's Medicaid cost reports have been audited by the Medicaid program representative through June 30, 2020.

***(s) Charity Care***

The Authority provides care to patients who meet certain criteria under its indigent care policy without charge or at amounts less than its established rates. Since the Authority does not pursue collection of charges determined to qualify as uncompensated care from these patients, they are not reported as revenue. The costs of providing these services are included in the Authority's operating expenses. Medicaid reimburses the Authority for a substantial portion of its costs of providing services to Medicaid and indigent patients. The Authority's estimated costs for the services provided for uncompensated care, net of reimbursement from the Commonwealth of Virginia, approximated $19,189 for the years ended June 30, 2024 and 2023, respectively.

***(t) Income Taxes***

The Authority is exempt from federal and state income taxes because it is a political subdivision of the Commonwealth of Virginia.

MCVAP, CMH, Children's, TAPP, VCCN, ASC and UHS are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

ARIES is a licensed insurer in the Cayman Islands where no tax is assessed on income or capital gains.

***(u) Use of Estimates***

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include valuation of patient accounts receivable, self-insurance liabilities, third-party settlements, and the carrying amount of capital assets, derivative financial instruments and investments.

***(v) Recent Accounting Pronouncements***

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement were delayed by the issuance of Statement No. 95 and are effective for reporting periods beginning after December 15, 2021. The Authority adopted the final portions of this guidance during the year ended June 30, 2023. There was no material impact on the financial statements as a result of adoption.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of certain exchange or exchange-like financial guarantees within the scope of Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt

- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)

- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,* as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Authority adopted certain portions of this guidance for the year ended June 30, 2023. There was no material impact on the financial statements as a result of adoption.

In June 2022, GASB issued Statement No. 101, *Compensated Absences.* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority is in the process of evaluating the impact of this Statement on its basic financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following: (1) The concentration or constraint (2) Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) Actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. The Authority is in the process of evaluating the impact of this Statement on its basic financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. This Statement requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements. This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Authority is in the process of evaluating the impact of this Statement on its basic financial statements.

***(w) COVID-19 Pandemic and CARES Act Funding Footnote***

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. Shortly thereafter, the governor of Virginia issued restrictions on nonessential and elective surgeries. In March 2020, the Authority took proactive measures to prepare to serve the potential capacity issues predicted for the Commonwealth of Virginia and procure needed supplies. The Authority’s primary focus as the effects of COVID-19 began to impact its facilities was the health and safety of our patients, employees and physicians, while ensuring we were able to provide adequate patient access throughout the pandemic. The Authority implemented various measures to provide the safest possible environment within our facilities, expanded facility capacity and maintained full staffing throughout the pandemic to date. In May 2020, reactivation efforts began with patient volumes returning to pre-COVID-19 levels in many key areas during June 2020. In May 2023, the WHO declared an end to the COVID-19 public health emergency.

The Authority has received $149,467 from various provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and FEMA of which approximately $2,607 and $3,737 has been recognized as nonoperating revenue in the 2024 and 2023 statements of revenues, expenses and changes in net position, respectively. The Authority recognizes nonoperating revenue as income when there is reasonable assurance that the grant conditions are met. These estimates could change materially based on the evaluation of lost revenue or expenses related to COVID-19 as well as the evolving grant compliance guidance provided by the government. Additionally, the Authority received approximately $180,032 of Medicare advance payments as part of the CMS Accelerated and Advance Payments Program during fiscal year 2020, which were recorded with a corresponding liability. Repayment of the advanced funds began in fiscal year 2021; the Authority has paid all remaining balances as of June 30, 2024.

## (3) Cash, Cash Equivalents, Deposits, Short-Term and Long-Term Investments, Assets Whose Use Is Restricted and Designated and Equity Method Investments

At June 30, 2024 and 2023, the carrying values of the Authority's cash and cash equivalent deposits totaled $340,400 and $321,578, respectively. Deposits are placed with banks, savings and loan institutions which are generally protected by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). In accordance with the Act, the depository institution pledged collateral with a market value equal to 105% of the Authority's deposits with a third-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it and reimburse the Authority up to the value of its deposits. At June 30, 2024 and 2023, the Authority had $24,764 and $31,394, respectively, in uncollateralized cash and cash equivalents.

In accordance with the Authority's Investment Policy Statement, adopted by the Board of Directors, the Authority's investment portfolio assets may be invested in numerous asset classes, with risk parameters established on the underlying exposure to Equity, Real Assets, Credit, Government Bonds and Cash.

*Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At June 30, 2024 and 2023, the Authority had $130,862 and $126,420, respectively, in fixed income investments, whose value could fluctuate over time due to interest rate fluctuations.

*Credit Risk* – Credit risk is the risk that a fixed income issuer or other investment counterparty will not fulfill their obligations as required by the investment security. The investment portfolio is monitored and evaluated on a quarterly basis by the Authority's investment advisor and Finance Committee of the Board of Directors to ensure credit risk is kept at an appropriately low level.

At June 30, 2024, the credit quality ratings for the Authority's fixed income investments were 42% AAA (asset-backed securities, money market funds, corporate bonds and mortgage-backed securities), 6% AA (asset-backed securities and corporate bonds), 27% A (asset-backed securities, corporate and municipal bonds) and 25% below A (asset-backed securities and corporate bonds).

At June 30, 2023, the credit quality ratings for the Authority's fixed income investments were 44% AAA (asset-backed securities, money market funds, corporate bonds and mortgage-backed securities), 5% AA (asset-backed securities and corporate bonds), 30% A (asset-backed securities, corporate and municipal bonds) and 21% below A (asset-backed securities and corporate bonds).

(In thousands)

Assets whose use is restricted, assets whose use is designated and investments are summarized as follows:

| | June 30 | |
|---|---|---|
| | **2024** | **2023** |
| Enterprise funds: | | |
| Assets whose use is restricted: | | |
| Externally restricted: | | |
| By donors | $ 22,171 | $ 20,442 |
| Under bond indenture | 14,380 | 14,022 |
| Held by Children's Hospital Foundation | 5,526 | 5,059 |
| | 42,077 | 39,523 |
| Assets whose use is designated for: | | |
| Medical malpractice | 28,632 | 30,037 |
| Innovation fund | 3,975 | 5,828 |
| Community Partnership fund | 6,456 | 6,456 |
| Workers' compensation | 6,536 | 7,443 |
| Auto, general and miscellaneous professional liability insurance | 5,732 | 5,397 |
| Capital acquisition | – | 9,521 |
| Quasi-endowment | 1,569,193 | 1,379,219 |
| | 1,620,524 | 1,443,901 |
| Other investments | 74,612 | 57,106 |
| Total | $ 1,737,213 | $ 1,540,530 |

(In thousands)

As of June 30, 2024 and 2023, investments (including assets whose use is restricted and designated) and deposits consist of and mature, as applicable, as follows:

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | **Fair Value** | **Less Than 1** | **1 to 5** | **6 to 10** | **More Than 10** |
| **2024** | | | | | |
| Investments: | | | | | |
| U.S. Treasury notes | $ 11,626 | $ 1,505 | $ 5,538 | $ 2,110 | $ 2,473 |
| Asset-backed securities | 62,179 | – | 18,731 | 15,793 | 27,655 |
| Agency-backed mortgages | 15,110 | 1,014 | 2,393 | 87 | 11,616 |
| Money market funds | 22,227 | 22,227 | – | – | – |
| Corporate bonds and notes and municipal securities | 41,948 | 11,020 | 17,802 | 2,699 | 10,427 |
| Beneficial interest in perpetual Trust | 21,512 | N/A | N/A | N/A | N/A |
| Beneficial interest in Children's Hospital Foundation | 5,526 | N/A | N/A | N/A | N/A |
| Index funds | 64,285 | N/A | N/A | N/A | N/A |
| Marketable equity securities | 62,584 | N/A | N/A | N/A | N/A |
| Investment companies | 1,412,710 | N/A | N/A | N/A | N/A |
| Real estate | 2,930 | N/A | N/A | N/A | N/A |
| | 1,722,637 | 35,766 | 44,464 | 20,689 | 52,171 |
| Deposits: | | | | | |
| Cash | 14,576 | – | – | – | – |
| | $ 1,737,213 | $ 35,766 | $ 44,464 | $ 20,689 | $ 52,171 |

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | **Fair Value** | **Less Than 1** | **1 to 5** | **6 to 10** | **More Than 10** |
| **2023** | | | | | |
| Investments: | | | | | |
| U.S. Treasury notes | $ 13,175 | $ 4,623 | $ 6,031 | $ 113 | $ 2,408 |
| Asset-backed securities | 59,540 | – | 21,729 | 5,409 | 32,402 |
| Agency-backed mortgages | 14,149 | 1,359 | 1,184 | 102 | 11,504 |
| Money market funds | 20,573 | 20,573 | – | – | – |
| Corporate bonds and notes and municipal securities | 39,556 | 10,630 | 19,066 | 4,561 | 5,299 |
| Beneficial interest in perpetual Trust | 19,866 | N/A | N/A | N/A | N/A |
| Beneficial interest in Children's Hospital Foundation | 5,059 | N/A | N/A | N/A | N/A |
| Index funds | 45,767 | N/A | N/A | N/A | N/A |
| Marketable equity securities | 42,180 | N/A | N/A | N/A | N/A |
| Investment companies | 1,259,031 | N/A | N/A | N/A | N/A |
| Real estate | 1,298 | N/A | N/A | N/A | N/A |
| | 1,520,194 | 37,185 | 48,010 | 10,185 | 51,613 |
| Deposits: | | | | | |
| Cash | 20,336 | – | – | – | – |
| | $ 1,540,530 | $ 37,185 | $ 48,010 | $ 10,185 | $ 51,613 |

N/A – Investment maturity not applicable to type of investments noted.

(In thousands)

In FY2024 and FY2023, the equity method investments had income/(loss) as reflected below:

| | 2024 | 2023 |
|---|---|---|
| Virginia Premier | $ – | $ 5,400 |
| Sheltering Arms Institute | – | – |
| Health at Home, LLC | – | – |
| HealthEco CPP SPV I, LLC | – | – |
| Total | $ – | $ 5,400 |

As of June 30, 2024 and 2023, the equity method of investments had balances of:

| | 2024 | 2023 |
|---|---|---|
| Virginia Premier | $ – | $ – |
| Sheltering Arms Institute | 491 | 260 |
| Health at Home, LLC | 1,808 | 1,808 |
| HealthEco CPP SPV I, LLC | 970 | 1,000 |
| Total | $ 3,269 | $ 3,068 |

In fiscal year 2023, the Authority sold the remaining 20% ownership in Virginia Premier resulting in $61,231 gain from the sale, which is recorded in other nonoperating expenses, net. In FY24, the gain from sale of Virginia Premier was reduced by an adjustment of $10,022, due to required periodic reconciliation of actuarial estimates. FY24's reduction of gain from sale is recorded in other nonoperating expenses, net. The sale agreement includes reconciliation of actuarial estimates through December 2025.

## (4) Investments and Derivative Instruments Measured at Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1: Pricing inputs are based on quoted prices, unadjusted, for identical assets or liabilities, in active markets. Examples of financial assets and liabilities in Level 1 include U.S. Treasury notes and equities.

- Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full contractual term of the assets or liabilities. Examples of financial assets and liabilities in Level 2 include agency-backed mortgages, asset-backed securities and corporate bonds.

(In thousands)

- Level 3: Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. Level 3 fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparable, discounted cash flow models and fund manager estimates.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Authority's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Authority has the following recurring fair value measurements as of June 30, 2024:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments by fair value level: | | | | |
| Beneficial trust | $ 21,512 | $ – | $ – | $ 21,512 |
| Equity interest in Children's: | | | | |
| Hospital Foundation | 5,526 | – | – | 5,526 |
| Debt securities: | | | | |
| U.S. Treasury notes | 11,626 | 11,626 | – | – |
| Asset-backed securities | 62,179 | – | 62,179 | – |
| Agency-backed mortgages | 15,110 | – | 15,110 | – |
| Corporate bonds and notes | 41,830 | – | 41,830 | – |
| Municipal securities | 118 | – | 118 | – |
| Total debt securities | 130,863 | 11,626 | 119,237 | – |
| Equity securities: | | | | |
| Consumer cyclical | 2,192 | 2,192 | – | – |
| Consumer discretionary | 3,000 | 3,000 | – | – |
| Consumer staples | 2,376 | 2,376 | – | – |
| Financials | 12,600 | 12,600 | – | – |
| Health care | 6,987 | 6,987 | – | – |
| Industrials | 7,617 | 7,617 | – | – |
| Information technology | 15,405 | 15,405 | – | – |
| Energy | 5,899 | 5,899 | – | – |
| Material | 4,656 | 4,656 | – | – |
| Telecommunication | 1,852 | 1,852 | – | – |
| Total equity securities | 62,584 | 62,584 | – | – |
| Real estate investment trusts | 2,930 | 2,930 | – | – |
| Equity mutual funds and ETFs | 64,285 | 64,285 | – | – |
| Fixed income bond funds | – | – | – | – |
| Money market funds | 22,227 | 22,227 | – | – |
| Total investments by fair value level | 309,927 | 163,652 | 119,237 | 27,038 |

(Continued)

(In thousands)

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments measured at NAV: | | | | |
| Equity long only hedge funds | $ 199,679 | $ – | $ – | $ – |
| Equity long/short hedge funds | 67,089 | – | – | – |
| Event-driven hedge funds | 14,403 | – | – | – |
| Relative value/credit | 869 | – | – | – |
| Opportunistic/macro | – | – | – | – |
| Absolute strategies funds | 42,468 | – | – | – |
| Multi-strategy investment fund | 885,782 | – | – | – |
| Private investments | 202,420 | – | – | – |
| Total | 1,412,710 | – | – | – |
| Bond funds | – | – | – | – |
| Total investments measured at NAV | 1,412,710 | – | – | – |
| Total investments | $ 1,722,637 | $ 163,652 | $ 119,237 | $ 27,038 |
| Liabilities: | | | | |
| Investment derivative instruments: | | | | |
| Hedging derivatives | $ 9,910 | $ – | $ 9,910 | $ – |

| | June 30, 2024 Fair Value | Unfunded Commitments | Redemption Notice Period | |
|---|---|---|---|---|
| Investments measured at NAV: | | | | |
| Equity long only hedge funds (a) | $ 199,679 | $ – | Daily-Monthly Quarterly-Annually | 14-90 days |
| Equity long/short hedge funds (b) | 67,089 | – | Quarterly-Semi-annually-Annually | 45-90 days |
| Event-driven hedge funds (c) | 14,403 | – | Annually | 60-90 days |
| Relative value/credit (d) | 869 | – | N/A | N/A |
| Opportunistic/macro (e) | – | – | N/A | N/A |
| Absolute strategies funds (f) | 42,468 | – | Quarterly-Semi-annually-Annually | 60-180 days |
| Private investments (g) | 202,420 | 120,501 | N/A | N/A |
| Multi-strategy investment fund (h) | 885,782 | – | Quarterly | 120 days |
| Bond funds (i) | – | – | Monthly-Quarterly | 10-60 days |
| Total investments measured at NAV | $ 1,412,710 | $ 120,501 | | |

(In thousands)

The Authority has the following recurring fair value measurements as of June 30, 2023:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments by fair value level: | | | | |
| Beneficial trust | $ 19,866 | $ – | $ – | $ 19,866 |
| Equity interest in Children's: | | | | |
| Hospital Foundation | 5,059 | – | – | 5,059 |
| Debt securities: | | | | |
| U.S. Treasury notes | 13,175 | 13,175 | – | – |
| Asset-backed securities | 59,540 | – | 59,540 | – |
| Agency-backed mortgages | 14,149 | – | 14,149 | – |
| Corporate bonds and notes | 39,430 | – | 39,430 | – |
| Municipal securities | 126 | – | 126 | – |
| Total debt securities | 126,420 | 13,175 | 113,245 | – |
| Equity securities: | | | | |
| Consumer discretionary | 3,438 | 3,438 | – | – |
| Consumer staples | 961 | 961 | – | – |
| Financials | 8,351 | 8,351 | – | – |
| Health care | 2,292 | 2,292 | – | – |
| Industrials | 8,382 | 8,382 | – | – |
| Information technology | 10,734 | 10,734 | – | – |
| Energy | 1,540 | 1,540 | – | – |
| Material | 796 | 796 | – | – |
| Telecommunication | 5,686 | 5,686 | – | – |
| Total equity securities | 42,180 | 42,180 | – | – |
| Real estate investment trusts | 1,298 | 1,298 | – | – |
| Equity mutual funds and ETFs | 44,291 | 44,291 | – | – |
| Fixed income bond funds | 1,476 | 1,476 | – | – |
| Money market funds | 20,573 | 20,573 | – | – |
| Total investments by fair value level | 261,163 | 122,993 | 113,245 | 24,925 |

(In thousands)

(Continued)

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments measured at NAV: | | | | |
| Equity long only hedge funds | $ 184,715 | $ – | $ – | $ – |
| Equity long/short hedge funds | 63,106 | – | – | – |
| Event-driven hedge funds | 12,628 | – | – | – |
| Relative value/credit | 1,744 | – | – | – |
| Opportunistic/macro | 1 | – | – | – |
| Absolute strategies funds | 53,239 | – | – | – |
| Multi-strategy investment fund | 763,095 | – | – | – |
| Private investments | 180,503 | – | – | – |
| Total | 1,259,031 | – | – | – |
| Bond funds | – | – | – | – |
| Total investments measured at NAV | 1,259,031 | – | – | – |
| Total investments | $ 1,520,194 | $ 122,993 | $ 113,245 | $ 24,925 |
| Liabilities: | | | | |
| Investment derivative instruments: | | | | |
| Hedging derivatives | $ 13,193 | $ – | $ 13,193 | $ – |

| | June 30, 2023 Fair Value | Unfunded Commitments | Redemption Notice Period | |
|---|---|---|---|---|
| Investments measured at NAV: | | | | |
| Equity long only hedge funds (a) | $ 184,715 | $ – | Daily-Monthly Quarterly-Annually | 14-90 days |
| Equity long/short hedge funds (b) | 63,106 | – | Quarterly-Semi-annually-Annually | 45-90 days |
| Event-driven hedge funds (c) | 12,628 | – | Annually | 60-90 days |
| Relative value/credit (d) | 1,744 | – | N/A | N/A |
| Opportunistic/macro (e) | 1 | – | N/A | N/A |
| Absolute strategies funds (f) | 53,239 | – | Quarterly-Semi-annually-Annually | 60-180 days |
| Private investments (g) | 180,503 | 106,355 | N/A | N/A |
| Multi-strategy investment fund (h) | 763,095 | – | Quarterly | 120 days |
| Bond funds (i) | – | – | Monthly-Quarterly | 10-60 days |
| Total investments measured at NAV | $ 1,259,031 | $ 106,355 | | |

***(a) Equity long only hedge funds***

These investments are composed of vehicles that invest in publicly traded equity securities with the primary goal of producing capital appreciation. The aforementioned investments may have global, domestic, developed international or emerging market focus. This asset class includes fourteen investments.

***(b) Equity long/short hedge funds.***

These investments are composed of vehicles that seek opportunities globally without regard for market capitalization, country of domicile or asset class. These managers have broad flexibility to establish long and short positions. This asset class includes four managers.

***(c) Event driven hedge funds***

Investment managers in this asset class maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investments in these are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure. This asset class includes one manager.

***(d) Relative value/credit funds***

Investment managers in this asset class maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. Realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction, generally drives transactions. This class includes one managers, each of which is in liquidation with no ability to accelerate redemptions.

***(e) Opportunistic/macro fund***

The manager in this asset class trades a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. This manager employs a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long- and short-term holding periods. There are currently no investments in this asset class.

***(f) Absolute strategies funds***

Investments managers in this asset class seek to exploit market inefficiencies and generate positive investment returns with reduced volatility and minimal net exposure. These investments may include credit-oriented, market neutral or multi-strategy investments. This asset class includes five managers.

***(g) Private investment funds***

The managers in this asset class have the flexibility to invest in private equity, distressed debt and private real estate. These investments are not liquid and generally have a fund life of ten years or greater. The asset class includes seven managers, three of which are focused on private real estate, and four on private equity.

***(h) Multi-strategy investment fund***

The RAM Fund is a private investment fund structured as a Virginia limited partnership. It invests via a mix of active and passive investment managers and strategies across a diversified group of asset classes, including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities.

***(i) Bond funds***

Composed of vehicles that invest in fixed income securities. There are no investments currently in this asset class.

(In thousands)

## (5) Capital Assets

Capital assets and changes thereto, as of and for the year ended June 30, 2024, consisted of the following:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|---|---|---|---|---|---|
| Non depreciable assets: | | | | | |
| Land | $ 25,468 | $ – | $ – | $ (43) | $ 25,425 |
| Construction in progress | 109,592 | 45,909 | (120,186) | – | 35,315 |
| | 135,060 | 45,909 | (120,186) | (43) | 60,740 |
| Depreciable assets: | | | | | |
| Land improvements | 6,984 | – | – | (75) | 6,909 |
| Buildings and fixed equipment | 2,068,752 | – | 34,525 | (521) | 2,102,756 |
| Moveable equipment | 992,967 | – | 85,661 | (3,520) | 1,075,108 |
| Leased land and building | 69,835 | 9,777 | – | – | 79,612 |
| Leased equipment | 1,863 | 5,057 | – | – | 6,920 |
| Subscription-based IT arrangements | 56,679 | 17,103 | – | – | 73,782 |
| Less: impairment loss | (11,802) | – | – | – | (11,802) |
| Accumulated depreciation | (1,448,975) | (94,924) | – | 3,639 | (1,540,260) |
| Accumulated depreciation, leased assets | (30,161) | (11,320) | – | – | (41,481) |
| Accumulated depreciation, subscription-based IT arrangements | (26,400) | (19,930) | – | – | (46,330) |
| | 1,679,742 | (94,237) | 120,186 | (477) | 1,705,214 |
| Total capital assets, net | $ 1,814,802 | $ (48,328) | $ – | $ (520) | $ 1,765,954 |

(In thousands)

Capital assets and changes thereto, as of and for the year ended June 30, 2023, consisted of the following:

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|---|---|---|---|---|---|
| Non depreciable assets: | | | | | |
| Land | $ 25,468 | $ – | $ – | $ – | $ 25,468 |
| Construction in progress | 482,085 | 126,000 | (498,493) | – | 109,592 |
| | 507,553 | 126,000 | (498,493) | – | 135,060 |
| Depreciable assets: | | | | | |
| Land improvements | 6,984 | – | – | – | 6,984 |
| Buildings and fixed equipment | 1,651,901 | 43 | 416,870 | (62) | 2,068,752 |
| Moveable equipment | 918,193 | (244) | 81,623 | (6,605) | 992,967 |
| Leased land and building | 68,579 | 1,592 | – | (336) | 69,835 |
| Leased equipment | 1,863 | – | – | – | 1,863 |
| Subscription-based IT arrangements | 44,256 | 12,423 | – | – | 56,679 |
| Less: impairment loss | (6,138) | (5,664) | – | – | (11,802) |
| Accumulated depreciation | (1,365,791) | (89,458) | – | 6,274 | (1,448,975) |
| Accumulated depreciation, leased assets | (19,990) | (10,432) | – | 261 | (30,161) |
| Accumulated depreciation, subscription-based IT arrangements | (11,005) | (15,395) | – | – | (26,400) |
| | 1,288,852 | (107,135) | 498,493 | (468) | 1,679,742 |
| Total capital assets, net | $ 1,796,405 | $ 18,865 | $ – | $(468) | $ 1,814,802 |

(In thousands)

## (6) Long-Term Debt

Long-term debt, and changes thereto, as of and for the year ended June 30, 2024, is summarized below:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Series 2024 Bonds | $ – | $ 213,700 | $ – | $ 213,700 | $ 1,760 |
| Discount – Series 2024 Bonds | – | (2,364) | 19 | (2,345) | – |
| Series 2021 Bonds | 62,714 | – | (3,464) | 59,250 | 7,682 |
| Series 2017 Bonds | 188,190 | – | (5,110) | 183,080 | 5,365 |
| Premium – Series 2017 Bonds | 14,420 | – | (1,171) | 13,249 | – |
| Series 2014 Bonds | 165,000 | – | – | 165,000 | – |
| Series 2013 Direct Placement Bonds | 110,870 | – | (110,870) | – | – |
| Note payable | 100,000 | – | (100,000) | – | – |
| CMH USDA loan | 60,975 | – | (907) | 60,068 | 939 |
| CMH First Citizens loan | 359 | – | (359) | – | – |
| Lease obligations | 47,338 | 14,834 | (11,077) | 51,095 | 10,809 |
| Subscription-based IT obligations | 26,123 | 17,103 | (20,967) | 22,258 | 13,357 |
| Total long-term debt | $ 775,989 | $ 243,273 | $ (253,906) | $ 765,356 | $ 39,912 |

Long-term debt, and changes thereto, as of and for the year ended June 30, 2023, is summarized below:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Series 2021 Bonds | $ 66,086 | $ – | $ (3,372) | $ 62,714 | $ 3,464 |
| Series 2017 Bonds | 193,050 | – | (4,860) | 188,190 | 5,110 |
| Premium – Series 2017 Bonds | 15,628 | – | (1,208) | 14,420 | – |
| Series 2014 Bonds | 200,000 | – | (35,000) | 165,000 | – |
| Series 2013 Direct Placement Bonds | 112,180 | – | (1,310) | 110,870 | 1,360 |
| Note payable | 100,000 | – | – | 100,000 | – |
| Capital leases | 144 | – | (144) | – | – |
| CMH USDA loan | 61,851 | – | (876) | 60,975 | 907 |
| CMH First Citizens loan | 2,473 | – | (2,114) | 359 | 359 |
| Lease obligations | 56,140 | 1,592 | (10,394) | 47,338 | 9,299 |
| Subscription-based IT obligations | 30,554 | 12,423 | (16,854) | 26,123 | 14,724 |
| Total long-term debt | $ 838,106 | $ 14,015 | $ (76,132) | $ 775,989 | $ 35,223 |

In April 2024, the Authority issued $103,400 of fixed rate general revenue bonds at an original issue discount of $2,364 to pay for certain costs of capital improvements to the hospital facilities. The Series 2024A bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between $4,470 in July 2044 and $14,450 at maturity in July 2054. Interest rates range from 4.00% to 5.25% payable semiannually in January and July.

In April 2024, the Authority issued $110,300 of Series 2024B variable rate demand bonds supported by a direct pay letter of credit provided by a financial institution. The current direct pay letter of credit expires in 2029. The bonds are remarketed on a daily basis, with interest rates averaging 3.51% in fiscal year 2024. The Series 2024B bonds currently refunded the outstanding $109,710 of Series 2013B bonds in June 2024. The Series 2024B bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between $1,760 in July 2024 and $14,765 at maturity in July 2037.

In June 2022, VCUMC entered into a $100,000 term loan with a financial institution maturing in September 2023. In June 2023, this loan was extended to a new maturity in July 2025. The interest rate on this loan converted to variable in September 2023. Interest is calculated based on the Secured Overnight Financing Rate index (SOFR) and payable monthly. In May 2024, this term loan was fully paid off.

In December 2017, VCUMC issued $197,890 of fixed rate general revenue bonds at a premium of $21,325 to advance refund the 2022 through 2041 maturities of VCUMC's general revenue bonds Series 2011 and pay certain costs of capital improvements to the hospital facilities. The Series 2017A bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between $3,395 in July 2024 and $6,990 at maturity in July 2041. Interest rates range from 3.00% to 5.00% payable semiannually in January and July. The Series 2017B bonds are subject to mandatory sinking funds, optional and extraordinary redemption with principal amounts varying between $1,970 in July 2024 and $5,920 at maturity in July 2048. Interest rates range from 3.375% to 5% payable semiannually in January and July.

In February 2014, VCUMC issued $200,000 of fixed rate taxable general revenue bonds, Series 2014A. The Series 2014 Bonds are subject to mandatory sinking fund and optional redemption with principal amounts of $35,000 due January 2024, with an interest rate of 3.86% and $165,000 due January 2044, with an interest rate of 4.96%. The $35,000 due January 2024 was escrowed in advance and thus defeased in June 2023. The escrow was gross funded with cash from the Authority and requires no further cash flows to service the debt. The defeasance was executed to avoid inclusion of the January 2024 principal payment in current debt balances as of June 30, 2023.

In June 2013, VCUMC issued $190,315 of variable rate direct placement bonds, consisting of Series 2013A bonds totaling $69,450 and Series 2013B bonds totaling $120,865, to refund existing indebtedness of VCUMC. The Series 2013 Direct Placement Bonds were issued at face value with initial interest rates based on the 30-day LIBOR index (5.20% at June 30, 2023). The original direct placement bonds for Series 2013B bonds were purchased by a financial institution with an initial maturity of June 2023. The 2013B Direct Placement Bonds were extended in June 2023 with the same financial institution to a new maturity in July 2025 and the interest rate was converted to a calculation based on the SOFR index (5.33% at June 30, 2024). The Series 2013 Direct Placement Bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between $1,360 in July 2023 and $15,700 at maturity in July 2037. As discussed above, the 2013B bonds were refunded by the 2024B bonds in June 2024.

In June 2021, VCUMC refinanced the Series 2013A bonds with Series 2021A bonds ($57,250) and Series 2021B bonds ($8,836). The refinancing of the bonds replaced the variable rate debt with fixed tax-exempt rate of 1.40% (2021A). The swap associated with the Series 2013A bonds was terminated and the cost to unwind the swap was financed at a fixed taxable rate of 1.98% (2021B). The Series 2021A bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between $6,739 in July 2024 and $8,239 at maturity in July 2030.

In December 2011, VCUMC issued $120,000 of fixed rate General Revenue Bonds at a premium of $1,069 to fund construction of a new outpatient facility and other additions and improvements to VCUMC facilities. The 2022 through 2014 maturities of the Series 2011 Bonds totaling $98,605 were repaid as of December 2017, from the proceeds of the Series 2017A Bonds issuance. The partial repayment of the Series 2011 Bonds created a deferred loss on refunding which is being amortized over the life of the original bond. The unamortized balance is $4,503 and $4,999 at June 30, 2024 and 2023, respectively. The remaining Series 2011 Bonds principal balance of $3,025 was paid in July 2021.

In January 2008, VCUMC issued $125,000 of variable rate demand bonds to finance the costs of a new 11 story critical care hospital to expand VCUMC's adult intensive care beds, emergency department and private room capacity. The Series 2008 Bonds were repaid as of June 2013, from the proceeds of the Series 2013 Direct Placement Bonds issuance. The repayment of the Series 2008 Bonds created a deferred loss on refunding which is being amortized over the life of the original bonds. The unamortized balance is $13,614 and $15,059 at June 30, 2024 and 2023, respectively.

In July 2018, CMH entered into parity loan agreements aggregating $75,000 with the United States Department of Agriculture (USDA) and First Citizens Bank (First Citizen). The proceeds of the loans were used to provide long-term financing for the construction of inpatient and outpatient facilities in South Hill, Virginia. Principal and interest for the USDA loan is amortized with the final payment due in July 2058. The interest rate is 3.5% per annum. Principal and interest for the First Citizen loan is amortized with the final payment due in August 2023. The interest rate is 2.99% per annum and is principal guaranteed by the USDA at 90% of loan principal. Both loans are collateralized by the facility improvements at the South Hill location.

VCUHSA leases property and equipment as part of their operations. Lease terms range up to 3 to 20 years. Terms of the leases vary by each lease; however, each lease provides for a monthly lease payment subject to an escalation on the anniversary date of the agreement. The liabilities are measured at the present value of payments expected to be made during the lease term. The present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the Authority uses its internal borrowing rate. As of June 30, 2024 and 2023, lease obligations were $51,095 and $47,338, respectively.

VCUHSA contracts for SBITAs as part of their operations. Arrangement terms range from 2 to 5 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from measurement since VCUHSA is not reasonably certain it will exercise the options to extend the SBITAs. Subscription payments are apportioned between interest expense and the principal based on the effective interest method. The right-to-use intangible asset is measured as the sum of the initial subscription liability amount, adjusted for payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs. The right-to-use intangible subscription assets are amortized using the straight-line method over the subscription term. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position. As of June 30, 2024 and 2023, SBITA obligations were $22,258 and $26,123, respectively.

(In thousands)

The Authority holds a line of credit with Wells Fargo in the amount of $100,000. The line of credit was extended in June 2024 to a new expiration in July 2025. As of June 30, 2024 and 2023, the line had no outstanding balance.

A summary of future principal requirements of long-term debt as of June 30, 2024 follows:

| Fiscal year: | Series 2024 Bonds | Series 2021 Bonds | Series 2017 Bonds | Series 2014 Bonds | CMH Loans | Lease Obligations | SBITA | Total |
|---|---|---|---|---|---|---|---|---|
| 2025 | $ 1,760 | $ 7,682 | $ 5,365 | $ – | $ 939 | $ 10,809 | $ 13,357 | $ 39,912 |
| 2026 | 1,900 | 7,926 | 5,640 | – | 972 | 10,668 | 7,486 | 34,592 |
| 2027 | 1,955 | 8,194 | 5,910 | – | 1,007 | 9,795 | 1,228 | 28,089 |
| 2028 | 2,030 | 8,439 | 6,205 | – | 1,043 | 7,551 | 188 | 25,456 |
| 2029 | 2,080 | 8,708 | 6,535 | – | 1,080 | 4,694 | – | 23,097 |
| 2030–2034 | 43,585 | 18,301 | 37,715 | – | 6,003 | 7,578 | – | 113,182 |
| 2035–2039 | 56,990 | – | 46,570 | – | 7,150 | – | – | 110,710 |
| 2040–2044 | – | – | 41,850 | 165,000 | 8,515 | – | – | 215,365 |
| 2045–2049 | 24,775 | – | 27,290 | – | 10,141 | – | – | 62,206 |
| 2050–2054 | 64,175 | – | – | – | 12,077 | – | – | 76,252 |
| 2055–2059 | 14,450 | – | – | – | 11,141 | – | – | 25,591 |
| 2060–2061 | – | – | – | – | – | – | – | – |
| Total | $ 213,700 | $ 59,250 | $ 183,080 | $ 165,000 | $ 60,068 | $ 51,095 | $ 22,259 | $ 754,452 |

A summary of estimated future interest requirements of long-term debt based on effective rates as of June 30, 2024 follows:

| Fiscal year: | Series 2024 Bonds | Series 2021 Bonds | Series 2017 Bonds | Series 2014 Bonds | CMH Loans | Lease Obligations | SBITA | Total |
|---|---|---|---|---|---|---|---|---|
| 2025 | $ 10,085 | $ 757 | $ 7,740 | $ 8,177 | $ 2,087 | $ 1,014 | $ 561 | $ 30,421 |
| 2026 | 9,985 | 641 | 7,458 | 8,177 | 2,054 | 774 | 171 | 29,260 |
| 2027 | 9,882 | 520 | 7,163 | 8,177 | 2,019 | 540 | 25 | 28,326 |
| 2028 | 9,774 | 396 | 6,852 | 8,177 | 1,984 | 343 | 6 | 27,532 |
| 2029 | 9,664 | 269 | 6,526 | 8,177 | 1,947 | 227 | – | 26,810 |
| 2030–2034 | 43,182 | 136 | 27,434 | 40,887 | 9,129 | 164 | – | 120,932 |
| 2034–2039 | 26,374 | – | 18,308 | 40,887 | 7,982 | – | – | 93,551 |
| 2040–2044 | 21,770 | – | 8,769 | 36,800 | 6,617 | – | – | 73,956 |
| 2045–2049 | 18,197 | – | 2,242 | – | 4,991 | – | – | 25,430 |
| 2050–2054 | 8,230 | – | – | – | 3,055 | – | – | 11,285 |
| 2055–2059 | – | – | – | – | 804 | – | – | 804 |
| 2060–2061 | – | – | – | – | – | – | – | – |
| Total | $ 167,143 | $ 2,719 | $ 92,492 | $ 159,459 | $ 42,669 | $ 3,062 | $ 763 | $ 468,307 |

VCUMC is required to make interest and principal payments to the interest and principal accounts included in assets whose use is restricted for the Series 2017 and 2014 Bonds. For the years ended June 30, 2024 and 2023, VCUMC transferred approximately $21,551 and $22,902 to the bond service accounts, respectively.

The various Bonds agreements place restrictions on future borrowings and require certain minimum insurance coverage. The related agreements also contain certain covenants, including a requirement that charges to patients are maintained at a level which will produce income available for debt service, as defined in such agreements, in each fiscal year equal to or greater than either 110% (Series 2014 and 2017) or 125% (Series 2013 Direct Placement) of maximum total annual debt service in each fiscal year, as defined.

Interest expense for the years ended June 30, 2024 and 2023 was approximately $33,716 and $32,445, respectively. For the years ended June 30, 2024 and 2023, the Authority paid approximately $35,416 and $29,493, respectively, for interest. This was inclusive of $223 and $1,318 for the years ended June 30, 2024 and 2023, respectively, of interest paid related to the interest rate swap agreements

## (7) Derivative Instruments

In June 2007, VCUMC entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 bonds (Note 6). The swaps have a combined initial notional amount of $125,000, which declines over time to $15,700 at the termination date in July 2037. The notional amount as of June 30, 2024 and 2023 was $109,510 and $110,870, respectively. VCUMC pays a fixed rate of 3.84% and the counterparty pays 67% of SOFR (5.33% as of June 30, 2024). Beginning July 1, 2023, the counterparty swap payments were converted to SOFR basis from 30-day LIBOR basis (3.52% as of June 30, 2023). The payments are settled monthly. Payments or receipts under the terms of the swap are recorded as interest expense. At June 30, 2024 and 2023, the fair value of the swaps was a liability of $9,910 and $13,193, respectively, and is included in the accompanying statements of net position. For the years ended June 30, 2024 and 2023, the change in fair value of the swaps was $1,213 and ($7,307), respectively, and is reported as a deferred outflow/inflow of resources.

In June 2024, VCUMC paid off the Series 2013B bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2013B bonds was terminated, and the accumulated change in fair value of the interest rate swaps of $21,679 was included in the calculation of the deferred gain upon termination. In June 2024, VCUMC reestablished hedge accounting by designating the Series 2024B bonds as the hedged debt.

In June 2013, VCUMC refunded the Series 2008 bonds using proceeds of the Series 2013A bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2008 bonds was terminated, and the accumulated change in fair value of the interest rate swaps of $30,376 was included in the calculation of the deferred loss on refunding. In June 2013, VCUMC reestablished hedge accounting by designating the Series 2013A bonds as the hedged debt.

(In thousands)

## (8) Commitments

During fiscal year 2023, the Authority undertook a transaction to terminate and defease all obligations of the Authority under a Deed of Lease dated July 15, 2021. In connection with the transaction, the Authority was required to pay $72,998, which is reflected in other nonoperating expense, net on the statements of revenues, expenses and changes in net position – enterprise fund.

Estimated costs to complete construction in progress for capital assets at June 30, 2024 and 2023 for the Authority are approximately $149,000 and $100,000, respectively. Commitments primarily relate to major renovations of existing facilities, purchase of medical equipment, information system infrastructure and various other projects.

## (9) Contingencies

***Professional, General, Automobile and Healthcare Professional Liability***

**VCUMC**

VCUMC is self-insured for professional liability claims, exclusive of insured excess retentions. There have been malpractice claims asserted against VCUMC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of VCUMC accrues estimated losses on malpractice claims to the extent they fall within the limits of VCUMC's self-insurance program or exceed the limits of the excess insurance coverage in place through ARIES at the date of the claim. The undiscounted liability is actuarially determined using industry data and VCUMC's historical experience.

Changes in VCUMC's estimated losses on malpractice claims for the years ended June 30 were as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | $ 3,485 | $ 3,379 | $ 3,225 |
| Malpractice claims expense, net of actuarial adjustments | 848 | 486 | 339 |
| Malpractice claims settled | (430) | (380) | (185) |
| Balance at end of year | $ 3,903 | $ 3,485 | $ 3,379 |

Investments have been set aside based on actuarially determined reserves and are included in assets whose use is designated in the accompanying statements of net position – enterprise fund. The balances at the end of the year represent claims and related legal expenses for reported and unreported incidents occurring since July 1998.

The Authority believes that its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or unasserted VCUMC claims, if any, at June 30, 2024, 2023 and 2022.

VCUMC obtains automobile liability insurance and specific coverage of general liability and healthcare professional liability through ARIES. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2024, 2023 and 2022 is significant.

**MCVAP**

Beginning in July 2018, MCVAP obtained insurance coverage for malpractice claims through ARIES. Additionally, ARIES assumed the previously self-insured estimated liabilities from policy years July 2005 through June 2018.

Due to coverage moving to ARIES in FY19, there are no estimated losses on malpractice claims for the years ended June 30, 2024, 2023 and 2022.

**CMH**

CMH is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; malpractice; and employee health, dental and accident benefits. Insurance coverage is provided through ARIES or purchased for claims arising from such matters.

CMH can be involved in litigation during the ordinary course of business related to professional liability claims. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2024, 2023 and 2022 is significant.

**Children's**

Children's obtains insurance coverage for professional liability through ARIES. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2024, 2023 and 2022 is significant.

**UHS and VCCN**

UHS and VCCN obtain general liability insurance coverage through ARIES. Coverage was provided for 2024, 2023 and 2022 for UHS and 2024 and 2023 for VCCN. Management does not believe the amount of liability for any claims incurred but unreported for these entities as of June 30, 2024, 2023 and 2022 is significant.

(In thousands)

**ASC**

ASC obtained general and health professional liability insurance coverage through ARIES. Coverage was provided for 2024, 2023 and 2022. Management does not believe the amount of liability for any claims incurred but unreported for ASC as of June 30, 2024, 2023 and 2022 is significant.

**ARIES**

ARIES provides medical malpractice coverage to MCVAP. There have been malpractice claims asserted against MCVAP by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of ARIES accrues estimated losses on malpractice claims. The discounted liability is actuarially determined using industry data and MCVAP's historical experience.

Changes in ARIES' estimated losses on malpractice claims for the years ended June 30 as a result of this arrangement were as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | $ 26,552 | $ 23,953 | $ 26,921 |
| Malpractice claims expense, net of actuarial adjustments | 4,454 | 4,759 | 5,931 |
| Malpractice claims settled | (6,277) | (2,160) | (8,899) |
| Balance at end of year | $ 24,729 | $ 26,552 | $ 23,953 |

Assets whose use is designated have been internally designated for payment of claims and related legal expenses for reported and unreported incidents.

The Authority believes its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted and unasserted claims covered by ARIES, if any, at June 30, 2024, 2023 and 2022.

***Workers' Compensation***

Beginning in July 2019, the Authority obtained insurance coverage for workers' compensation claims through ARIES. Additionally, ARIES assumed the previously self-insured estimated liabilities from policy years July 2001 through July 2019. The Authority is self-insured for workers' compensation claims prior to July 2001. The claims are in various stages of processing. Management of the Authority accrues estimated losses on workers' compensation claims to the extent they fall within the limits of the Authority's self-insurance program. The liability is actuarially determined using industry data and the Authority's historical experience.

(In thousands)

Changes in VCUMC's estimated losses on workers' compensation claims for the years ended June 30 were as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | $ 3,277 | $ 3,325 | $ 4,973 |
| Workers' compensation expense, net of actuarial adjustments | (1,174) | 12 | (1,193) |
| Workers' compensation claims settled | (50) | (60) | (455) |
| Balance at end of year | $ 2,053 | $ 3,277 | $ 3,325 |

The Authority believes that its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or unasserted claims, if any, at June 30, 2024, 2023 and 2022.

Changes in ARIES' estimated losses on workers' compensation claims for the years ended June 30, 2024 and 2023, as a result of this arrangement were as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | $ 4,166 | $ 5,679 | $ 6,184 |
| Workers' compensation expense, net of actuarial adjustments | 2,026 | (71) | 449 |
| Workers' compensation claims settled | (2,038) | (1,442) | (954) |
| Balance at end of year | $ 4,154 | $ 4,166 | $ 5,679 |

Investments have been set aside for workers' compensation claims based on actuarially determined reserves and are included in assets whose use is designated in the accompanying statements of net position – enterprise fund. The funds are internally designated for claims and related legal expenses for reported and unreported incidents.

(In thousands)

## (10) Net Patient Service Revenue

The Authority's net patient service revenue is summarized as follows for the years ended June 30:

| | 2024 | 2023 |
|---|---|---|
| VCUHSA gross charges: | | |
| Inpatient | $ 5,585,269 | $ 5,078,274 |
| Outpatient | 5,822,646 | 5,229,161 |
| Less uncompensated care: | (82,873) | (70,659) |
| Total VCUHSA gross patient service revenue | 11,325,042 | 10,236,776 |
| Less contractual allowances, and uncollectible amounts | (7,827,548) | (7,236,423) |
| Total net patient service revenue | $ 3,497,494 | $ 3,000,353 |

## (11) Related Parties

### *(a) Virginia Commonwealth University*

Effective July 1, 1997, VCUMC and VCU entered into an affiliation agreement, which provides that each will support the mission of the other. VCU will provide clinical and administrative support to VCUMC. VCUMC will be the primary teaching hospital for VCU. VCU leased patient care facilities to VCUMC under a 99-year lease for one dollar per year.

VCUMC leases space in other buildings from VCU with varying renewal options. The lease obligations and associated right-to-use asset are measured and reported on the accompanying statements of net position in conformance with GASB Statement No. 87, which is further discussed in Note 1(k).

In connection with VCU's construction of a parking deck at 8th and Duval Streets on VCUMC's campus, VCUMC funded approximately $1,804 of the construction costs in fiscal year 2006. In addition, VCUMC agreed to assume responsibility for 50% of the payments on the associated construction debt. VCU refinanced the parking deck debt during fiscal year 2022. At June 30, 2024, VCUMC's remaining commitment through 2028 is approximately $1,739.

(In thousands)

Payments under the affiliation and lease agreements with VCU for the years ended June 30, 2024 and 2023, which are included in purchased services and other expenses on the accompanying statements of revenues, expenses and changes in net position, were as follows:

| | 2024 | 2023 |
|---|---|---|
| Payments by VCU to VCUMC: | | |
| Operation and maintenance | $ 13 | $ 13 |
| Rent on short-term space | 165 | 165 |
| Total payments by VCU to VCUMC | $ 178 | $ 178 |
| | | |
| Payments by VCUMC to VCU: | | |
| Massey Cancer Center | $ 6,000 | $ 6,000 |
| Graduate education services | 788 | 734 |
| Nonphysician clinical support | 6,535 | 6,633 |
| Administrative support | 26,979 | 23,389 |
| Rent on short-term space | 1,224 | 1,209 |
| Principal and interest on parking deck debt | 428 | 29 |
| Total payments by VCUMC to VCU | $ 41,954 | $ 37,994 |

Included in the accompanying statements of net position are the following amounts due to related parties as of June 30:

| | 2024 | 2023 |
|---|---|---|
| Due from (to) Virginia Commonwealth University | $ 1,373 | $ 190 |

***(b) Medical College of Virginia Foundation (MCV Foundation)***

The MCV Foundation's mission is to inspire and steward philanthropy throughout the MCV Campus of VCU. The MCV Foundation provided $323 and $53 to MCVAP for the years ended June 30, 2024 and 2023, respectively. The gifts from MCV Foundation were unrestricted and will be used to support the clinical departments

***(c) MCVAP***

VCUMC has entered into purchased service agreements with MCVAP regarding reimbursement for various services performed on behalf of VCUMC by MCVAP. Clinical and Operating Services Agreement (COSA) payments are annually determined and made by VCUMC to MCVAP in return for clinical support and joint operations funded by MCVAP and payments for indigent care provided by physicians of MCVAP. During 2024 and 2023, VCUMC paid approximately $84,833 and $75,326 in COSA payments, respectively.

VCUMC allocated MCVAP approximately $104,791 and $95,617 in shared services in fiscal year 2024 and fiscal year 2023, respectively.

VCUMC leases clinical and administrative facilities to various MCVAP departments. Rental income related to these facilities totaled approximately $331 and $322, respectively, for the years ended June 30, 2024 and 2023.

***(d) UHS***

VCUMC leases clinic office space from UHS under operating leases. Rental expense under these leases was $2,459 and $2,385 during the years ended June 30, 2024 and 2023, respectively.

VCUMC allocated to UHS approximately $243 and $49 in shared services in fiscal year 2024 and fiscal year 2023, respectively.

***(e) CMH***

VCUMC allocated to CMH approximately $29,510 and $25,461 in shared services in fiscal year 2024 and fiscal year 2023, respectively.

***(f) Children's***

VCUMC allocated Children's approximately $4,039 and $3,898 in shared services in fiscal year 2024 and fiscal year 2023, respectively.

***(g) TAPP***

VCUMC allocated TAPP approximately $11,876 and $8,032 in shared services in fiscal year 2024 and fiscal year 2023, respectively.

***(h) ASC***

VCUMC allocated ASC approximately $3,400 and $1,128 in shared services in fiscal year 2024 and 2023, respectively.

***(i) VCCN***

VCUMC allocated VCCN approximately $51 and $27 in shared services in fiscal year 2024 and 2023, respectively.

Activity between VCUMC and MCVAP, UHS, CMH, Children's, TAPP, ASC and VCCN is eliminated in the accompanying financial statements.

## (12) Litigation

The Authority has been named as defendant in a number of lawsuits regarding matters generally incidental to its core business. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the Authority may be exposed will not have a material effect on the Authority's financial position or results of operations.

## (13) Pension Plans

### *(a) VCUMC – Virginia Retirement System Plan (VRS Plan)*

#### 1) Plan

Prior to July 1997, employees of VCUMC were employees of the Commonwealth of Virginia (the Commonwealth). These employees were eligible to participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). VRS is an independent agency of the Commonwealth. After July 1997, employees could choose to remain in the VRS Plan or enroll in the VCUMC Authority Defined Contribution Plan. As of June 30, 2023, one hundred forty-two employees remain enrolled in VRS. Participating VCUMC employees are eligible for VRS's Plan 1 benefit structure in which the retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The Commonwealth, not VCUMC, has overall responsibility for the VRS plans.

#### 2) Contributions

The contribution 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 provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 2013, the 5.00% member contribution was paid by VCUMC. Beginning July 2013, VCUMC employees were required to pay the 5.00% member contribution. Each state agency's (including VCUMC) contractually required contribution rate was 14.46% of covered employee compensation for employees in the Plan, for the years ended June 30, 2024 and 2023. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VCUMC to the VRS Plan were $1,589 and $1,745 for the years ended June 30, 2024 and 2023, respectively.

(In thousands)

**3) Net Pension Liability**

VCUMC reported a liability of $12,975 and $14,769 for its proportionate share of the Net Pension Liability for the years ended June 30, 2024 and 2023, respectively. The Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. VCUMC's proportion of the Net Pension Liability was based on VCUMC's actuarially determined employer contributions to the pension plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contribution for all participating employers. At June 30, 2023, VCUMC's proportion of the VRS Plan was 0.26% as compared to 0.33% at June 30, 2022.

**4) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2024, VCUMC recognized pension benefit of $4,010. Since there was a change in proportionate share between June 30, 2022 and June 30, 2023, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the VRS Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 1,260 | $ 375 |
| Difference between projected and actual investment earnings on pension plan investments | – | 908 |
| Change in assumptions | 172 | – |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | – | 5,597 |
| Employer contributions subsequent to the measurement date | 1,589 | – |
| Total | $ 3,021 | $ 6,880 |

(In thousands)

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling $1,589 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2025 | $ | (3,813) |
| 2026 | | (2,338) |
| 2027 | | 670 |
| 2028 | | 33 |
| 2029 | | – |
| | $ | (5,448) |

**5) Actuarial Assumptions**

The total pension liability for the VRS Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5%–5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

| | |
|---|---|
| Pre-Retirement: | PUB-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years. |
| Post-Retirement: | PUB-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females. |
| Post-Disablement: | PUB-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years. |
| Beneficiaries: | PUB-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females. |
| Mortality Improvement: | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

(In thousands)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy and disabled) | Update PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified mortality improvement scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience, changed final retirement from 75 to 80 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rates | No change |

## 6) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan 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 allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS – Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP – Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| Inflation | | | 2.50% |
| | | | 8.25% |

(In thousands)

The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.5%.

**7) Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the VRS Plan 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, 2023, the rate contributed by VCUMC for the VRS Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 102% of the actuarially determined contribution rate. From July 1, 2023, on, all agencies are assumed to contribute 102% of the actuarially determined contribution rates. Based on those assumptions, the VRS 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.

**8) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents VCUMC's proportionate share of the VRS Plan's net pension liability using the discount rate at 6.75%, as well as what VCUMC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease | Discount rate | 1% Increase |
|---|---|---|---|
| Net pension liability | $ 21,621 | $ 12,769 | $ 5,738 |

**9) Net State Employee VRS Liability and State Employee VRS Fiduciary Net Position**

Detailed information about the VRS Fiduciary Net Position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(In thousands)

***(b) VCUHS Retirement Plan (VCUHS 401(a) Plan)***

The VCUMC Defined Contribution Plan was amended and restated effective January 2002 and is now referred to as the VCUHS Retirement Plan (the VCUHS 401(a) Plan). All employees, excluding house staff, working at least 20 hours a week in a benefit-eligible position are eligible to participate in the VCUHS 401(a) Plan. Per the VCUHS 401(a) Plan document as approved by the Authority's Board of Directors, VCUMC contributes up to 10% of the participant's salary to the VCUHS 401(a) Plan not to exceed the lesser of (a) the amount in accordance with Code Section 415(d), or (b) one hundred percent (100%) of the Participant's Compensation for such limitation year. Contributions are a function of the employee's age plus years of service per the table below. Total contributions to the VCUHS 401(a) Plan for the years ended June 30, 2024 and 2023 were approximately $44,436 and $39,670, respectively.

| Age Plus Years of Service | Employer Contributions (VCUHS 401(a) Plan) |
|---|---|
| 65+ | 10% |
| 55–65 | 8 |
| 45–55 | 6 |
| 35–45 | 4 |
| <35 | 2 |

VCUMC shall have the right at any time, and without the consent of any party, to terminate the VCUHS 401(a) Plan in its entirety. Any changes to the provisions of the VCUHS 401(a) Plan, including the contribution requirements, must be approved in writing by the Authority's Board of Directors.

VCUMC also sponsors the VCUHS Savings Plan (VCUHS 457(b) Plan), a savings plan that represents employee contributions and employees may also receive a 2% matching contribution in the VCUHS 401(a) Plan based on their 457(b) contribution.

VCUMC has also established the HCP Plan. All persons hired as a health care provider on or after July 1993 and prior to July 1997 and working at least 35 hours of service per week are eligible to participate in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the VCUHS 401(a) Plan. Total contributions to the HCP Plan for the years ended June 30, 2024 and 2023 were $20 and $21, respectively.

(In thousands)

### *(c) MCVAP*

MCVAP sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all full-time clinical provider employees of MCVAP, and the MCVAP 403(b) Salary Deferral Plan (the 403(b) Plan), a salary deferral plan that represents physician contributions. Contributions to the 401(a) Plan by MCVAP, as determined annually at the discretion of the Board of Directors, were approximately $30,743 and $28,583 for the years ended June 30, 2024 and 2023, respectively.

MCVAP also participates in the VCUHS 401(a) Plan, which covers all benefited nonclinical provider employees of MCVAP; the VCUHS 457(b) Plan and the MCVAP 403(b) Supplemental Plan (the 403(b) Highly Compensated Plan), a noncontributory defined contribution plan for highly compensated employees. The VCUHS 401(a) Plan contributions (as a percentage of the employee's salary) are a function of the employee's age plus years of service per the table below. MCVAP employees may contribute to the VCUHS 457(b) Savings Plan. Employees may also receive a 2% matching contribution in their VCUHS 401(a) Plan account based on their 457(b) contribution.

| Age Plus Years of Service | Employer Contributions (VCUHS 401(a) Plan) |
|---|---|
| 65+ | 10% |
| 55–65 | 8 |
| 45–55 | 6 |
| 35–45 | 4 |
| <35 | 2 |

Contributions to the VCUHS 401(a) Plan for the years ended June 30, 2024 and 2023 were approximately $7,356 and $6,834, respectively.

### *(d) CMH and CMHP*

Employees of CMH participate in the VCUHS 401(a) Plan and retirement plan expense was approximately $2,410 and $2,382 for the years ended June 30, 2024 and 2023, respectively. Providers who are employees of CMHP participate in the MCVAP 401(a) Retirement Plan; plan expenses for the years ended June 30, 2024 and 2023 were approximately $1,072 and $1,099, respectively.

### *(e) Children's*

Children's has a noncontributory defined benefit pension plan (Pension Plan) covering substantially all Children's employees prior to the plan being frozen in June 2010. The Pension Plan provides benefits that are based on the five consecutive years for which an employee's compensation is highest. Children's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Children's may determine to be appropriate from time to time. Effective June 2010, Children's froze future benefit accruals for those who were active plan participants and closed the plan to new participants.

The Pension Plan's fair value of plan assets of $746 and $13,139 as of June 30, 2024 and 2023, respectively, is recorded in net pension liability on the accompanying statements of net position. The Pension Plan's liability of $0 and $13,597 as of June 30, 2024 and 2023, respectively, is included in net pension liability on the accompanying statements of net position.

Children's participates in the VCUHS 401(a) Plan and retirement plan expense was approximately $458 and $499 for the years ended June 30, 2024 and 2023, respectively.

## (14) Postemployment Benefits

### *(a) VCUMC – State Employee Health Insurance Credit Program (HIC Plan)*

#### 1) Plan

Prior to July 1997, employees of VCUMC were employees of the Commonwealth of Virginia. These employees were automatically covered by the Employee Health Insurance Credit Program (HIC Plan) administered by the VRS. The HIC Plan is a defined benefit postemployment plan (OPEB) that provides a credit toward the cost of a qualified, single coverage health insurance premium for retirees. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. After July 1997, new employees are not eligible for the HIC Plan. As of June 30, 2023, three hundred fourteen employees remain enrolled in the HIC Plan. The Commonwealth, not VCUMC, has overall responsibility for the HIC Plan.

#### 2) Contributions

The contribution requirement for active employees is governed by 51.1-1400 (D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's (including VCUMC) contractually required employer contribution rate for the year ended June 30, 2024 was 1.12% of covered employee compensation for employees in the HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VCUMC to the HIC Plan were approximately $327 and $323 for the years ended June 30, 2024 and 2023, respectively.

(In thousands)

**3) Net HIC OPEB Liability**

At June 30, 2024 and 2023, VCUMC reported a liability of $3,092 and $3,881, respectively, for its proportionate share of the HIC Plan OPEB liability. The Net HIC Plan OPEB Liability was measured as of June 30, 2023, and the total HIC Plan OPEB liability used to calculate the net HIC Plan OPEB liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. VCUMC's proportion of the net HIC Plan OPEB Liability was based on VCUMC's actuarially determined employer contributions to the HIC Plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2023, VCUMC's proportion of the HIC Plan was 0.38% as compared to 0.47% at June 30, 2022.

**4) HIC Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB**

For the year ended June 30, 2024, VCUMC recognized HIC Plan expense of ($809). Since there was a change in proportionate share between measurement dates, a portion of the VRS HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion and differences between actual and expected contributions.

At June 30, 2024, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the HIC Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ – | $ 198 |
| Net difference between projected and actual investment earnings on State HIC OPEB plan investments | 8 | – |
| Change in assumptions | 73 | – |
| Changes in proportion share | – | 1,864 |
| Employer contributions subsequent to the measurement date | 327 | – |
| Total | $ 408 | $ 2,062 |

(In thousands)

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling $327 will be recognized as a reduction of the net HIC Plan liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIC OPEB will be recognized in pension expense as follows:

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2025 | $ | (724) |
| 2026 | | (540) |
| 2027 | | (381) |
| 2028 | | (277) |
| 2029 | | (59) |
| Thereafter | | – |
| | $ | (1,981) |

### 5) Actuarial Assumptions

The total HIC OPEB liability for the HIC Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 5.35% |
| Investment rate of return | 6.75%, net of plan investment expense, including inflation |

Mortality rates:

| | |
|---|---|
| Pre-Retirement: | PUB-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years |
| Post-Retirement: | PUB-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rate for females |
| Post-Disablement: | PUB-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years |

(In thousands)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy and disabled) | Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience; changed final retirement from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

**6) Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS – Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP – Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| Inflation | | | 2.50% |
| | | | 8.25% |

(In thousands)

The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50% asset allocation.

**7) Discount Rate**

The discount rate used to measure the total HIC Plan OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by VCUMC for the HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2023, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC Plan liability.

**8) Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents VCUMC's proportionate share of the HIC Plan's net HIC OPEB liability using the discount rate at 6.75%, as well as what VCUMC's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

| | 1% Decrease | Discount rate | 1% Increase |
|---|---|---|---|
| Net pension liability | $ 3,492 | $ 3,093 | $ 2,750 |

**9) Net State Employee HIC OPEB Liability and State Employee HIC OPEB Fiduciary Net Position**

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

### *(b) VCUMC – State Pre-Medicare Retiree Healthcare (Retiree Healthcare Plan)*

#### 1) Plan

The Commonwealth of Virginia provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. For a retiree to participate in the Retiree Healthcare Plan, the participant must be eligible for VRS, be receiving benefits payments immediately upon retirement, be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement and enroll no later than 31 days from retirement date. Prior to July 1997, employees of VCUMC were employees of the Commonwealth. Employees who elected to remain in the VRS Plan and continued enrollment in the State Health Benefits Program after July 1997 remain eligible for the Retiree Healthcare Plan. As of June 30, 2023, one hundred sixty-four employees remain enrolled in the Retiree Healthcare Plan through the State Health Benefits Program.

The Retiree Healthcare Plan is administered by the Department of Human Resource Management.

#### 2) Contributions

After retirement, VCUMC no longer subsidizes the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

#### 3) Retiree Healthcare OPEB Liabilities

At June 30, 2024 and 2023, VCUMC reported a liability of $744 and $924, respectively, for its proportionate share of the total Retiree Healthcare OPEB Liability. The Retiree Healthcare OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. VCUMC's proportion of the Retiree Healthcare OPEB Liability was based on VCUMC's calculated healthcare premium contributions as a percentage of the total health premium contributions for all participating employers. At June 30, 2023, VCUMC's proportion of the Retiree Healthcare Plan was 0.21% as compared to 0.25% at June 30, 2022.

(In thousands)

### 4) Retiree Healthcare Plan Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Healthcare Plan OPEB

For the year ended June 30, 2024, VCUMC recognized Retiree Healthcare Plan expense of ($1,005). At June 30, 2024, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the Retiree Healthcare Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 19 | $ 180 |
| Change in assumptions | – | 456 |
| Changes in proportion share | – | 1,371 |
| Amounts associated with transactions subsequent to the measurement date | 59 | – |
| Total | $ 78 | $ 2,007 |

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling $59 will be recognized as a reduction of the net Retiree Healthcare Plan liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Healthcare OPEB are as follows:

| | |
|---|---|
| Year ended June 30: | |
| 2025 | $ (773) |
| 2026 | (545) |
| 2027 | (387) |
| 2028 | (229) |
| 2029 | (53) |
| Thereafter | – |
| | $ (1,987) |

(In thousands)

### 5) Actuarial Assumptions

The total Retiree Healthcare OPEB liability was based on an actuarial valuation as of June 30, 2023. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare cost trend rates used were 7.75% for medical and pharmacy and 4.0% for dental. The ultimate trend rates used were 4.5% for medical and pharmacy and 4.0% for dental.

| | |
|---|---|
| Valuation Date | Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. |
| Measurement Date | June 30, 2023 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar, closed |
| Effective Amortization Period | 5.80 years |
| Discount Rate | 3.65% |
| Projected Salary Increases | 5.35% -3.5% |
| Medical Trend Under 65 | Medical & Rx: 7.75% to 4.5% Dental: 4.0% |
| Year of Ultimate Trend | 2033 |

| | |
|---|---|
| Mortality rates: | Mortality rates vary by participant status and gender |
| Pre-Retirement: | PUB-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years |
| Post-Retirement: | PUB-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females |
| Post-Disablement: | PUB-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years |

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, which is June 30, 2023.

(In thousands)

There were not any changes in assumptions since the June 30, 2022, measurement date. Retiree Participation remained at 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2023. Additionally, the discount rate was increased from 3.54% to 3.65% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023.

There were no plan changes in the valuation since the prior year.

**6) Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Discount Rate**

The following presents VCUMC's proportionate share of the Retiree Healthcare OPEB liability using the discount rate at 3.65%, as well as what the Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

| | 1% Decrease | Discount rate | 1% Increase |
|---|---|---|---|
| Retiree Healthcare OPEB Liability | $ 788 | $ 744 | $ 702 |

**7) Sensitivity of the Retiree Healthcare OPEB Liability to Changes in Healthcare Cost Trends**

The following presents VCUMC's proportionate share of the Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.75% decreasing to 4.50%, as well as what the VCUMC's proportionate share of the Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.75% decreasing to 3.50%) or one percentage point higher (8.75% decreasing to 5.50%) than the current rate:

| | 1% Decrease (7.00% decreasing to 3.50%) | Trend Rate (8.00% decreasing to 4.50%) | 1% Increase (9.00% decreasing to 5.50%) |
|---|---|---|---|
| Retiree Healthcare OPEB Liability | $ 677 | $ 744 | $ 822 |

(In thousands)

## (15) Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are area residents insured under third-party payor agreements. The composition of net receivables from patients and third-party payors as of June 30 follows:

| | 2024 | 2023 |
|---|---|---|
| Anthem | 24% | 24% |
| Medicaid | 19% | 17% |
| Medicare | 18% | 18% |
| Other | 39% | 41% |
| | 100% | 100% |

Revenue from the Medicare and Medicaid/Indigent programs accounted for approximately 25% and 26%, respectively, of the Authority's net patient service revenue for the year ended June 30, 2024. Revenue from the Medicare and Medicaid/Indigent programs accounted for approximately 24% and 26%, respectively, of the Authority's net patient service revenue for the year ended June 30, 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

(In thousands)

## (16) Condensed Combining Information

### *(a) Condensed Statement of Net Position*

| | At June 30, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **VCU Medical Center** | **MCV Associated Physicians** | **Community Memorial Hospital** | **Tappahannock Hospital** | **ASC** | **VCCN** | **Children's Services at Brook Road** | **University Health Services** | **Aries Insurance Captive** | **Eliminations** | **Total** |
| **Assets** | | | | | | | | | | | |
| Current assets | $ 1,467,467 | $ 163,755 | $ 39,797 | $ 10,728 | $ 4,151 | $ 177 | $ 9,672 | $ 9,548 | $ 19,667 | $ (635,754) | $ 1,089,208 |
| Capital assets | 1,599,313 | 24,340 | 79,448 | 18,952 | 15,603 | – | 6,084 | 22,214 | – | – | 1,765,954 |
| Other assets | 1,525,121 | 97,190 | 21,523 | 111 | – | – | 6,293 | 1,312 | 102,056 | – | 1,753,606 |
| Total assets | 4,591,901 | 285,285 | 140,768 | 29,791 | 19,754 | 177 | 22,049 | 33,074 | 121,723 | (635,754) | 4,608,768 |
| **Deferred outflows of resources** | | | | | | | | | | | |
| Total deferred outflows of resources | 22,836 | – | – | – | – | – | – | – | – | – | 22,836 |
| Total assets and deferred outflows of resources | $ 4,614,737 | $ 285,285 | $ 140,768 | $ 29,791 | $ 19,754 | $ 177 | $ 22,049 | $ 33,074 | $ 121,723 | $ (635,754) | $ 4,631,604 |
| **Liabilities** | | | | | | | | | | | |
| Current liabilities | $ 292,096 | $ 496,705 | $ 86,674 | $ 25,303 | $ 31,241 | $ 1,855 | $ 22,556 | $ 21,098 | $ 23,558 | $ (635,754) | $ 365,332 |
| Other liabilities | 718,844 | 9,664 | 59,327 | 1,180 | – | – | – | – | 27,963 | – | 816,978 |
| Total liabilities | 1,010,940 | 506,369 | 146,001 | 26,483 | 31,241 | 1,855 | 22,556 | 21,098 | 51,521 | (635,754) | 1,182,310 |
| **Deferred inflows of resources** | | | | | | | | | | | |
| Total deferred inflows of resources | 48,345 | – | – | – | – | – | – | – | – | – | 48,345 |
| **Net position** | | | | | | | | | | | |
| Net investment in capital assets | 1,076,945 | 11,949 | 19,141 | 17,469 | 15,603 | – | 6,083 | 22,160 | – | – | 1,169,350 |
| Restricted: | | | | | | | | | | | |
| Expendable | – | – | 3,056 | – | – | – | 1,800 | – | – | – | 4,856 |
| Nonexpendable | 21,512 | – | 111 | – | – | – | 2,676 | – | – | – | 24,299 |
| Unrestricted | 2,456,995 | (233,033) | (27,541) | (14,161) | (27,090) | (1,678) | (11,066) | (10,184) | 70,202 | – | 2,202,444 |
| Total net position | 3,555,452 | (221,084) | (5,233) | 3,308 | (11,487) | (1,678) | (507) | 11,976 | 70,202 | – | 3,400,949 |
| Total liabilities, deferred inflows of resources and net position | $ 4,614,737 | $ 285,285 | $ 140,768 | $ 29,791 | $ 19,754 | $ 177 | $ 22,049 | $ 33,074 | $ 121,723 | $ (635,754) | $ 4,631,604 |

(In thousands)

### *(b) Condensed Statement of Revenues, Expenses and Changes in Net Position*

| | Year Ended June 30, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **VCU Medical Center** | **MCV Associated Physicians** | **Community Memorial Hospital** | **Tappahannock Hospital** | **ASC** | **VCCN** | **Children's Services at Brook Road** | **University Health Services** | **Aries Insurance Captive** | **Eliminations** | **Total** |
| Operating revenues | $ 2,746,462 | $ 641,196 | $ 145,589 | $ 61,109 | $ 19,555 | $ 229 | $ 27,598 | $ 4,981 | $ 17,301 | $ (120,717) | $ 3,543,303 |
| Operating expenses excluding depreciation and amortization | 2,208,939 | 736,440 | 170,433 | 65,948 | 20,087 | 827 | 21,723 | 5,102 | 10,162 | (120,717) | 3,118,944 |
| Provision for depreciation and amortization | 112,111 | 4,232 | 4,883 | 1,680 | 1,916 | – | 553 | 798 | – | – | 126,173 |
| Operating income (loss) | 425,412 | (99,476) | (29,727) | (6,519) | (2,448) | (598) | 5,322 | (919) | 7,139 | – | 298,186 |
| Nonoperating revenue and expenses, net | 75,373 | 60,735 | 631 | (36) | – | – | 1,145 | (4) | 6,477 | – | 144,321 |
| Change in beneficial interest in trusts | 1,646 | – | – | – | – | – | – | – | – | – | 1,646 |
| Other | (2,121) | (22,632) | 2,121 | – | – | – | – | – | – | – | (22,632) |
| Increase (decrease) in net position | 500,310 | (61,373) | (26,975) | (6,555) | (2,448) | (598) | 6,467 | (923) | 13,616 | – | 421,521 |
| Net position at beginning of year | 3,055,142 | (159,711) | 21,742 | 9,863 | (9,039) | (1,080) | (6,974) | 12,899 | 56,586 | – | 2,979,428 |
| Net position at end of year | $ 3,555,452 | $ (221,084) | $ (5,233) | $ 3,308 | $ (11,487) | $ (1,678) | $ (507) | $ 11,976 | $ 70,202 | $ – | $ 3,400,949 |

(In thousands)

### (c) Condensed Statement of Cash Flows

| | Year Ended June 30, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | VCU Medical Center | MCV Associated Physicians | Community Memorial Hospital | Tappahannock Hospital | ASC | VCCN | Children's Services at Brook Road | University Health Services | Aries Insurance Captive | Total |
| Net cash provided by (used in): | | | | | | | | | | |
| Operating activities | $ 99,774 | $ 16,709 | $ 2,434 | $ 987 | $ 169 | $ – | $ 5,026 | $ 281 | $ 9,602 | $ 134,982 |
| Noncapital financing activities | (108,756) | (19,074) | 2,416 | (10) | – | – | 73 | – | – | (125,351) |
| Capital and related financing activities | (4,327) | (4,165) | (3,501) | (977) | (169) | – | (731) | (57) | – | (13,927) |
| Investing activities | 21,592 | 5,268 | 56 | – | – | – | – | – | (9,582) | 17,334 |
| Net increase (decrease) in cash and cash equivalents | 8,283 | (1,262) | 1,405 | – | – | – | 4,368 | 224 | 20 | 13,038 |
| Cash and cash equivalents at beginning of year | 327,420 | 1,337 | 11,943 | 1 | – | – | 180 | 703 | 467 | 342,051 |
| Cash and cash equivalents at end of year | $ 335,703 | $ 75 | $ 13,348 | $ 1 | $ – | $ – | $ 4,548 | $ 927 | $ 487 | $ 355,089 |

# Required Supplementary Information as of and For the Year Ended June 30, 2024

**Schedule 1**

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Schedule of Employer Contributions
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2015 | $ 5,138 | $ 5,138 | $ – | $ 41,277 | 12.45% |
| 2016 | 4,146 | 4,146 | – | 38,331 | 10.82% |
| 2017 | 4,762 | 4,762 | – | 34,988 | 13.61% |
| 2018 | 3,926 | 3,926 | – | 32,650 | 12.02% |
| 2019 | 3,603 | 3,603 | – | 24,978 | 14.42% |
| 2020 | 3,114 | 3,114 | – | 24,562 | 12.68% |
| 2021 | 2,859 | 2,859 | – | 21,602 | 13.23% |
| 2022 | 2,490 | 2,490 | – | 18,944 | 13.14% |
| 2023 | 2,058 | 2,058 | – | 15,256 | 13.49% |
| 2024 | 1,745 | 1,745 | – | 12,120 | 14.40% |

*Schedule is intended to show information for 10 years. 2015 was the first fiscal year for presentation, additional years will be included as they become available.*

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

*See accompanying report of independent auditors.*

**Schedule 2**

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Schedule of Authority’s Share of Net Pension Liability
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer’s proportion of the net pension liability | 0.94% | 0.87% | 0.79% | 0.74% | 0.67% | 0.60% | 0.50% | 0.42% | 0.33% | 0.26% |
| Employer’s proportionate share of the net pension liability | $ 52,598 | $ 53,472 | $ 52,121 | $ 43,367 | $ 36,496 | $ 37,635 | $ 36,297 | $ 15,054 | $ 14,769 | $ 12,975 |
| Employer’s covered payroll | $ 41,277 | $ 38,331 | $ 34,988 | $ 32,650 | $ 24,978 | $ 24,562 | $ 21,602 | $ 18,944 | $ 15,256 | $ 12,120 |
| Employer’s proportionate share of the | | | | | | | 148.97% | | | |
| net pension liability as a percentage of its covered payroll | 127.43% | 139.50% | 148.97% | 132.82% | 146.11% | 153.22% | 168.03% | 79.47% | 96.81% | 107.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.28% | 72.81% | 71.29% | 75.33% | 77.39% | 75.13% | 72.15% | 86.44% | 83.26% | 82.19% |

*Schedule is intended to show information for 10 years. 2015 is the first fiscal year for presentation, additional years will be included as they become available.*

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

*See accompanying report of independent auditors.*

**Schedule 3**

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Schedule of Authority's Share of Net OPEB Liability Health
Insurance Credit Program (HIC)
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Employer's proportion of the net HIC OPEB | 0.90% | 0.82% | 0.69% | 0.62% | 0.54% | 0.47% | 0.38% |
| Employer's proportionate share of the net HIC OPEB liability | $ 8,180 | $ 7,495 | $ 6,374 | $ 5,655 | $ 4,566 | $ 3,881 | $ 3,093 |
| Employer's covered payroll | $ 47,624 | $ 42,435 | $ 49,072 | $ 45,133 | $ 41,381 | $ 36,087 | $ 31,113 |
| Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll | 17.18% | 17.66% | 12.99% | 12.53% | 11.03% | 10.75% | 9.94% |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 8.03% | 9.51% | 10.56% | 12.02% | 19.75% | 21.52% | 25.46% |

*Schedule is intended to show information for 10 years. 2018 is the first fiscal year for presentation, only six years of data is available. However, additional years will be included as they become available.*

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

*See accompanying report of independent auditors.*

**Schedule 4**

**VIRGINIA COMMONWEALTH UNIVERSITY**
**HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Schedule of Authority's Share of Net OPEB Liability Pre-Medicare
Retiree Healthcare (Retiree Healthcare Plan)
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Employer's proportion of the net Retiree Healthcare Plan OPEB | 0.47% | 0.43% | 0.39% | 0.35% | 0.30% | 0.25% | 0.21% |
| Employer's proportionate share of the net Retiree Healthcare Plan OPEB liability | $ 6,164 | $ 4,348 | $ 2,655 | $ 1,988 | $ 1,367 | $ 924 | $ 744 |
| Employer's covered payroll | $ 20,660 | $ 18,552 | $ 18,309 | $ 22,472 | $ 20,981 | $ 18,239 | $ 16,306 |
| Employer's proportionate share of the net Retiree Healthcare Plan OPEB liability as a percentage of its covered payroll | 29.84% | 23.44% | 14.50% | 8.85% | 6.51% | 5.07% | 4.56% |

*Schedule is intended to show information for 10 years. 2018 is the first fiscal year for presentation, only six years of data is available. However, additional years will be included as they become available.*

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

*See accompanying report of independent auditors.*

Supplementary Information as of and
For the Year Ended June 30, 2024

**Schedule 5**

# VIRGINIA COMMONWEALTH UNIVERSITY
# HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

## Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position- Enterprise Fund

June 30, 2024
(In thousands)

| | VCU Medical Center | MCV Associated Physicians | Community Memorial Hospital | Tappahannock Hospital | ASC | VCCN | Children's Services at Brook Road | University Health Services | Aries Insurance Captive | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash and cash equivalents | $ 321,663 | $ 29 | $ 13,023 | $ 1 | $ – | $ – | $ 4,547 | $ 927 | $ 210 | $ – | $ 340,400 |
| Restricted cash | – | 20 | 91 | – | – | – | 2 | – | – | – | 113 |
| Patient accounts receivable, net | 397,490 | 55,203 | 15,892 | 9,303 | 4,151 | – | 2,155 | – | – | – | 484,194 |
| Settlements due from third-party payors | 59,528 | 65,866 | 2,921 | – | – | – | 2,803 | – | – | – | 131,118 |
| Other accounts receivable | 18,113 | 12,559 | 87 | 6 | – | – | 34 | 154 | – | – | 30,953 |
| Due from related parties | 583,583 | 29,171 | 3,973 | – | – | – | 6 | 8,442 | 11,952 | (635,754) | 1,373 |
| Current portion of assets whose use is designated | 500 | – | – | – | – | – | – | – | 7,500 | – | 8,000 |
| Supplies and other current assets | 86,590 | 907 | 3,810 | 1,418 | – | 177 | 125 | 25 | 5 | – | 93,057 |
| Total current assets | 1,467,467 | 163,755 | 39,797 | 10,728 | 4,151 | 177 | 9,672 | 9,548 | 19,667 | (635,754) | 1,089,208 |
| Capital assets: | | | | | | | | | | | |
| Land | 18,007 | – | 1,570 | 3,047 | – | – | 55 | 2,745 | – | – | 25,424 |
| Depreciable capital assets, net | 1,488,509 | 11,959 | 77,360 | 13,942 | 15,490 | – | 6,029 | 19,422 | – | – | 1,632,711 |
| Construction in progress | 33,881 | 403 | 276 | 642 | 113 | – | – | – | – | – | 35,315 |
| Leased assets, net | 31,510 | 11,978 | 242 | 1,321 | – | – | – | – | – | – | 45,051 |
| Subscription-based IT arrangements | 27,406 | – | – | – | – | – | – | 47 | – | – | 27,453 |
| Total capital assets, net | 1,599,313 | 24,340 | 79,448 | 18,952 | 15,603 | – | 6,084 | 22,214 | – | – | 1,765,954 |
| Other assets: | | | | | | | | | | | |
| Assets whose use is restricted | 35,893 | – | 658 | – | – | – | 5,526 | – | – | – | 42,077 |
| Assets whose use is designated, less current portion | 1,467,387 | 97,190 | 20,503 | – | – | – | – | – | 27,444 | – | 1,612,524 |
| Long-term investments | – | – | – | – | – | – | – | – | 74,612 | – | 74,612 |
| Equity method investments | 2,299 | – | – | – | – | – | – | 970 | – | – | 3,269 |
| Other assets | 19,542 | – | 362 | 111 | – | – | 767 | 342 | – | – | 21,124 |
| Total other assets | 1,525,121 | 97,190 | 21,523 | 111 | – | – | 6,293 | 1,312 | 102,056 | – | 1,753,606 |
| Total assets | 4,591,901 | 285,285 | 140,768 | 29,791 | 19,754 | 177 | 22,049 | 33,074 | 121,723 | (635,754) | 4,608,768 |
| **Deferred outflows of resources** | | | | | | | | | | | |
| Deferred loss on debt refunding | 18,116 | – | – | – | – | – | – | – | – | – | 18,116 |
| Interest rate swap | 1,213 | – | – | – | – | – | – | – | – | – | 1,213 |
| Pension and post-retirement related deferred outflows | 3,507 | – | – | – | – | – | – | – | – | – | 3,507 |
| Total deferred outflows of resources | 22,836 | – | – | – | – | – | – | – | – | – | 22,836 |
| Total assets and deferred outflows of resources | $ 4,614,737 | $ 285,285 | $ 140,768 | $ 29,791 | $ 19,754 | $ 177 | $ 22,049 | $ 33,074 | $ 121,723 | $ (635,754) | $ 4,631,604 |

**Schedule 5**

# VIRGINIA COMMONWEALTH UNIVERSITY
# HEALTH SYSTEM AUTHORITY

(A Component Unit of Virginia Commonwealth University)

## Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position- Enterprise Fund

June 30, 2024
(In thousands)

| | VCU Medical Center | MCV Associated Physicians | Community Memorial Hospital | Tappahannock Hospital | ASC | VCCN | Children’s Services at Brook Road | University Health Services | Aries Insurance Captive | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities, deferred inflows of resources and net position** | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | $ 14,807 | $ – | $ 939 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 15,746 |
| Current portion of lease obligations | 7,718 | 2,727 | 60 | 304 | – | – | – | – | – | – | 10,809 |
| Current portion of SBITA obligations | 13,303 | – | – | – | – | – | – | 54 | – | – | 13,357 |
| Trade accounts payable | 103,348 | 6,243 | 3,534 | 878 | 515 | 91 | 268 | 439 | 186 | – | 115,502 |
| Settlements due to third-party payors | 43,787 | 5,306 | 772 | 208 | – | – | – | – | – | – | 50,073 |
| Accrued salaries, wages and employee benefits | 59,102 | 17,013 | 953 | – | – | – | – | – | – | – | 77,068 |
| Accrued leave | 33,224 | 10,445 | 657 | – | – | – | – | – | – | – | 44,326 |
| Accrued interest payable | 10,411 | 16 | 58 | 2 | – | – | – | 3 | – | – | 10,490 |
| Due to related parties | - | 444,554 | 77,595 | 23,532 | 30,665 | 1,764 | 21,187 | 20,585 | 15,872 | (635,754) | – |
| Current portion of estimated workers’ compensation claims | 100 | – | – | – | – | – | – | – | 1,500 | – | 1,600 |
| Current portion of estimated losses on malpractice claims | 400 | – | – | – | – | – | – | – | 6,000 | – | 6,400 |
| Other accrued liabilities | 5,896 | 10,401 | 2,106 | 379 | 61 | – | 1,101 | 17 | – | – | 19,961 |
| Total current liabilities | 292,096 | 496,705 | 86,674 | 25,303 | 31,241 | 1,855 | 22,556 | 21,098 | 23,558 | (635,754) | 365,332 |
| Other liabilities: | | | | | | | | | | | |
| Long-term debt, less current portion | 617,127 | – | 59,130 | – | – | – | – | – | – | – | 676,257 |
| Long-term lease obligations | 29,262 | 9,664 | 180 | 1,180 | – | – | – | – | – | – | 40,286 |
| Long-term SBITA obligations | 8,901 | – | – | – | – | – | – | – | – | – | 8,901 |
| Estimated workers’ compensation claims | 1,952 | – | – | – | – | – | – | – | 2,984 | – | 4,936 |
| Estimated losses on malpractice claims | 3,503 | – | – | – | – | – | – | – | 18,729 | – | 22,232 |
| Fair value of hedging derivatives | 9,910 | – | – | – | – | – | – | – | – | – | 9,910 |
| Net pension and postretirement liability | 16,812 | – | – | – | – | – | – | – | – | – | 16,812 |
| Other liabilities | 31,377 | – | 17 | – | – | – | – | – | 6,250 | – | 37,644 |
| Total liabilities | 1,010,940 | 506,369 | 146,001 | 26,483 | 31,241 | 1,855 | 22,556 | 21,098 | 51,521 | (635,754) | 1,182,310 |
| Deferred inflows of resources | | | | | | | | | | | |
| Deferred gain on debt refunding | 21,366 | – | – | – | – | – | – | – | – | – | 21,366 |
| Pension and post-retirement related deferred inflows | 10,949 | – | – | – | – | – | – | – | – | – | 10,949 |
| Right to use lease assets | 16,030 | – | – | – | – | – | – | – | – | – | 16,030 |
| Total deferred inflows of resources | 48,345 | – | – | – | – | – | – | – | – | – | 48,345 |
| Total liabilities and deferred inflows of resources | $ 1,059,285 | $ 506,369 | $ 146,001 | $ 26,483 | $ 31,241 | $ 1,855 | $ 22,556 | $ 21,098 | $ 51,521 | $ (635,754) | $ 1,230,655 |

# VIRGINIA COMMONWEALTH UNIVERSITY
# HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

## Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position- Enterprise Fund

June 30, 2024
(In thousands)

| | VCU Medical Center | MCV Associated Physicians | Community Memorial Hospital | Tappahannock Hospital | ASC | VCCN | Children's Services at Brook Road | University Health Services | Aries Insurance Captive | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net position** | | | | | | | | | | | |
| Net position: | | | | | | | | | | | |
| Net investment in capital assets | $ 1,076,945 | $ 11,949 | $ 19,141 | $ 17,469 | $ 15,603 | $ – | $ 6,083 | $ 22,160 | $ – | $ – | $ 1,169,350 |
| Restricted: | | | | | | | | | | | |
| Expendable | – | – | 3,056 | – | – | – | 1,800 | – | – | – | 4,856 |
| Nonexpendable permanent endowment | 21,512 | – | 111 | – | – | – | 2,676 | – | – | – | 24,299 |
| Unrestricted | 2,456,995 | (233,033) | (27,541) | (14,161) | (27,090) | (1,678) | (11,066) | (10,184) | 70,202 | – | 2,202,444 |
| Total net position | 3,555,452 | (221,084) | (5,233) | 3,308 | (11,487) | (1,678) | (507) | 11,976 | 70,202 | – | 3,400,949 |
| Total liabilities, deferred inflows of resources and net position | $ 4,614,737 | $ 285,285 | $ 140,768 | $ 29,791 | $ 19,754 | $ 177 | $ 22,049 | $ 33,074 | $ 121,723 | $ (635,754) | $ 4,631,604 |

# VIRGINIA COMMONWEALTH UNIVERSITY
# HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

## Combining Schedule of Revenues, Expenses and Changes in Net Position – Enterprise Fund

Year Ended June 30, 2024
(In thousands)

| | VCU Medical Center | MCV Associated Physicians | Community Memorial Hospital | Tappahannock Hospital | ASC | VCCN | Children's Services at Brook Road | University Health Services | Aries Insurance Captive | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | | |
| Net patient service revenue | $ 2,721,718 | $ 526,514 | $ 144,863 | $ 60,454 | $ 19,555 | $ – | $ 26,613 | $ – | $ – | $ (2,223) | $ 3,497,494 |
| Contract revenue from MCVH | – | 94,188 | – | – | – | – | – | – | – | (94,188) | – |
| Other contract revenue | – | 19,588 | – | – | – | – | – | – | – | – | 19,588 |
| Other operating revenue | 24,744 | 906 | 726 | 655 | – | 229 | 985 | 4,981 | 17,301 | (24,306) | 26,221 |
| | 2,746,462 | 641,196 | 145,589 | 61,109 | 19,555 | 229 | 27,598 | 4,981 | 17,301 | (120,717) | 3,543,303 |
| Operating expenses: | | | | | | | | | | | |
| Salaries and wages | 866,751 | 477,036 | 69,537 | 19,006 | 4,607 | 287 | 10,816 | 602 | – | – | 1,448,642 |
| Employee benefits | 215,470 | 97,587 | 17,924 | 5,255 | 1,490 | 69 | 2,550 | 183 | – | (2,327) | 338,201 |
| Purchased services | 388,580 | 24,812 | 22,520 | 10,146 | 275 | 214 | 1,192 | 1,738 | 10,127 | (96,411) | 363,193 |
| Supplies | 739,033 | 7,998 | 22,072 | 16,911 | 9,316 | – | 1,425 | 9 | – | – | 796,764 |
| Other expenses | (895) | 129,007 | 38,380 | 14,630 | 4,399 | 257 | 5,740 | 2,570 | 35 | (21,979) | 172,144 |
| Provision for depreciation and amortization | 112,111 | 4,232 | 4,883 | 1,680 | 1,916 | – | 553 | 798 | – | – | 126,173 |
| | 2,321,050 | 740,672 | 175,316 | 67,628 | 22,003 | 827 | 22,276 | 5,900 | 10,162 | (120,717) | 3,245,117 |
| Operating income (loss) | 425,412 | (99,476) | (29,727) | (6,519) | (2,448) | (598) | 5,322 | (919) | 7,139 | – | 298,186 |
| Nonoperating revenues and (expenses): | | | | | | | | | | | |
| Investment income | 191,329 | 13,507 | 2,451 | – | – | – | – | – | 6,477 | – | 213,764 |
| Interest expense | (31,389) | (170) | (2,127) | (26) | – | – | – | (4) | – | – | (33,716) |
| Other nonoperating (expense) income, net | (95,966) | 43,840 | 12 | – | – | – | 1,072 | – | – | – | (51,042) |
| Income from equity method investments | – | – | – | – | – | – | – | – | – | – | – |
| CARES ACT and other COVID-19 revenue | 2,607 | – | – | – | – | – | – | – | – | – | 2,607 |
| Donations and gifts, net | 8,792 | 3,558 | 295 | (10) | – | – | 73 | – | – | – | 12,708 |
| Nonoperating revenues and (expenses), net | 75,373 | 60,735 | 631 | (36) | – | – | 1,145 | (4) | 6,477 | – | 144,321 |
| Income/(loss) before other revenues, expenses, gains and losses | 500,785 | (38,741) | (29,096) | (6,555) | (2,448) | (598) | 6,467 | (923) | 13,616 | – | 442,507 |
| Change in beneficial interests in trusts | 1,646 | – | – | – | – | – | – | – | – | – | 1,646 |
| Other | (2,121) | (22,632) | 2,121 | – | – | – | – | – | – | – | (22,632) |
| Increase/(Decrease) in net position | 500,310 | (61,373) | (26,975) | (6,555) | (2,448) | (598) | 6,467 | (923) | 13,616 | – | 421,521 |
| Net position at beginning of year | 3,055,142 | (159,711) | 21,742 | 9,863 | (9,039) | (1,080) | (6,974) | 12,899 | 56,586 | – | 2,979,428 |
| Net position at end of year | $ 3,555,452 | $ (221,084) | $ (5,233) | $ 3,308 | $ (11,487) | $ (1,678) | $ (507) | $ 11,976 | $ 70,202 | $ – | $ 3,400,949 |

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