Annual **Financial Report** '22

UTAH VALLEY UNIVERSITY

UTAH VALLEY UNIVERSITY

2022 ANNUAL FINANCIAL REPORT • 2022 ANNUAL FINANCIAL REPORT •

UVU

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*This document contains photos highlighting the new Scott C. Keller business building

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# Independent **Auditor's Report**

**OFFICE OF THE**
**STATE AUDITOR**

# Independent Auditor's Report

To the Governing Board, Audit Committee
and
Dr. Astrid S. Tuminez, President
Utah Valley University

## Report on the Audit of the Financial Statements

*Opinions*

We have audited the accompanying financial statements of Utah Valley University (the University) and its discretely presented component unit foundation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the University and its discretely presented component unit foundation as of June 30, 2022, and the changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Utah Valley University Foundation (the Foundation), the discretely presented component unit foundation, financial statements as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended were audited by other auditors. Their report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation is based solely on the report of the other auditors.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Emphasis of Matter

As described in Note 1, the University implemented Government Accounting Standards Board (GASB) Statement 87 Leases. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

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

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 University'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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 University'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 University'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 the Proportionate Share of the Net Pension Liability (Asset), the Schedule of the Contributions to the Utah State Retirement Systems be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
Salt Lake City, Utah
January 10, 2023


# Management's **Discussion & Analysis**

# INTRODUCTION

The following discussion and analysis provides an overview of the financial position and results of activities of Utah Valley University (the University) for the year ended June 30, 2022, with comparative information for the year ended June 30, 2021. This discussion is prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow these sections.

The Utah Valley University Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported as a discretely presented component unit in the University's financial statements.

## Financial Highlights

- The University's net position increased by $69.1 million during the fiscal year and net position at June 30, 2022 was $696.1 million.
- The University added $86.2 million in net capital assets, including completing the new business building.
- Student financial aid increased by $24.4 million or 52.1% due to federal Higher Education Emergency Relief Funds (HEERF) being paid to students.
- Revenues for auxiliary services increased by $2.7 million or 51.5% due to opening new dining options after the remodel of the student center was completed.
- The University implemented GASB Statement 87 on leases.

## OVERVIEW of the Financial Statements

The financial statements are prepared in accordance with GASB principles. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

## Statement of Net Position

The Statement of Net Position presents financial information on all of the University's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows and outflows, and net position.

From the data presented, readers of the Statement of Net Position are able to determine the assets available for continued operations of the University. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of resources available for expenditure by the University.

Net position is divided into three major categories: net investment in capital assets, restricted, and unrestricted. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. The second net position category is restricted, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted net position is only available for investment purposes. Net position resources categorized as expendable restricted are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available for expenditure for any lawful purpose of the University.

**Statement of Net Position, Condensed**

| | 2022 | 2021 | Change | % Change |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | $ 145,939,837 | $ 182,124,867 | $ (36,185,030) | (19.9%) |
| Noncurrent assets | 111,326,072 | 73,053,031 | 38,273,041 | 52.4% |
| Capital assets, net | 592,377,312 | 506,161,106 | 86,216,206 | 17.0% |
| **Total assets** | **849,643,221** | **761,339,004** | **88,304,217** | **11.6%** |
| Deferred Outflows of Resources | 4,064,056 | 6,595,784 | (2,531,728) | (38.4%) |
| **LIABILITIES** | | | | |
| Current liabilities | 44,241,164 | 48,840,408 | (4,599,244) | (9.4%) |
| Noncurrent liabilities | 74,514,885 | 78,464,103 | (3,949,218) | (5.0%) |
| **Total liabilities** | **118,756,049** | **127,304,511** | **(8,548,462)** | **(6.7%)** |
| Deferred Inflows of Resources | 38,822,269 | 14,257,136 | 24,565,133 | 172.3% |
| **NET POSITION** | | | | |
| Net invested in capital assets | 520,574,817 | 441,337,620 | 79,237,197 | 18.0% |
| Restricted expendable | 9,218,271 | 3,484,221 | 5,734,050 | 164.6% |
| Unrestricted | 166,335,871 | 181,551,300 | (15,215,429) | (8.4%) |
| **Total net postion** | **$ 696,128,959** | **$ 626,373,141** | **$ 69,755,818** | **11.1%** |

The decrease in current assets held by the University of $36.2 million is mainly due to a decrease in cash of $44.0 million due to the timing of federal drawdowns and the sale of investments in the prior year. Short-term investments increased by $15.1 million. Cash and cash equivalents make up 50.2% of the current assets balance with $73.3 million. A portion of cash, $9.8 million, is considered restricted due to restrictions placed on how the cash can be spent. In this case, the restrictions come from granting agencies, such as the federal government.

Noncurrent assets increased by $124.5 million due to an increase in capital assets of $86.2 million, an increase in noncurrent investments of $31.1 million, and $15.8 million in the net pension asset.

Depreciable capital assets increased $83.3 million due to the completion of the new business building. Noncurrent investments increased due to the University recognizing opportunities to invest in higher yield investments. Noncurrent restricted cash decreased by $11.7 million due to the use of bond proceeds to complete construction projects.

As mentioned previously, capital assets increased by $86.2 million due mostly to the addition of the new business building of $64.6 million. There were building purchases and remodels of $31.4 million that were added to the buildings category of capital assets during the fiscal year. The University also purchased various pieces of equipment at a cost of $7.2 million. The University implemented GASB 87 – *Leases*, which capitalizes right-to-use assets. These assets are included in the capital asset section of the statement of net position and add $0.6 million. The change in capital assets totaled $105.4 million, excluding depreciation. This net increase in capital assets was offset by a net change in depreciation of $19.8 million, which nets to an increase in capital assets of $85.5 million.

The University participates in Utah Retirement Systems (Systems) and we report our portion of the assets, deferred outflows, liabilities, and deferred inflows of the Systems. The net pension asset reported to us by the System increased by $15.8 million (135.6%) to $27.4 million. Deferred outflows of resources decreased by $2.5 million (38.4%) from the previous year and the deferred inflows of resources increased by $24.7 million (173.2%) to $39.0 million. In order to record these changes, it was necessary for the University to record a benefit expense of $5.7 million.

Current and Noncurrent liabilities were comparable to the prior year. The most significant change was in accounts payable, which decreased by $1.8 million from the prior year. The accounts payable balance changes based on the timing of billings from various vendors. The prior year balance was high due to billings related to various construction projects. The remaining current and noncurrent liabilities did not change significantly and show the results of normal operations such as making the annual bond payments.

The largest portion of current liabilities is accrued liabilities (44.5%) which includes payroll and benefit related liabilities followed by Accounts Payable (22.6%) and unearned revenue (21.4%). Bonds, notes, and leases payable make up 92.8% of long-term liabilities.

## Statement of Revenues, Expenses, and Change in Net Position

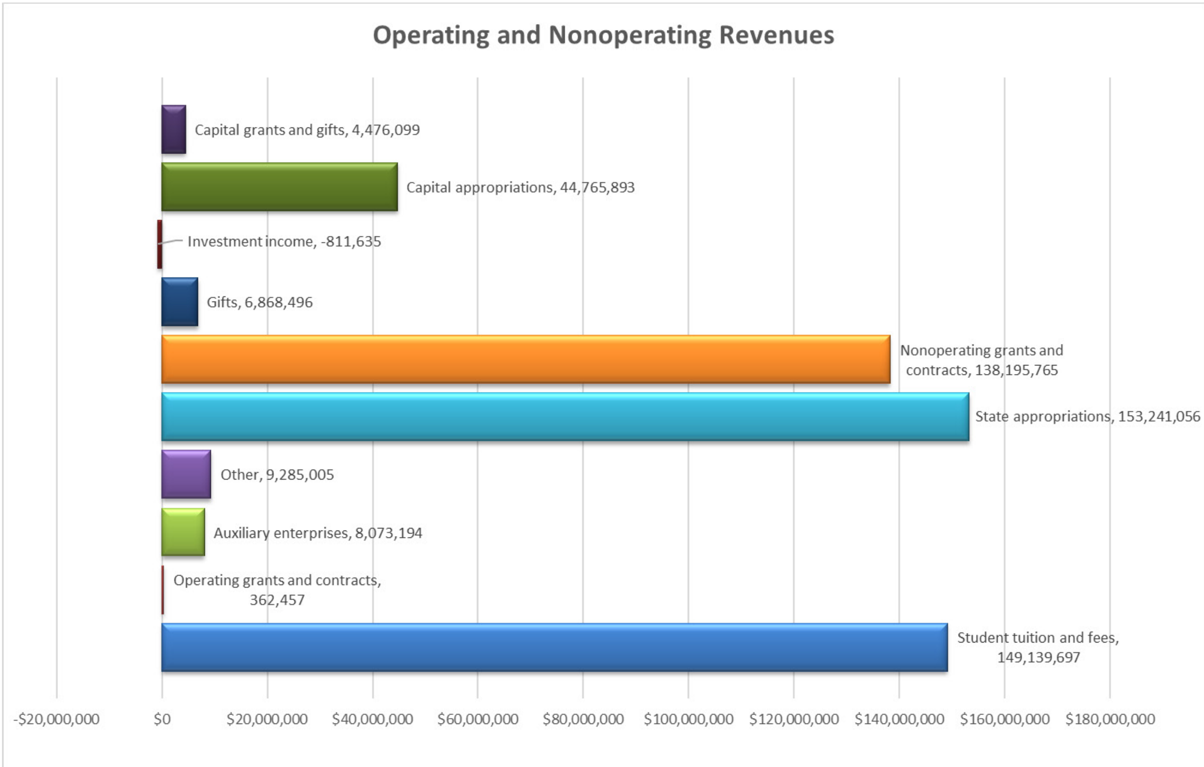
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the University, the operating and nonoperating expenses paid by the University, and any other revenues, expenses, gains, or losses of the University.

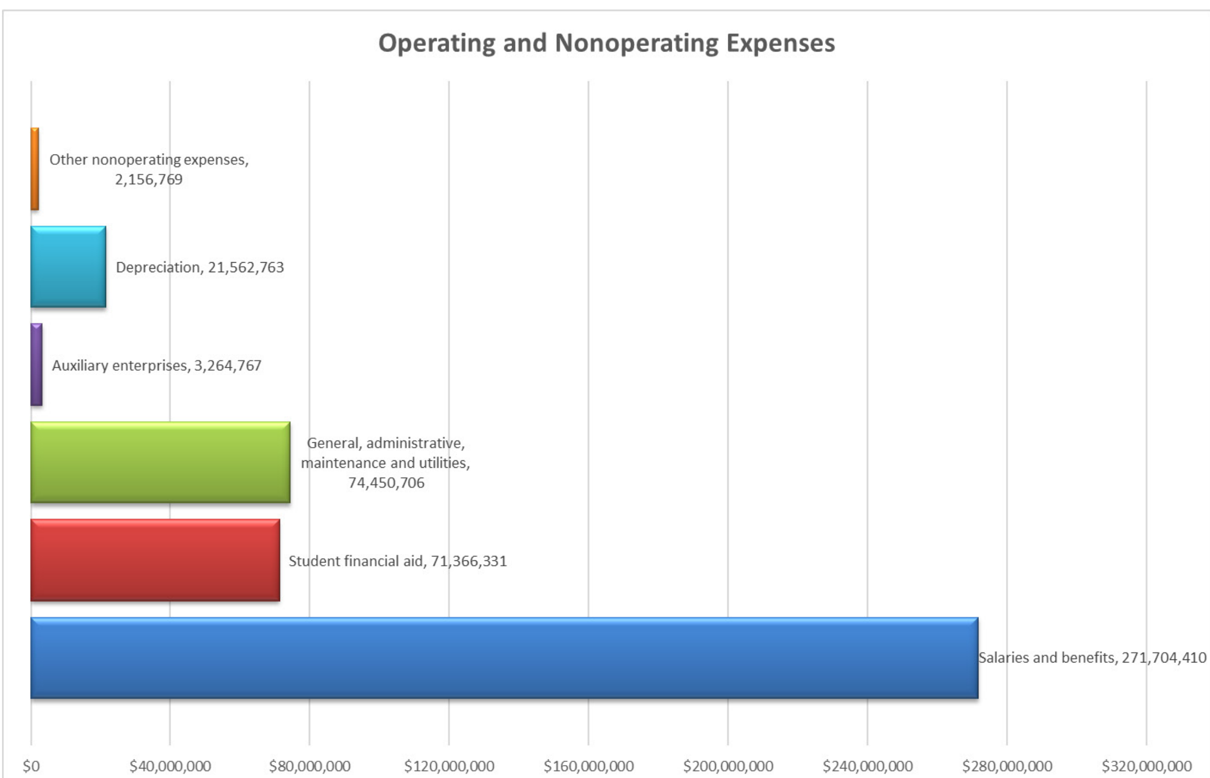
Generally speaking, operating revenues are revenues received for providing goods and services to the various customers and constituencies of the University. Operating expenses are expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating revenues because they are provided by the State Legislature to the University without the Legislature directly receiving commensurate goods or services for those revenues.

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

| | 2022 | 2021 | Change | % Change |
|---|---|---|---|---|
| **REVENUES** | | | | |
| *Operating revenues* | | | | |
| Student tuition and fees | $ 149,139,697 | $ 149,237,393 | $ (97,696) | (0.1%) |
| Grants and contracts | 362,457 | 180,189 | 182,268 | 101.2% |
| Auxiliary enterprises | 8,073,194 | 5,330,049 | 2,743,145 | 51.5% |
| Other | 9,455,487 | 6,708,466 | 2,747,021 | 40.9% |
| **Total operating revenues** | **167,030,835** | **161,456,097** | **5,574,738** | **3.5%** |
| **EXPENSES** | | | | |
| *Operating expenses* | | | | |
| Salaries and benefits | 271,704,410 | 252,338,546 | 19,365,864 | 7.7% |
| Student financial aid | 71,366,331 | 46,932,952 | 24,433,379 | 52.1% |
| General and administrative, maintenance and utilities | 74,450,706 | 61,568,734 | 12,881,972 | 20.9% |
| Auxiliary enterprises | 3,264,767 | 3,660,310 | (395,543) | (10.8%) |
| Depreciation | 21,562,763 | 19,796,956 | 1,765,807 | 8.9% |
| Total operating expenses | 442,348,977 | 384,297,498 | 58,051,479 | 15.1% |
| **Operating loss** | **(275,318,142)** | **(222,841,401)** | **(52,476,741)** | **23.5%** |
| **NONOPERATING REVENUES (EXPENSES)** | | | | |
| State appropriations | 153,241,056 | 151,725,021 | 1,516,035 | 1.0% |
| Grants and contracts | 138,195,765 | 137,877,248 | 318,517 | 0.2% |
| Gifts | 6,868,496 | 4,656,623 | 2,211,873 | 47.5% |
| Investment income | (811,635) | 1,570,052 | (2,381,687) | (151.7%) |
| Other nonoperating revenues (expenses) | (2,327,251) | (2,376,082) | 48,831 | (2.1%) |
| Net nonoperating revenues | 295,166,431 | 293,452,862 | 1,713,569 | **0.6%** |
| **Income before other revenues** | **19,848,289** | **70,611,461** | **(50,763,172)** | **(71.9%)** |
| Capital appropriations | 44,765,893 | 1,359,151 | 43,406,742 | 3,193.7% |
| Capital grants and gifts | 4,476,099 | 12,895,008 | (8,418,909) | (65.3%) |
| Other revenues | 49,241,992 | 14,254,159 | 34,987,833 | 245.5% |
| **Change in net position** | **69,090,281** | **84,865,620** | **(15,775,339)** | **(18.6%)** |
| Net position – beginning, restated | 627,038,678 | 541,507,521 | 85,531,157 | 15.8% |
| Net position – ending | **$ 696,128,959** | **$ 626,373,141** | **$ 69,755,818** | **11.1%** |

The following graphs illustrate operating and nonoperating revenues and expenses for the year ended June 30, 2022.



The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $69.1 million. For fiscal year 2022, the University returned to pre-pandemic levels of students and staff and was operating in-person. Where revenues and expenses were impacted in 2021 by the pandemic, we were able to see improvements in 2022. The following paragraphs discuss the significant changes from the prior year.

Operating revenues are comprised of various sources of income related to our ongoing operating model. The most significant portion of operating revenue is tuition and fees ($149.0 million) which make up 89.3% of operating revenues and 29.0% of total revenues. Operating revenues increased by 3.5% from the prior year. Most of the increase was in auxiliary enterprises and Sales and Services of Education Departments. Auxiliary Enterprises increased by 51.5% or $2.7 million mostly due to the opening of the newly remodeled dining area within the student center with many new restaurants. Sales and Services of Education Departments had an increase of 245.1% or $2.2 million as a result of campus being fully open and operational. The revenue of $3.1 million is almost the same as it was in 2020.

Operating expenses increased from the prior year by 15.1% or $58.1 million. Student Financial Aid increased by $24.4 million or 52.1% due to stimulus payments passed through the University to students from the Federal HEERF funds. Salaries increased by $4.2 million or 2.2%. Salaries and benefits increased due to hiring more faculty and staff, equity and retention increases, and a cost-of-living increase. Benefits increased by 23.3% which includes the changes in the pension asset, liability, deferred outflow of resources, and deferred inflows of resources. Excluding the benefit expense associated with the URS System discussed above, benefit expense increased $9.4 million or 14.4%.

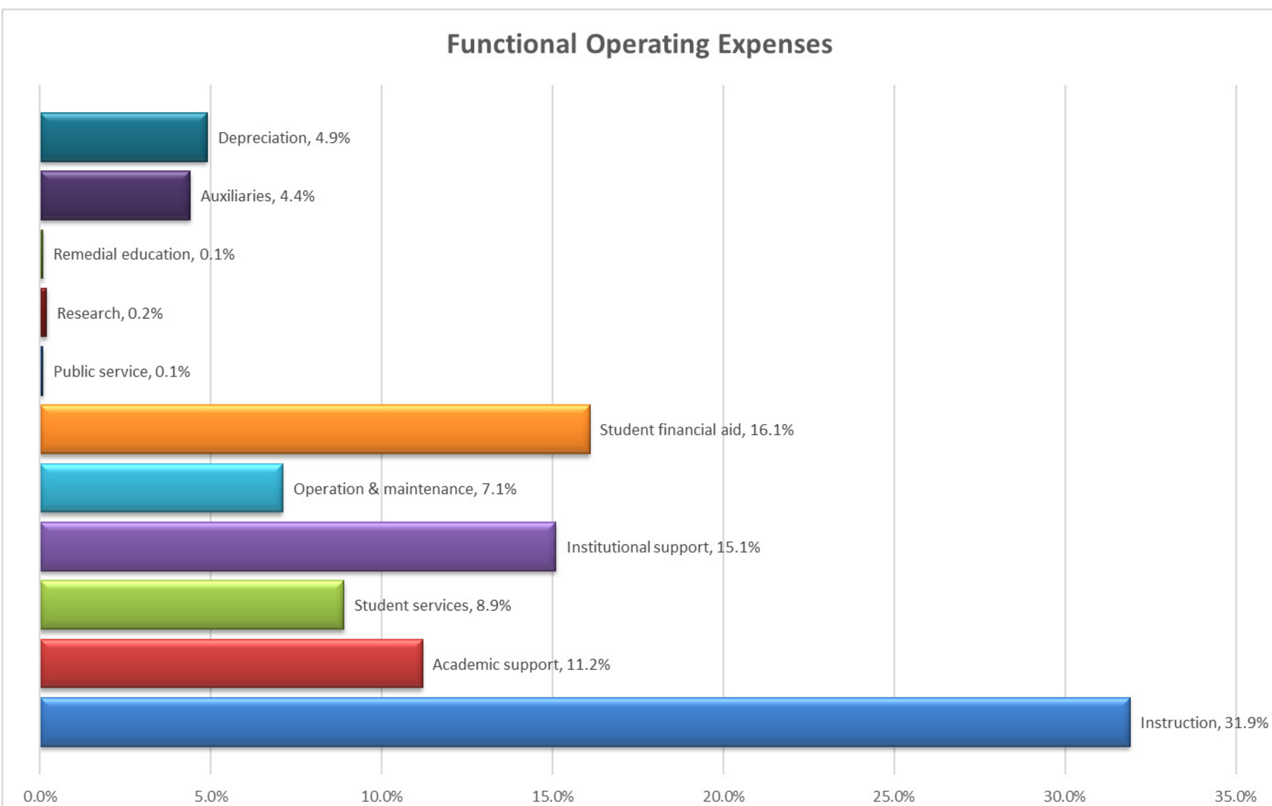
Total nonoperating revenues and expenses increased from the prior year by $1.7 million or 0.6%. State appropriations make up the biggest share of nonoperating revenues at 51.9% or $153.2 million. Federal grants make up the next highest portion of nonoperating revenues at 45.4% or $133.9 million. In fiscal year 2022, state appropriations and federal and state grants make up 55.9% of the University's total revenue. Investment income decreased $2.4 million or 9.7% due to a decrease in market value of investments. The University intends to receive the par value of investments by holding them to maturity.

Capital appropriations increased by $43.4 million due to the transfer of the new business building from the State Division of Facilities Management to the University.

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2022, and 2021:

| | June 30, 2022 | June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Instruction | $ 141,240,962 | $ 131,214,771 | $ 10,026,191 | 7.6% |
| Academic support | 49,342,917 | 37,863,067 | 11,479,850 | 30.3% |
| Student services | 39,786,500 | 32,292,884 | 7,493,616 | 23.2% |
| Institutional support | 66,622,592 | 66,143,881 | 478,711 | 0.7% |
| Operation & maintenance | 31,296,420 | 32,252,791 | (956,371) | (3.0%) |
| Student financial aid | 71,366,331 | 46,932,952 | 24,433,379 | 52.1% |
| Public service | 452,069 | 380,242 | 71,827 | 18.9% |
| Research | 864,507 | 520,427 | 344,080 | 66.1% |
| Remedial education | 520,034 | 620,530 | (100,496) | (16.2%) |
| Auxiliaries | 19,293,882 | 16,278,997 | 3,014,885 | 18.5% |
| Depreciation | 21,562,763 | 19,796,956 | 1,765,807 | 8.9% |
| **Total Operating Expenses** | **$ 442,348,977** | **$ 384,297,498** | **$ 58,051,479** | **15.1%** |

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2022.



## Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

**Statement of Cash Flows, Condensed**

| | 2022 | 2021 | Change | % Change |
|---|---|---|---|---|
| Cash provided (used) by: | | | | |
| Operating activities | $ (247,528,401) | $ (205,284,823) | $ (42,243,578) | 20.6% |
| Noncapital financing activities | 306,246,118 | 259,480,802 | 46,765,316 | 18.0% |
| Capital and related financing activities | (65,433,158) | (34,335,238) | (31,097,920) | 90.6% |
| Investing activities | (47,199,726) | 41,240,379 | (88,440,105) | (214.5%) |
| Change in cash | (53,915,167) | 61,101,120 | (115,016,287) | (188.2%) |
| Cash - beginning of year | 129,752,876 | 68,651,756 | 61,101,120 | 89.0% |
| **Cash – end of year** | **$ 75,837,709** | **$ 129,752,876** | **$ (53,915,167)** | **(41.6%)** |

The University's cash decreased by $53.9 million for the year. Operating activities include cash inflows from tuition and fees received ($148.2 million) and sales from auxiliary services ($11.5 million), as well as cash outflows from payments related to employee salaries and benefits ($266.4 million) and student aid in the form of scholarships and fellowships ($76.7 million). Cash outflows from operating activities was $42.2 million more than in 2021. Most of the increase in cash outflows, $25.2 million, were due to payments related to financial aid related to additional stimulus payments made to students. There was an increase of $13.6 million in payments to suppliers. This is a result of the University becoming fully operational after the pandemic. Payments for employee services and benefits increased by $7.9 million.

Noncapital financing activities inflows were $306.2 million for the fiscal year. That is an increase from the prior year by $46.8 million. Federal, State, and private grants and contracts were the largest portion of noncapital financing activities at 155.2 million or 50.7%. There was an increase of $49.2 million from the prior year due to Federal Higher Education Emergency Relief Funds (HEERF) being spent. State appropriations increases were the second largest contributor of noncapital financing inflow at $144.5 million, which increased by $4.7 million over the prior year. Gifts increased by $2.1 million or 45.0 % due to fundraising for the new business building.

Cash outflows related to capital and related financing activities were $65.4 million for the year. Most of these outflows were related to the purchase of capital assets of $62.4 million, most notable was the new business building.

Cash outflows from investing activities totaled $47.2 million, due to purchasing investments of $81.5 million. The investment purchases were offset by the maturity of investment of $32.8 million and the receipt of interest on investments of $1.5 million.

## Outlook

The University is facing challenges, but we are looking forward with optimism. The State of Utah has a good economy but State appropriations for higher education are expected to remain near 2022 levels. As a result, we are planning to keep our budgets flat for 2023.

Fall semester of fiscal year 2023, student enrollment increased by 4.5% and tuition increased by 3.4%. Tuition and fees as a percentage of total revenues (29.0%) is similar to the percentage of State appropriations as a percentage of total revenue (29.8%) for the University, therefore, the expectation of appropriations being the same as 2022 amounts will be tempered by the increase in tuition and fees collected. The University is projecting enrollment in the next year to be slightly higher than 2022.

The University will continue to take a conservative approach for construction and expansion of facilities.

# Statement of **Net Position**

## Statement of Net Position June 30, 2022

| | Utah Valley University | UVU Foundation |
|---|---|---|
| **ASSETS** | | |
| *Current assets* | | |
| Cash and cash equivalents | $ 63,479,482 | $ 50,433,625 |
| Restricted cash, cash equivalents | 9,821,990 | - |
| Investments | 34,976,832 | - |
| Accounts and contributions receivable, net | 28,514,515 | 6,656,126 |
| Notes and pledges receivable | 669,018 | 1,671,742 |
| Prepaid expenses | 6,885,588 | - |
| Inventories | 1,592,412 | - |
| Total current assets | 145,939,837 | 58,761,493 |
| *Noncurrent assets* | | |
| Restricted cash, cash equivalents | 2,536,237 | 21,161,520 |
| Investments | 75,925,954 | 55,366,398 |
| Accounts and contributions receivable, net | 5,475,369 | 12,612,534 |
| Notes and pledges receivable | - | 8,011,916 |
| Other long term assets | - | 1,816,407 |
| Net pension asset | 27,388,512 | - |
| *Capital Assets* | | |
| Non depreciable capital assets | 116,958,514 | - |
| Depreciable capital assets, net | 474,828,452 | - |
| Right-to-use assets, net | 590,346 | - |
| Total noncurrent assets | 703,703,384 | 98,968,775 |
| **Total assets** | **849,643,221** | **157,730,268** |
| **DEFERRED OUTFLOWS OF RESOURCES** | 4,064,056 | - |
| **LIABILITIES** | | |
| *Current liabilities* | | |
| Accounts payable | 9,989,072 | - |
| Accrued liabilities | 19,693,828 | - |
| Other liabilities | 316,858 | - |
| Unearned revenue | 9,495,940 | - |
| Current portion of bonds, notes, and leases payable | 4,679,664 | - |
| Funds held for others | 65,802 | - |
| Total current liabilities | 44,241,164 | - |
| *Noncurrent liabilities* | | |
| Accrued liabilities | 5,098,552 | 141,314 |
| Unearned revenue | 255,700 | - |
| Other long-term liabilities | - | - |
| Net pension liability | - | - |
| Bonds, notes, and leases payable | 69,160,633 | - |
| Total noncurrent liabilities | 74,514,885 | 141,314 |
| **Total liabilities** | **118,756,049** | **141,314** |
| **DEFERRED INFLOWS OF RESOURCES** | 38,822,269 | 1,778,607 |
| **NET POSITION** | | |
| Net investment in capital assets | 520,574,817 | - |
| Restricted | | |
| Nonexpendable: Scholarships | - | 70,928,826 |
| Expendable: | | |
| Grants and contracts | 6,415,053 | - |
| Scholarships and loans | 2,803,218 | 76,695,215 |
| Capital projects | - | - |
| Unrestricted | 166,335,871 | 8,186,306 |
| **Total net position** | **$ 696,128,959** | **$ 155,810,347** |

*The accompanying notes are an integral part of the financial statements

Statement of **Revenues, Expenses,** and **changes in Net Position**

## Statement of Revenues, Expenses, and Changes in Net Position
for the year ended June 30, 2022

| | Utah Valley University | UVU Foundation |
|---|---|---|
| **REVENUES** | | |
| *Operating revenues* | | |
| Student tuition and fees (net of scholarships and allowances of $50,453,792) | $ 149,139,697 | $ - |
| Private grants and contributions | 342,885 | 12,746,933 |
| Grants and contracts | 19,572 | - |
| Sales and services of education departments | 3,138,775 | - |
| Auxiliary enterprises (net of scholarships and allowances of $804,759) | 8,073,194 | - |
| Other operating revenues | 6,316,712 | 462,589 |
| **Total operating revenues** | **167,030,835** | **13,209,522** |
| **EXPENSES** | | |
| *Operating expenses* | | |
| Salaries | 191,539,141 | - |
| Fringe benefits | 80,165,269 | - |
| Student financial aid | 71,366,331 | 2,080,318 |
| Maintenance and utilities | 18,249,123 | - |
| General and administrative | 56,201,583 | 8,908,322 |
| Cost of goods sold - auxiliary enterprises | 3,264,767 | - |
| Depreciation and amortization | 21,562,763 | - |
| Total operating expenses | 442,348,977 | 10,988,640 |
| **Operating loss** | **(275,318,142)** | **2,220,882** |
| **NONOPERATING REVENUES** | | |
| State appropriations | 153,241,056 | - |
| Federal grants and contracts | 133,863,852 | - |
| State grants and contracts | 4,331,913 | - |
| Gifts | 6,868,496 | - |
| Investment income | (811,635) | 3,208,983 |
| Interest on capital asset-related debt | (2,156,769) | - |
| Other nonoperating revenues (expenses) | (170,482) | - |
| Net nonoperating revenues (expenses) | 295,166,431 | 3,208,983 |
| **Income before other revenues, expenses, gains, or losses** | **19,848,289** | **5,429,865** |
| Capital appropriations | 44,765,893 | - |
| Gifts to endowments | - | 10,446,414 |
| Capital grants and gifts | 4,476,099 | - |
| Total other revenues | 49,241,992 | 10,446,414 |
| **Increase in net position** | **69,090,281** | **15,876,279** |
| **NET POSITION** | | |
| **Net position--beginning of year, restated** | 627,038,678 | 139,934,068 |
| **Net position--end of year** | **$ 696,128,959** | **$ 155,810,347** |

*The accompanying notes are an integral part of the financial statements

# Statement of **Cash Flows**

## **Statement of Cash Flows** for the year ended June 30, 2022

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from tuition and fees | $ 148,150,444 |
| Receipts from grants and contracts | 362,457 |
| Receipts from auxiliary and educational sales and services | 11,482,219 |
| Collection of loans to students | 163,752 |
| Payments to suppliers | (76,451,088) |
| Payments for employee services and benefits | (266,422,571) |
| Payments for student aid: scholarships and fellowships | (76,654,562) |
| Other operating receipts | 11,840,948 |
| **Net cash used by operating activities** | **(247,528,401)** |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State appropriations | 144,450,925 |
| Receipt of direct loans from lenders | 48,031,853 |
| Disbursement of direct loans to students | (48,031,853) |
| Federal, state and private grants and contracts | 155,178,019 |
| Gifts | 6,617,174 |
| **Net cash provided by noncapital financing activities** | **306,246,118** |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Capital grants and gifts received | 4,420,276 |
| Purchases of capital assets | (62,352,392) |
| Proceeds from sales of capital assets | 71,340 |
| Principal paid on capital debt and leases | (4,907,423) |
| Interest paid on capital related debt | (2,664,959) |
| Proceeds from capital debt issued | - |
| **Net cash used by capital and related financing activities** | **(65,433,158)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from sales and maturities of investments | 32,793,000 |
| Issuance of additional notes payable | - |
| Principal received on notes receivable | - |
| Receipt of interest on investments | 1,507,274 |
| Purchase of investments | (81,500,000) |
| **Net cash provided by investing activities** | **(47,199,726)** |
| **Net increase in cash** | (53,915,167) |
| **Cash and cash equivalents - beginning of year** | 129,752,876 |
| **Cash and cash equivalents - end of year** | **$ 75,837,709** |

*The accompanying notes are an integral part of the financial statements

## Statement of Cash Flows for the year ended June 30, 2022 (continued)

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

| | | |
|---|---|---|
| **Operating loss** | **$** | **(275,318,142)** |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | | |
| Depreciation and amotization expense | | 21,562,763 |
| DFCM projects not capitalized | | 4,414,131 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | | |
| Receivables, net | | (5,379,105) |
| Inventories | | (263,627) |
| Prepaid expenses, deferred charges | | (941,955) |
| Accounts payable | | (1,716,948) |
| Accrued liabilities | | (650,489) |
| Unearned revenue | | (523,989) |
| Funds held for others | | 4,568 |
| Other liabilities | | (25,986) |
| Net Pension Asset | | (15,765,161) |
| Deferred Outflows of Resources | | 2,531,728 |
| Net Pension Liability | | (49,353) |
| Deferred Inflows of Resources | | 24,593,164 |
| **Net Cash Used by Operating Activities** | **$** | **(247,528,401)** |

| | | |
|---|---|---|
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | $ | 7,773 |
| Donated assets | | 48,050 |
| Assets contributed by DFCM | | 44,765,893 |
| Adjustments to fair market value of investments | | (2,063,440) |
| **Total Noncash Activities** | **$** | **42,758,276** |

*The accompanying notes are an integral part of the financial statements

#  Notes to the **Financial Statements**

# NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Utah Valley University (the University) is a component unit of the State of Utah. It is considered a component unit because it was established under Utah statute, receives funding appropriations from the State, and is financially accountable to the State. The financial activity of the University is included in the State's Annual Comprehensive Financial Report.

The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the Utah Valley University Foundation (the Foundation), as a discretely presented component unit. The accounts of the Foundation are reported under the heading "UVU Foundation" in the financial statements.

The Foundation is a separate but affiliated non-profit corporation that operates to promote the University. The Foundation's economic resources are mostly used for the benefit of the University. It is administered by a Board of Directors comprised of 18-24 members of the local community and the University. The President of the University and two other key University personnel are permanent members of the Board.

The Foundation issues separate financial statements which are audited by independent auditors. A copy of the financial statements can be obtained from the University's Institutional Advancement Office at 800 West University Parkway, Orem, Utah 84058.

### Basis of Accounting

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

### Cash and Cash Equivalents

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. Funds invested through the Utah Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

### Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account.

### Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Utah. Accounts receivable

also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

### Inventories

Inventories are carried at the lower of cost or market on either the first-in, first-out (FIFO) basis or on the average cost basis.

### Capital Assets

Capital assets are recorded at historical cost on the date of acquisition or in the case of gifts, acquisition value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of at least two years. Buildings, building additions, and building improvements that extend the useful life of the asset or infrastructure, and leasehold and depreciable land improvements are capitalized if the cost is over $250,000. Library books are capitalized and depreciated over their useful lives. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and improvements, 30 years for infrastructure and aircraft (less than 15 years old when acquired), 20 years for the library collection, 15 years for aircraft (greater than 15 years old when acquired), 10 years for land improvements and depreciable works of art, and 3 to 5 years for equipment. Leasehold improvements are amortized over the lesser of the useful life of the improvement or the lease term.

### Noncurrent Liabilities

Noncurrent liabilities include: (1) principal amounts of revenue bonds payable, notes payable, and lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year; (3) unearned revenue; and (4) the University's share of any unfunded liability associated with its participation in the defined benefit plans managed by Utah Retirement Systems.

### Unearned Revenues

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grants and contract sponsors and prepaid rental income that have not yet been earned.

### Compensated Absences

Salaried, non-faculty full-time employees are entitled to accrue and carry forward at a calendar year-end a maximum of 30 days of annual vacation leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is calculated at fiscal year-end current salary costs and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the applicable functional expenditure category.

### Classification of Revenues and Expenses

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating Revenues:* Operating revenues include student tuition and fees, grants and contracts, and revenue from various auxiliary and public service functions.

*Nonoperating Revenues:* Nonoperating revenues include state appropriations, Pell grants and certain government grants, gifts, and investment income.

*Operating Expenses:* With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

### Deferred Outflows/Inflows of Resources

The University records its share of any unfunded liability associated with participation in the defined benefit plans of the Utah Retirement Systems (Systems). For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems' Pension Plan and additions to/deductions from the Systems' fiduciary net position are determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

A deferred outflows/inflows of resources related to refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

### Restricted and Unrestricted Resources

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the University's general policy to use restricted resources first.

## Net Position

The University's net position is classified as follows:

*Net investment in capital assets:* This amount represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position – nonexpendable:* Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

*Restricted net position – expendable:* Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for educational and general operations of the University, and may be used for any purpose at the discretion of the governing board to meet current expenses. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

## Implementation of New Pronouncements

In 2022, the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. The new standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Beginning net position was restated as a result of adopting this standard. See Note 20 for more information.

**Leases**

*Lessee* – The University is a lessee for noncancellable leases of equipment, land, and buildings. The University recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The University recognizes lease liabilities with an initial, individual value of $10,000 or more.

At the commencement of a lease, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the University determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The University uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the University uses an estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the University is reasonably certain to exercise.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

*Lessor* – The University is a lessor for noncancellable leases of various facilities. The University recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the University determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The University uses its expected rate of return as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### Income Taxes

The University is a political subdivision of the State of Utah and is consequently exempt from federal and state income taxes. The University also qualifies as an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code.

The Utah Valley University Foundation, a discretely presented component unit of the University, qualifies as an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code. Consequently, it is also exempt from federal and state income tax.

### Scholarship Allowance

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

# NOTE 2. DEPOSITS AND INVESTMENTS

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the entity's deposits may not be returned. The University does not have a formal deposit policy for custodial credit risk. As of June 30, 2022, $16,060,833 of the University's bank balances of $16,549,181 were uninsured and uncollateralized.

*Investments*

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of entity funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the University non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; reciprocal deposits and negotiable brokered certificates of deposits in accordance with the Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The UPMIFA and Rule 541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

*Fair Value of Investments*

The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, 2022, the University had the following recurring fair value measurements:

| | | Fair Value Measurement at Reporting Date Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Debt Securities | | | | |
| Utah Public Treasurers' Investment Fund | $ 63,423,547 | $ - | $ 63,423,547 | $ - |
| Government Sponsored Enterprise Bonds | 46,648,706 | - | 46,648,706 | - |
| Corporate bonds | 64,254,079 | - | 64,254,079 | - |
| Total debt securities | **$174,326,332** | **$ -** | **$174,326,332** | **$ -** |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Corporate Bonds and Government Sponsored Enterprise Bonds: quoted prices for similar securities in active markets;
- Utah Public Treasurers' Investment Fund: application of the Utah State Treasurer provided a fair value factor to the University's June 30 balance in the fund.

Level 3 investments generally do not have readily obtainable market values. The University values these investments using various sources such as financial statements or other financial valuations provided by the external advisor. June 30 valuations are preferred, if available. However, if June 30 valuations are not available, the value is progressed from the most recently available valuation.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2022, the debt investments and maturities were as follows:

| Investment Type | Fair Value | Investment Maturities (in Years) Less than One | One to Five | Five to Ten | Ten to Twenty |
|---|---|---|---|---|---|
| Utah Public Treasurers' Investment Fund | $ 63,423,547 | $ 63,423,547 | $ - | $ - | $ - |
| Government Sponsored Enterprise Bonds | 46,648,706 | | 46,648,706 | - | - |
| Corporate bonds | 64,254,079 | 34,976,832 | 29,277,247 | - | - |
| Total | $174,326,332 | $ 98,400,379 | $ 75,925,953 | $ - | $ - |

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

At June 30, 2022, the University had debt investments and quality ratings as follows:

| Investment Type | Fair Value | Quality Rating Aa1 to AA- | A1 to A- | Baa1 to BBB | Unrated |
|---|---|---|---|---|---|
| Utah Public Treasurers' Investment Fund | $ 63,423,547 | $ - | $ - | $ - | $ 63,423,547 |
| Government Sponsored Enterprise Bonds | 46,648,706 | 46,648,706 | - | - | - |
| Corporate bonds | 64,254,079 | | 51,835,982 | 12,418,097 | - |
| **Totals** | $174,326,332 | $ 46,648,706 | $ 51,835,982 | $ 12,418,097 | $ 63,423,547 |

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to between 5% and 10% depending upon the total dollar amount held in the portfolio at the time of purchase. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the University's endowment fund. As of June 30, 2022, the University held more than 5% of its total investments in US Bank (5.8%), Freddie Mac (5.78%), Toronto Dominion Bank (5.81%), Goldman Sachs Group (5.48%), and Federal Home Loan Bank (21.34%). All investments are in compliance with the Utah Money Management Act.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. At June 30, 2022, the University had $110,902,786 in corporate bonds and government sponsored enterprise bonds, which were uninsured and held by the counterparty's trust department, but not in the University's name.

## NOTE 3. ACCOUNTS, NOTES, PLEDGES, AND CONTRIBUTIONS RECEIVABLE

University accounts receivable consisted of the following at June 30, 2022:

| | |
|---|---|
| **Current accounts receivable, net** | |
| Student tuition and fees | $ 3,950,892 |
| Interest | 204,009 |
| Operating activities | 437,893 |
| Leases | 1,736,879 |
| Grants and contracts | 17,577,443 |
| Auxiliary enterprises | 150,617 |
| Total | 24,057,733 |
| Less allowance for doubtful accounts | (435,000) |
| Total | 23,622,733 |
| **Current accounts receivable-state agency** | |
| Operating activities | 79,997 |
| Student tuition and fees | 57,646 |
| Utah Department of Facilities Construction and Management | 4,376,000 |
| Grants and contracts | 378,139 |
| Total | 4,891,782 |
| **Noncurrent accounts receivable, net** | |
| Leases | 3,997,916 |
| Operating activities | 1,477,453 |
| **Total accounts receivable** | **$ 33,989,884** |

University loans to students consisted of the following at June 30, 2022:

| | |
|---|---|
| **Current notes and pledges receivable, net** | |
| Loans to students | $ 838,516 |
| Less allowance for doubtful accounts | (169,498) |
| Total | **$ 669,018** |

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2022. Under this perpetual loan program, the federal government provided approximately 75% of the initial funds contributed to the program which in turn are issued as loans to students. The University provided a matching contribution to the fund of 25%. Under certain conditions, loans can be forgiven at annual rates of 10% to 30% of the balance up to maximums of 50% to 100% of the balance of the loan.

As the University determines that loans are uncollectible and not eligible to be forgiven by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2022, the allowance for uncollectible loans was $169,498.

*Lease Receivable*

The University leases various facilities to third parties 1 to 10 years. For the year ended June 30, 2022, the University recognized lease revenue of $596,332 and interest revenue of $94,376. At June 30, 2022, the University reports a lease receivable of $5,734,798 and a deferred inflow of resources related to leases of $5,573,650.

| **Fiscal Year Ending June 30** | **Principal** | **Interest** | **Total** |
|---|---|---|---|
| 2023 | $ 1,736,879 | $ 234,864 | $ 1,971,743 |
| 2024 | 1,655,347 | 153,376 | 1,808,723 |
| 2025 | 889,907 | 89,930 | 979,837 |
| 2026 | 692,838 | 54,010 | 746,848 |
| 2027 | 759,825 | 32,242 | 792,067 |
| 2028 - 2032 | - | - | - |
| Total | $ 5,734,796 | $ 564,422 | $ 6,299,218 |

## NOTE 4. INVENTORIES

Inventories at June 30, 2022 were as follows:

| | |
|---|---|
| Auxiliary enterprises | $ 684,539 |
| Supplies and other inventory | 907,873 |
| Total | **$ 1,592,412** |

## NOTE 5. PREPAID EXPENSES

Prepaid expenses at June 30, 2022 were as follows:

| | |
|---|---|
| **Prepaid expenses** | |
| Prepaid sofware maintenance agreements | $ 6,754,299 |
| Prepaid leases | 25,136 |
| Contracts and other | 106,153 |
| **Total** | **$ 6,885,588** |

## NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2022:

| | |
|---|---|
| **Current accounts payable** | |
| Interest payable | $ 318,994 |
| Vendors payable | 5,190,603 |
| Grants and contracts | 470,967 |
| Wolverine Card deposits | 876,467 |
| Total | 6,857,031 |
| **Current accounts payable-related party** | |
| Interest payable | 30,202 |
| **Current accounts payable-state agency** | |
| State taxes payable | 10,356 |
| Other payable | 40,304 |
| Construction payable | 3,051,179 |
| Total accounts payable - state agency | 3,101,839 |
| **Total** | **$ 9,989,072** |

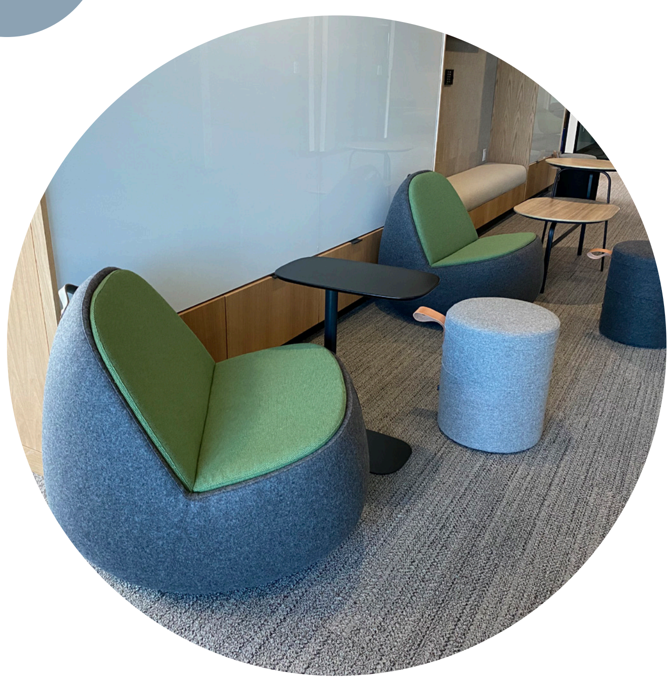
University accrued liabilities consisted of the following at June 30, 2022:

| | |
|---|---|
| **Current accrued liabilities** | |
| Federal taxes payable | $ 1,954,119 |
| Wages payable | 6,120,555 |
| Early retirement payable | 549,316 |
| Accrued leave payable | 3,370,609 |
| Medical and dental claims payable | 3,227,232 |
| Student reimbursements | 143,505 |
| Payroll liabilities | 2,686,809 |
| Total | 18,052,145 |
| **Current accrued liabilities-state agency** | |
| State taxes payable | 1,065,678 |
| Payroll liabilities | 576,005 |
| Total | 1,641,683 |
| **Noncurrent accrued liabilities** | |
| Early retirement payable | 956,216 |
| Accrued leave payable | 4,142,336 |
| Total | 5,098,552 |
| **Total** | **$ 24,792,380** |

## NOTE 7. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at June 30, 2022:

| | |
|---|---|
| **Current unearned revenue** | |
| Prepaid tuition and fees | $ 9,253,645 |
| Grants and contracts | 139,516 |
| Prepaid rental income | 93,844 |
| Total | 9,487,005 |
| **Current unearned revenue - State agency** | |
| Grants and contracts | 8,935 |
| **Noncurrent unearned revenue** | |
| Grants and contracts | 208,778 |
| Prepaid rental income | 46,922 |
| Total | 255,700 |
| **Total** | **$ 9,751,640** |



## NOTE 8. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2022:

| | Beginning Book Value | Increases | Decreases | Ending Book Value |
|---|---|---|---|---|
| **Capital assets not being depreciated** | | | | |
| Land | $ 56,624,950 | $ 5,653,498 | $ - | $ 62,278,448 |
| Land improvements – nondepreciable | 8,718,491 | - | - | 8,718,491 |
| Works of art and historical treasures | 4,752,149 | 48,050 | - | 4,800,199 |
| Construction in process | 44,510,750 | 26,427,684 | (29,777,058) | 41,161,376 |
| Total not being depreciated | 114,606,340 | 32,129,232 | (29,777,058) | 116,958,514 |
| **Capital assets being depreciated** | | | | |
| Land improvements – depreciable | 14,785,537 | 684,380 | - | 15,469,917 |
| Infrastructure | 25,013,309 | 710,011 | - | 25,723,320 |
| Buildings | 499,516,625 | 95,984,884 | - | 595,501,509 |
| Leasehold Improvements | 3,689,736 | - | - | 3,689,736 |
| Equipment | 73,166,118 | 7,190,221 | (1,646,201) | 78,710,138 |
| Library books | 7,797,057 | 181,679 | (103,049) | 7,875,687 |
| Total being depreciated | 623,968,382 | 104,751,175 | (1,749,250) | 726,970,307 |
| **Less accumulated depreciation** | | | | |
| Land improvements – depreciable | (10,410,876) | (821,085) | - | (11,231,961) |
| Infrastructure | (11,959,151) | (823,293) | - | (12,782,444) |
| Buildings | (152,403,797) | (13,550,666) | - | (165,954,463) |
| Leasehold Improvements | (1,247,088) | (167,820) | - | (1,414,908) |
| Equipment | (52,177,030) | (5,760,293) | 1,645,455 | (56,291,868) |
| Library Books | (4,215,674) | (353,586) | 103,049 | (4,466,211) |
| Total accumulated depreciation | (232,413,616) | (21,476,743) | 1,748,504 | (252,141,855) |
| Total depreciable capital assets, net | 391,554,766 | 83,274,432 | (746) | 474,828,452 |
| **Total capital assets, net** | **$ 506,161,106** | **$ 115,403,664** | **$ (29,777,804)** | **$ 591,786,966** |

The following are the changes in right-to-use (leased) capital assets of the University for the year ended June 30, 2022:

| | Beginning Book Value | Increases | Decreases | Ending Book Value |
|---|---|---|---|---|
| **Leased assets being amortized** | | | | |
| Land improvements | 547,498 | - | - | 547,498 |
| Buildings | 209,528 | - | - | 209,528 |
| Equipment | 75,165 | - | - | 75,165 |
| Total being depreciated | 832,191 | - | - | 832,191 |
| **Less accumulated amortization** | | | | |
| Land improvements | (3,050) | (18,299) | - | (21,349) |
| Buildings | (106,938) | (52,442) | - | (159,380) |
| Equipment | (45,837) | (15,279) | - | (61,116) |
| Total accumulated amortization | (155,825) | (86,020) | - | (241,845) |
| **Total depreciable leased assets, net** | **$ 676,366** | **$ (86,020)** | **$ -** | **$ 590,346** |

## NOTE 9. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

The University has the following deferred outflows and inflows of resources at June 30, 2022:

| | |
|---|---|
| **Deferred Outflows of Resources** | |
| Difference between expected and actual experience | $ 63,096 |
| Changes in assumptions | 1,275,230 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 77,128 |
| Pension contributions made subsequent to the measurement date | 2,648,602 |
| Total | $ 4,064,056 |
| **Deferred Inflows of Resources** | |
| Deferred amount on refunding of bonds | $ 289,658 |
| Difference between expected and actual pension experience | 5,794,083 |
| Change in actuarial assumptions | 1,228 |
| Net difference between projected and actual earnings on pension investments | 27,158,848 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,802 |
| Deferred inflows of resources related to leases | 5,573,650 |
| Total | $ 38,822,269 |

## NOTE 10. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes to the University's long-term liabilities during the fiscal year ended June 30, 2022:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| Revenue bonds | $ 56,270,000 | $ - | $ (3,190,000) | $ 53,080,000 | $ 3,345,000 |
| Premium | 3,685,453 | - | (470,572) | 3,214,881 | 325,910 |
| Total bonds payable | 59,955,453 | - | (3,660,572) | 56,294,881 | 3,670,910 |
| Leases | 682,259 | | (70,134) | 612,125 | 49,982 |
| Notes payable | 11,073,727 | - | (984,006) | 10,089,721 | 258,507 |
| Notes payable-related | 7,506,853 | - | (663,283) | 6,843,570 | 700,265 |
| Total bonds and notes payable | 79,218,292 | - | (5,377,995) | 73,840,297 | 4,679,664 |
| Net pension liability | 49,353 | 174,071 | (223,424) | - | - |
| Early retirement | 1,284,819 | 755,853 | (535,140) | 1,505,532 | 549,316 |
| Accrued leave | 7,318,284 | 6,196,498 | (6,001,837) | 7,512,945 | 3,370,609 |
| **Total** | **$ 87,870,748** | **$ 7,126,422** | **$ (12,138,396)** | **$ 82,858,774** | **$ 8,599,589** |

## NOTE 11. BONDS PAYABLE

Bonds payable consist of the State Board of Regents of the State of Utah, Utah Valley University, Student Center Building Fee and Unified System Revenue Bonds, Series 2012A {SBR 2012A}; and the State Board of Regents of the State of Utah, Utah Valley University, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2019A and Series 2019B (Federally Taxable) {SBR2019A&B}.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Bonds, Series 2012A, in the amount of $49,250,000 for and on behalf of the University on June 20, 2012. The SBR 2012A Bonds were issued for the purpose of (i) financing the acquisition and construction of a Student Life and Wellness building and a parking structure; (ii) satisfying a reserve fund requirement; (iii) paying capitalized interest; and (iv) paying the costs associated with the issuance of the 2012A Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue and Refunding Bonds, Series 2019A, in the amount of $21,860,000 and Student Center Building Fee and Unified System Revenue Refunding Bonds, (Federally Taxable) Series 2019B, in the amount of $31,010,000 for and on behalf of the University on November 5, 2019. The SBR 2019 A&B Bonds were issued for the purpose of (i) financing the remodeling and expansion of the Sorensen Student Center; (ii) refund certain outstanding bonds; and (iii) paying the costs associated with the issuance of the 2019 A&B Bonds.

The State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2019B (Federally Taxable) issued on November 5, 2019 for $31,010,000 and $132,654 of original issue premium, plus an additional $1,427,996 from the SBR 2012A Bond Reserve Fund, were used to advance refund $29,615,000 outstanding on the SBR 2012A Student Center Building Fee and Unified System Revenue Bonds, beginning with the November 1, 2023 payment through the final November 1, 2032 payment. The net proceeds were used to purchase U.S. Government securities and were deposited in an irrevocable trust with an escrow agent for future debt service payments for this portion of the SBR 2012A Bonds. As of June 30, 2022, $29,615,000 of the SBR 2012A Bonds are considered defeased and outstanding and the liability for those bonds has been removed from the Statement of Net Position. As of June 30, 2022, A portion of the SBR 2012A Bonds liability, $2,260,000, remains outstanding and is included in the Statement of Net Position. As of June 30, 2022, unspent bond proceeds related to the SBR 2019A and 2019B Student Center Building Fee Bonds totaled $62.

Bonds payable at June 30, 2022 consisted of the following:

| Description | Original Issue | Balance June 30, 2022 | Due Within One Year |
|---|---|---|---|
| SBR 2012A Student Center Building Fee and Unified System Revenue Bonds, due in annual installments through 2023, interest rates 4% to 5% | 49,250,000 | 2,260,000 | 2,260,000 |
| Plus premium | 6,075,767 | 144,661 | 144,661 |
| Total net SBR 2012A | 55,325,767 | 2,404,661 | 2,404,661 |
| SBR 2019A Student Center Building Fee and Unified System Tax-Exempt Revenue and Refunding Bonds, due in annual installments through 2040, interest rates 3% to 5% | 21,860,000 | 20,475,000 | 745,000 |
| Plus premium | 3,420,897 | 2,964,778 | 171,045 |
| Total net SBR 2019A | 25,280,897 | 23,439,778 | 916,045 |
| SBR 2019B Student Center Building Fee and Unified System Taxable Refunding Bonds, due in annual installments through 2033, interest rates 1.89% to 2.60% | 31,010,000 | 30,345,000 | 340,000 |
| Plus premium | 132,654 | 105,442 | 10,204 |
| Total net SBR 2019B | 31,142,654 | 30,450,442 | 350,204 |
| **Total net bonds** | **$ 111,749,318** | **$ 56,294,881** | **$ 3,670,910** |

Principal and interest on the SBR 2012A Bonds, the SBR 2019A Bonds, and the SBR 2019B Bonds are secured by pledged revenues which consist of all (i) net operating revenues of the Bookstore, the Student Center, and all University Food Services; (ii) the Student Life and Wellness Center building, parking, and related facilities; (iii) all other facilities which may be hereafter added to the Unified System by the Board or financed with proceeds of Bonds; (iv) interest earnings on all funds and accounts created under the bond indentures; (v) and the Student Center Building Fees. The revenues are pledged until fiscal year 2040 when the last bond is retired. The total pledged revenues are estimated to be equal to future debt service payments of $65,232,152.

The following is a summary of the pledged revenues for fiscal year 2022 and the bond payments due in fiscal year 2023:

| | |
|---|---|
| **Pledged revenues** | |
| Building fee – Spring | $ 2,061,340 |
| Building fee – Summer | 640,805 |
| Building fee – Fall | 2,227,211 |
| Total building fees | 4,929,356 |
| Interest income | 28,059 |
| Unified system revenues | 639,818 |
| Total pledged revenues | 5,597,233 |
| Principal and interest payments for fiscal year 2023 | |
| SBR 2012A Bonds | 2,316,500 |
| SBR 2019A Bonds | 1,555,825 |
| SBR 2019B Bonds | 1,044,559 |
| Total principal and interest payments to be covered by pledged revenues | $ 4,916,884 |

A Reserve Policy from Assured Guaranty Municipal Corp was purchased with respect to the Series 2019 A&B Bonds. Under the terms of the Reserve Policy, Assured Guaranty Municipal Corp will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2019 A&B Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the University. As required by the SBR 2012A Bond, a reserve fund has been established with a balance of $2,326,752.

The scheduled maturities of bonds payable at June 30, 2022, are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 3,345,000 | 1,571,884 | 4,916,884 |
| 2024 | 3,500,000 | 1,448,077 | 4,948,077 |
| 2025 | 3,595,000 | 1,354,609 | 4,949,609 |
| 2026 | 3,695,000 | 1,253,598 | 4,948,598 |
| 2027 | 3,795,000 | 1,144,845 | 4,939,845 |
| 2028-2032 | 20,785,000 | 3,897,259 | 24,682,259 |
| 2033-2037 | 9,895,000 | 1,278,030 | 11,173,030 |
| 2038-2040 | 4,470,000 | 203,850 | 4,673,850 |
| **Total** | **$53,080,000** | **$12,152,152** | **$65,232,152** |

# NOTE 12. NOTES PAYABLE

The University has entered into the following agreements:

During the year ended June 30, 2020, the University created a single member LLC, UVU 2912 Executive Parkway Lehi, LLC, with the University as the only member. This entity was created in order to facilitate a note to purchase a building. The LLC entered into an agreement with Deutsche Bank to finance $10,606,744 towards the purchase of the building. The agreement carries a term of 3 years and bears an interest rate of 5.0% with monthly payments of $63,606. This note matures November 2023. The amount owed as of June 30, 2022, was $10,089,721.

The following is a schedule of notes payable as of June 30, 2022:

| Fiscal Year Ending June 30 | Principal | Interest |
|---|---|---|
| 2023 | $ 258,507 | $ 504,762 |
| 2024 | 9,831,214 | 207,637 |
| | $ 10,089,721 | $ 712,399 |

## Related party transactions

The University entered into various agreements involving the Foundation:

A. During the year ended June 30, 2020, the University borrowed $3,201,970 to acquire a building at Thanksgiving Point. The note carries a term of 7 years and bears an interest rate of 5.5% with semi-annual payments of $278,650. This note matures in June 2027. The amount owed as of June 30, 2022, was $2,407,557.

During the year ended June 30, 2014, the University borrowed $6,138,268 to acquire land. The note carries a term of 20 years and bears an interest rate of 5.5% with semi-annual payments of $254,932. This note matures in June 2034. The amount owed as of June 30, 2022, was $4,436,013.

The principal maturities on these notes as of June 30, is as follows:

| Fiscal Year Ending June 30 | Principal | Interest |
|---|---|---|
| 2023 | $ 700,265 | $ 366,898 |
| 2024 | 739,309 | 327,854 |
| 2025 | 780,530 | 286,633 |
| 2026 | 824,050 | 243,114 |
| 2027 | 869,996 | 197,168 |
| 2027-2032 | 1,976,123 | 573,193 |
| 2033-2034 | 953,297 | 66,428 |
| Total | $ 6,843,570 | $ 2,061,288 |

B. During the year ended June 30, 2022, the Foundation had certain additional transactions with the University in its capacity to support the University. The Foundation forwarded funds and donated in-kind materials and equipment to the University for scholarships, awards, departments, and general use. Funds forwarded to departments during the year ended June 30, 2022 were used towards wages and purchases of items to enhance University programs. The University provides facilities and services to the Foundation, the value of which is undetermined and is not recorded on the financial statements.

## NOTE 13. LEASES

The University has entered into lease agreements as lessee for the acquisition and use of buildings, land, and equipment. As of June 30, 2022, the value of the lease liability was $612,125. The University is required to make annual principal and interest payments of various amounts. The leases have an average interest rate of 3.27%. The value of the right-to-use assets as of the end of the current fiscal year was $832,191 and had accumulated amortization of $241,845.

The following is a schedule of future debt service requirements on the leases:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 49,982 | $ 24,161 | $ 74,143 |
| 2024 | 25,406 | 23,347 | 48,753 |
| 2025 | 4,192 | 22,932 | 27,124 |
| 2026 | 4,928 | 22,736 | 27,664 |
| 2027 | 5,709 | 22,507 | 28,216 |
| 2028 - 2032 | 41,786 | 107,945 | 149,731 |
| 2033 - 2037 | 69,172 | 96,064 | 165,236 |
| 2038 - 2042 | 104,832 | 77,505 | 182,337 |
| 2043 - 2047 | 151,002 | 50,192 | 201,194 |
| 2048 - 2051 | 155,116 | 13,042 | 168,158 |
| Total | $ 612,125 | $ 460,431 | $ 1,072,556 |

## NOTE 14. EARLY RETIREMENT LIABILITY

The University provides an early retirement option to qualified employees who are approved by the administration in accordance with University policy as approved by the Utah Board of Higher Education. Employees who retire from the University on or after age 57 and whose combined total of age and years of service is 75 or greater may be qualified to receive benefits.

Benefits are payable for five years or until the retiree reaches age 65, whichever occurs first. The benefits include a stipend equal to 20% of the retiree's salary at the time of active employment along with medical and dental insurance. The stipend is paid semi-monthly. During the fiscal year ended June 30, 2022, 36 employees participated in the early retirement plan, most of which received both stipends and medical benefits. Of the 36 early retirees participating in the program, all 36 participants received medical and dental insurance benefits and 26 participants received stipends.

The projected future cost of these stipends, and medical and dental insurance benefits have been calculated based on current payments plus projected increases expected of 1.14% and 6.11% respectively, based on historical data. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used of 0.50% was based on the estimated yield expected to be earned on the investments of the University. These benefits are funded on a pay-as-you-go basis from current funds each year. For the year ended June 30, 2022, the expenses for the 20% incentive stipend were $319,752 and the expenses for medical and dental insurance were $215,388.

# NOTE 15. PENSION PLANS AND RETIREMENT BENEFITS

In compliance with State law, eligible employees of the University are covered by either defined benefit plans and/or defined contribution plans sponsored by the Utah Retirement Systems (Systems) or the University's 401(a) defined contribution plan with investment options through Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments (Fidelity). Employees may also participate in defined contribution plans consisting of 401(k), 403(b) and 457 plans managed by the Systems.

**Defined Benefit Plans**

Eligible employees of the University are provided with the following plans administered by Utah Retirement Systems (the Systems):

- Tier 1 Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) are multiple employer cost-sharing, public employee retirement systems.
- Tier 2 Public Employees Hybrid Retirement System (Tier 2 Public Employee System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employee System was created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 Retirement Systems.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Chapter 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

*Benefits provided:* The Systems provide retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits for each defined benefit plan are as follows:

| System | Final Average Salary | Years of Service Age of Eligibility | Benefit % Per Year | COLA** |
|---|---|---|---|---|
| Noncontributory System | Highest 3 Years | 30 Years any age<br>25 Years any age*<br>20 Years age 60*<br>10 Years age 62*<br>4 Years age 65 | 2% per year all years | up to 4% |
| Contributory System | Highest 5 Years | 30 Years any age<br>20 Years age 60*<br>10 Years age 62*<br>4 Years age 65 | 1.25% per year to June 1975<br>2.00% per year July 1975 to present | up to 4% |
| Tier 2 Public Employees System | Highest 5 Years | 35 Years any age<br>20 Years age 60*<br>10 Years age 62*<br>4 Years age 65 | 1.5% per year to all years | up to 2.5% |

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

*Contributions*: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Systems' Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

For the year ended June 30, 2022, the University's required contribution rates for the plans were as follows:

| | Employer Paid for Employee | Employer Contribution Rates |
|---|---|---|
| **Contributory System** | | |
| Higher Education - Tier 1 | 6.00% | 17.70% |
| Higher Education - Tier 2 * | N/A | 19.40% |
| **Noncontributatory System** | | |
| Higher Education - Tier 1 | N/A | 22.19% |

* Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For the year ended June 30, 2022, the University and employee contributions to the plans were as follows:

| Systems | | Employer Paid | | Employee Paid |
|---|---|---|---|---|
| Noncontributory System | $ | 3,966,786 | | N/A |
| Contributory System | | 80,286 | $ | - |
| Tier 2 Public Employees System | | 1,090,263 | | N/A |
| | $ | 5,137,335 | | |

*Pension assets, liabilities, pension expense, and deferred outflows of resources, and deferred inflows of resources related to pensions:* The net pension asset and liability were measured as of December 31, 2021. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year. At December 31, 2021, the University's proportionate shares in the defined benefit pension plans were as follows:

| | Proportionate Share | Net Pension Asset | Net Pension Liability | Proportionate Share December 31, 2020 | Change |
|---|---|---|---|---|---|
| Contributory System | 13.1783063% | $ 3,712,116 | $ - | 10.2377312% | 2.9405751% |
| Noncontributory System | 9.5799320% | 23,546,522 | - | 9.5799320% | 0.0000000% |
| Tier 2 Public Employees System | 0.3068593% | 129,874 | - | 0.3431398% | -0.0362805% |
| Total Net Pension Asset/Liability | | $ 27,388,512 | $ - | | |

For the year ended June 30, 2022, the University reported pension expense of $10,854,683. At June 30, 2022, the University reported the portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 63,096 | $ 5,794,083 |
| Change in assumptions | 1,275,230 | 1,228 |
| Net difference between projected and actual earnings on pension plan investments | - | 27,158,848 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 77,128 | 4,802 |
| Contributions subsequent to the measurement date | 2,648,602 | - |
| | $ 4,064,056 | $ 32,958,961 |

Contributions made between January 1, 2022, and June 30, 2022, of $2,648,602 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending December 31, | | Deferred Outflows (Inflows) of Resources |
|---|---|---|
| 2022 | $ | (11,143,128) |
| 2023 | | (9,455,352) |
| 2024 | | (6,688,295) |
| 2025 | | (4,377,201) |
| 2026 | | 23,243 |
| Thereafter | | 97,225 |
| | $ | (31,543,508) |

*Actuarial assumptions:* The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | 3.25% - 9.25%, average, including inflation |
| Investment rate return | 6.85%, net of pension plan investment expense, including inflation |

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2021, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021, actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a $509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability of as December 31, 2020, for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020, actuarial valuation and are currently scheduled to be reviewed in the year 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Real Return Arithmetic Basis | Long-term Expected Real Rate of Return |
|---|---|---|---|
| | Expected Return Arithmetic Basis | | |
| Equity securities | 37% | 6.58% | 2.43% |
| Debt securities | 20% | -0.28% | -0.06% |
| Real Assets | 15% | 5.77% | 0.87% |
| Private equity | 12% | 9.85% | 1.18% |
| Absolute return | 16% | 2.91% | 0.47% |
| Cash and cash equivalents | 0% | -1.01% | 0% |
| Totals | 100% | | 4.89% |
| Inflation | | | 2.50% |
| Expected arithmetic nominal return | | | 7.39% |

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

*Discount rate:* The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from the prior year measurement period from 6.95%.

*Sensitivity of the University's proportionate share of the net pension asset and liability to changes in the discount rate:* The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower (5.85%) or one percentage point higher (7.85%) than the current rate:

| System | 1% Decrease (5.85%) | Discount Rate (6.85%) | 1% Increase (7.85%) |
|---|---|---|---|
| Noncontributory System | $ 1,459,635 | $(23,546,522) | $ (44,459,580) |
| Contributory System | (1,774,027) | (3,712,116) | (5,376,463) |
| Tier 2 Public Employees System | 773,820 | (129,874) | (823,723) |
| Total | $ 459,428 | $(27,388,512) | $ (50,659,766) |

*Pension plan fiduciary net position:* Detailed information about the pension plans' fiduciary net position is available in the separately issued URS financial report.

**Defined Contribution Plans**

*TIAA and Fidelity:* Under the University's 401(a) plan, TIAA and Fidelity provide eligible employees 401(a) retirement accounts and investment options. Participating employees allocate employer provided contributions to the investment options of their choosing through TIAA and/or Fidelity. Contributions are vested at the time the contribution is made. Employees are eligible to participate from the date of eligible employment and no employee contributions are required. Benefits provided to retired employees are based on employer contributions and investment performance. For the year ended June 30, 2022, the University's contribution to these defined contribution plans was 14.20% of the employees' eligible employment earnings. The University has no further liability once contributions are made.

*Tier 2 Employees System, 401(k), 457 and 403(b) Plans:* Employees are also eligible to (under certain IRS and plan restrictions) make individual contributions on a tax-deferred and after-tax bases to 401(k), 457, 403(b), Traditional IRA, Roth IRA, and Roth 457 & 403(b) defined contribution plans. These plans are available as supplemental plans to the basic retirement plans offered by the University and as a primary retirement plan for some Tier 2 Public Employee System participants. Under certain IRS and plan restrictions, employees can make additional contributions. Employer contributions may be made into the plans at rates determined by the employer and according to Utah Title 49. Participants are fully vested at the time contributions are made except for Tier 2 required employer contributions and associated earnings are vested after the first four years of employment.

The Contributory and Noncontributory Systems require the University to contribute 0.62% to 1.50% of the employee's salary into a 401(k)/457 plan. For employees who participate in the Systems Tier 2 retirement and elect the defined contribution option (instead of the defined benefit option, Hybrid Retirement System), the University is required to contribute 20.02% of the employees' salary of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the non-Tier 2 Public Employee System, as required by law.

Contributions to the defined contributions plans for the fiscal year ending June 30, 2022, were as follows:

| Defined Contribution Plans | Employer Paid | Employee Paid |
|---|---|---|
| Tier 2 Public Employee System | $ 141,290 | N/A |
| TIAA and Fidelity | 18,050,188 | $ 2,665,867 |
| 401(k) Plan | 534,070 | 541,824 |
| 457 Plan | - | 118,847 |
| Roth IRA Plan | N/A | 124,411 |

## NOTE 16. RISK MANAGEMENT

Due to the diverse risk exposure of the University, the insurance portfolio contains a full variety of coverage. The University participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Department of Risk Management. The University's liabilities for this policy are limited to the cost of premiums. In addition to these basic policies, the University's Department of Risk, Plant, and Property Management establishes guidelines in risk assessment, risk avoidance, risk transfer, and risk acceptance. The University's buildings and contents are insured for replacement value. Each loss incident is subject to a $1,000 deductible.

## NOTE 17. SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

On July 1, 2006, the University established a self-funded insurance plan for employee health and dental care costs. As part of the plan, the University has established a reserve fund. Also, the University has purchased excess insurance coverage (stop-loss coverage) to pay specific claims exceeding $300,000 and $300,000 aggregate. The University has a contract with EMI Health of Utah and Regence Blue Cross Blue Shield to provide excess insurance and certain administrative and management services such as the evaluation and payment of claims for dental and health, respectively. Amounts of settlements have not exceeded insurance coverage in the past three years. In addition, a consulting firm has been hired by the University to advise the University with regards to the plan. The estimated claims liability was based upon past experience adjusted for current trends. The estimate reflects the ultimate cost of settling the claims.

Changes in the University's estimated self-insurance claims as of June 30, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Estimated claims liability - beginning of year | $ 5,043,585 | $ 3,993,427 |
| Current year claims and changes in estimates | 36,225,431 | 35,606,057 |
| Claim payments and administrative expenses | (38,041,784) | (34,555,899) |
| **Estimated claims liability - end of year** | **$ 3,227,232** | **$ 5,043,585** |

# NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES

The University, through an Inter-Local Cooperation Agreement (the Agreement), is a participant with Utah County (the County) in a joint venture to operate the UCCU Center (the Center) located on the University's campus. The Agreement provides that the title to the Center be held by the University and neither the County nor any other party may obtain any property interest in the land or the facility. The agreement also provides that in consideration of the financial contribution made by the County, at least 40% of the usage of the Center be for public and/or community use. The investment in the Center and the operating results are accounted for in the University's financial statements. There are no separately issued financial statements for this joint venture.

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. It is highly unlikely that any disallowances would be material.

The Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for State institutions, maintains records, and furnishes cost information for recording capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed, or when projects are substantially completed if funded through State Appropriations administered through DFCM.

As of June 30, 2022, the University had the following outstanding commitments to DFCM for various projects:

| | |
|---|---|
| Performing Arts Building | $ 1,985,594 |
| Scott C. Keller Business Building | 3,432,132 |
| Sorenson Student Center | 1,575,947 |
| Instituional Advancement and Alumni Building | 4,435,642 |
| Campus infrastructure | 125,508 |
| Browning Admin Building | 500,000 |
| UCCU Events Center | 275,268 |
| Engineering Building | 18,860 |
| BTU Meters | 6,800 |
| Woodbury Business Building | 1,334,854 |
| **Total** | **$ 13,690,605** |

These commitments represent funds needed in the future and are not recorded.

# NOTE 19. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification for June 30, 2022, were as follows:

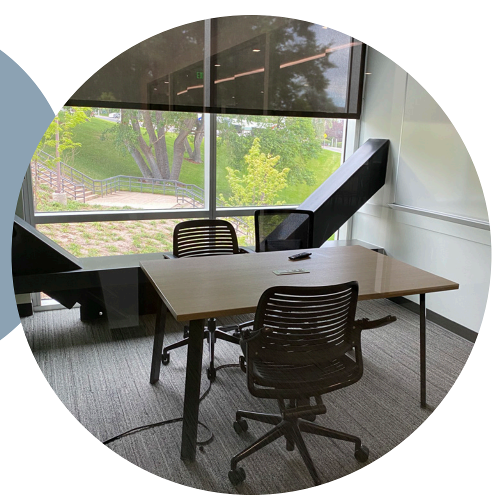
**Year Ended June 30, 2022**
**Natural Classification**

| | Compensation | Benefits | Financial Aid | Maintenance | General and Administrative | Auxiliary | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|
| **Functional Classification** | | | | | | | | |
| Instruction | $ 95,263,782 | $ 37,878,484 | $ - | $ 309,396 | $ 7,789,300 | $ - | $ - | $ 141,240,962 |
| Academic Support | 26,667,756 | 11,847,426 | - | 134,538 | 10,693,197 | - | - | 49,342,917 |
| Student Services | 22,731,665 | 10,936,362 | - | 175,841 | 5,942,632 | - | - | 39,786,500 |
| Institutional Support | 30,544,344 | 11,083,742 | - | 3,358,927 | 21,635,579 | - | - | 66,622,592 |
| Operation and Maintenance of Plant | 9,009,130 | 5,903,878 | - | 13,066,885 | 3,316,527 | - | - | 31,296,420 |
| Student Financial Aid | - | - | 71,366,331 | - | - | - | - | 71,366,331 |
| Public Service | 258,802 | 74,059 | - | 3,857 | 115,351 | - | - | 452,069 |
| Research | 453,288 | 71,098 | - | 14,513 | 325,608 | - | - | 864,507 |
| Remedial Education | 380,716 | 133,085 | - | - | 6,233 | - | - | 520,034 |
| Auxiliaries | 6,229,658 | 2,237,135 | - | 1,185,166 | 6,377,156 | 3,264,767 | - | 19,293,882 |
| Depreciation | - | - | - | - | - | - | 21,562,763 | 21,562,763 |
| **Total Expenses** | **$ 191,539,141** | **$ 80,165,269** | **$ 71,366,331** | **$ 18,249,123** | **$ 56,201,583** | **$ 3,264,767** | **$ 21,562,763** | **$ 442,348,977** |

# NOTE 20. RESTATEMENT

The University implemented GASB Statement 87 – *Leases*, which resulted in a restatement of beginning net position. The University also changed the treatment of some funds it considers held for others, which resulted in restating beginning net position. The impact on beginning net position is as follows:

| | |
|---|---|
| Beginning net position, as previously stated | $ 626,373,141 |
| Net change in treatment of funds held for others | 665,752 |
| Net adjustment from implementing GASB 87 | (215) |
| Beginning net position, as restated | $ 627,038,678 |



# NOTE 21. SELECTED NOTES FOR THE UVU FOUNDATION

**Contributions Receivable** (see UVU Foundation Note 4)

Contributions are recorded when the unconditional promise to give's collection is expected in the near term and is probable. An allowance for uncollectible contributions is estimated as a percentage of contributions receivable at year end based on the Foundation's historical collection experience. All contributions receivable (at their net present value and net of an allowance for uncollectible amounts) are restricted for various purposes at June 30, 2022 as follows:

| | 2022 |
|---|---|
| UCCU Center | $ 1,904,201 |
| Scholarships | 218,368 |
| School of business | 7,371,222 |
| Performing arts building | 1,143,751 |
| Autism building | 226,422 |
| Athletics practice facility | 14,012 |
| Roots of Knowledge | 53,078 |
| Center for Constitutional Studies | 200,146 |
| Women's Success Center | 117,604 |
| Other | 8,009,677 |
| Contributions receivable, net | $ 19,258,481 |

Unconditional promises to give will be received (depending on the donor) from within one year to ten years. Contributions to be received after June 30, 2022 have been discounted to their net present value using the June 2022 Applicable Federal Rates for the anticipated collection period. The Applicable Federal Rates discount rate ranged from 0.18 to 3.11 percent.

Contributions receivable are as follows at June 30, 2022:

| | 2022 |
|---|---|
| Receivable within one year | $ 6,645,947 |
| Receivable from one to five years | 12,754,684 |
| Receivable in more than five years | 7,890,000 |
| Total contributions receivable | 27,290,631 |
| Discount contributions to net present value | (3,244,934) |
| Allowance for uncollectible contributions | (4,787,216) |
| Contributions receivable, net | $ 19,258,481 |

**Investments** (see UVU Foundation Note 5)

Investments consist of the following at June 30, 2022:

| | 2022 |
|---|---|
| Common and preferred stocks | $ 9,169,585 |
| Mutual funds | 26,485,863 |
| Money market accounts | 246,767 |
| Alternatives | 13,865,091 |
| Total | $ 49,767,306 |

The Foundation's investments have the following maturities at June 30, 2022:

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less than 1 | 1 to 5 | 5 to 10 | 10 to 20 |
| Mutual funds | $ 26,485,863 | $ 26,485,863 | | | |
| Money market accounts | 246,767 | 246,767 | | | |
| Total investments with a maturity | 26,732,630 | $ 26,732,630 | | | |
| Common and preferred stocks | 9,169,585 | | | | |
| Alternatives | 13,865,091 | | | | |
| Total investments | $ 49,767,306 | | | | |

Credit quality ratings for investments in debt securities are as follows at June 30, 2022:

| | | Credit Rating | | | |
|---|---|---|---|---|---|
| | Fair Value | AAA to A+ | A to A- | B or Lower | Unrated |
| Mutual funds | $ 26,485,863 | $ - | $ - | $ - | $ 26,485,863 |
| Money market accounts | 246,767 | - | - | - | 246,767 |
| | $ 26,732,630 | $ - | $ - | $ - | $ 26,732,630 |

*Credit Risk* - Credit quality can be a depiction of potential variable cash flows and credit risk. The credit rating reported is a weighted average of the Standard & Poors ratings of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

*Interest Rate Risk* - Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Foundation's investment policy limits investing in any issuance with a maturity of over 30 years and requires the overall portfolio average life to be less than 15 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Custodial Credit Risk* - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Foundation will not be able to recover the value of the investments that are in the possession of an outside party. The Foundation does not have a formal investment policy for custodial credit risk in regard to the custody of the Foundation's investments.

*Concentration of Credit Risk* - Although investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Foundation's investment policy limits to 3 percent of the total portfolio fair value the amount the Foundation may invest in any one issuer.

Uniform Prudent Management of Institutional Funds Act - The Board of Directors of the Foundation has interpreted the State of Utah's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4-5 percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy* - The Foundation has a policy of appropriating for distribution each year 4-5 percent of its endowment fund's moving-average fair value of the prior 3 years through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**<u>Fair Value Measurements</u>** (See UVU Foundation Note 6)

A description of the valuation methodologies used to determine fair value for the assets measured is as follows:

<u>Debt and equity securities classified in Level 1</u> – Valued using prices quoted in active markets for those securities.

<u>Debt and equity securities classified in Level 2</u> – Valued using the published fair value per share (unit) for each Equity or Mutual fund. These investments typically trade in inactive markets but are valued based on significant other observable inputs, such as quoted market prices.

<u>Equity securities classified as Level 3</u> – Valued manually using various sources of significant unobservable inputs, such as issuer, investment manager, or default price if a price is not provided.

<u>Investments valued using the net asset value (NAV) per share (or its equivalent)</u> – GASB Statement 72 allows for the use of net asset value to "establish the fair value of an investment that does not have a readily determinable fair value". These are considered Alternative Investments and, generally do not have readily obtainable market values, and take the form of limited partnerships. The Foundation values these investments based on information provided by investment managers, such as the audited financial statements of these partnerships. If June 30 valuations are not available, the value is progressed from the most recent available valuation, taking into account subsequent calls and distributions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2022:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities | | | | |
| Money market accounts | $ 246,767 | $ 246,767 | $ - | $ - |
| Total debt securities | 246,767 | 246,767 | - | - |
| Equity Securities | | | | |
| Common and preferred stocks | 9,169,585 | 6,993,909 | 2,175,676 | - |
| Mutual funds | 26,485,863 | 8,970,557 | 12,358,801 | 5,156,505 |
| Total Equity Securities | 35,655,448 | 15,964,466 | 14,534,477 | 5,156,505 |
| Total investments by fair value level | 35,902,215 | $ 16,211,233 | $ 14,534,477 | $ 5,156,505 |
| Investments Measured at Net Asset Value (NAV) | | | | |
| Hedge funds | 7,868,668 | | | |
| Private equity | 3,592,614 | | | |
| Private natural resources | 936,935 | | | |
| Private real-estate | 1,466,874 | | | |
| Total investments measured at NAV | 13,865,091 | | | |
| Total investments | $ 49,767,306 | | | |

Alternative investments, managed by external advisors, include investments in partnerships with investments focused on fixed income, natural resources, and various hedging investments. These investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value.

Alternative investments generally have limited redemption options for the Foundation. The majority of these investments require 14 to 60 days' notice prior to any amount being redeemed. Two investments have no redemption option and may make future capital contribution calls and/or make distributions to the Foundation. These two funds' maturities/liquidations are currently unknown as are the amounts of any future capital contributions calls or distributions. The Foundation's total amount held in these two investments, at fair value, is $2,403,809 at June 30, 2022.

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Foundation's alternative investments measured at NAV, as of June 30 2022:

| | Fair Value | Investments Measured at Net Asset Value (NAV) Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Hedge Funds | $ 7,868,668 | $ - | Daily, Monthly, 4Yr Rolling | 1-90 Days |
| Private Equity | 3,592,614 | 1,157,319 | N/A | N/A |
| Private Natural Resources | 936,935 | - | N/A | N/A |
| Private Real Estate | 1,466,874 | 172,716 | N/A | N/A |
| | $ 13,865,091 | $ 1,330,035 | $ - | $ - |

**<u>Investment in UVU Student Housing LLC</u>** (see UVU Foundation Note 9)

In fiscal year 2017, the Foundation invested $2,000,000 for a 43.245 percent interest in Palos Verdes Drive, LLC. In Fiscal Year 2020, this interest was reinvested in a new entity, UVU Student Housing, LLC, in which the Foundation holds a 4.909% ownership interest. This investment is increased or decreased with the Foundation's proportionate share of the profits or losses, as well as distributions, using the equity method of accounting. The Foundation recorded a gain of $2,093,824 related to this investment for the year ended June 30, 2022. The current value of the investment at June 20, 2022 is $5,599,092.

UTAH VALLEY UNIVERSITY

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# Schedule of **Proportionate Share** of the **Net Pension Liability** (ASSET)

**Schedule of the Proportionate Share of the Net Pension Liability (Asset)**
**Utah Valley University**
**Utah Retirement Systems**
**December 31,**
**Last 10 Fiscal Years***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| **Noncontributory System** | | | | | | | | |
| Proportion of the net pension liability (asset) | 9.5799320% | 9.5799320% | 9.5149793% | 0.7284342% | 0.7504796% | 0.7670871% | 0.8118658% | 0.7603048% |
| Proportionate share of the net pension liability (asset) | $ (23,546,522) | $ (9,448,557) | $ 11,161,357 | $ 27,101,519 | $ 18,351,944 | $ 24,860,655 | $ 25,503,030 | $ 19,102,876 |
| Covered payroll | $ 20,818,235 | $ 19,437,123 | $ 19,737,214 | $ 19,625,680 | $ 19,450,412 | $ 19,485,686 | $ 20,299,268 | $ 19,753,477 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -113.11% | -48.61% | 56.55% | 138.09% | 94.35% | 127.58% | 125.64% | 96.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 111.80% | 104.70% | 94.20% | 84.10% | 89.20% | 84.90% | 84.50% | 87.20% |
| **Contributory Retirement System** | | | | | | | | |
| Proportion of the net pension liability (asset) | 13.1783063% | 10.2377312% | 8.9578702% | 2.3477838% | 2.6921090% | 2.6063328% | 2.7210978% | 2.3745669% |
| Proportionate share of the net pension liability (asset) | $ (3,712,116) | $ (2,174,794) | $ (505,073) | $ 1,666,936 | $ 149,323 | $ 1,428,160 | $ 1,705,182 | $ 260,368 |
| Covered payroll | $ 477,651 | $ 455,200 | $ 465,505 | $ 455,645 | $ 516,311 | $ 698,671 | $ 861,981 | $ 855,876 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -777.16% | -477.77% | -108.50% | 365.84% | 28.92% | 204.41% | 197.82% | 30.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 117.60% | 113.10% | 103.60% | 91.40% | 99.20% | 93.40% | 92.40% | 98.70% |
| **Tier 2 Public Employees System** | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.3068593% | 0.3431398% | 0.3752653% | 0.4539268% | 0.5661958% | 0.7665995% | 1.0192718% | 0.8523389% |
| Proportionate share of the net pension liability (asset) | $ (129,874) | $ 49,353 | $ 84,400 | $ 194,407 | $ 49,920 | $ 85,514 | $ (2,225) | $ (25,830) |
| Covered payroll | $ 5,703,739 | $ 5,488,502 | $ - | $ 5,307,041 | $ 5,546,305 | $ 6,286,698 | $ 6,584,988 | $ 4,183,034 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -2.28% | 0.90% | 0.00% | 3.66% | 0.90% | 1.36% | (0.03%) | (0.62%) |
| Plan fiduciary net position as a percentage of the total pension liability | 103.80% | 98.30% | 96.50% | 90.80% | 97.40% | 95.10% | 100.20% | 103.50% |

* The University implemented GASB Statement 68 in 2015. The 10-year history will be built prospectively.

# Schedule of **Contributions** to the **Utah State Retirement Systems**

**Schedule of the Contributions to the Utah State Retirement Systems**
**Utah Valley University**
**Utah Retirement Systems**
**June 30,**
**Last 10 Fiscal Years***

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **Noncontributory System** | | | | | | | | |
| Contractually required contribution | $ 3,966,786 | $ 4,373,228 | $ 4,255,315 | $ 4,295,432 | $ 4,288,812 | $ 4,263,696 | $ 4,317,851 | $ 4,463,325 |
| Contributions in relation to the contractually required contribution | (3,966,786) | (4,373,228) | (4,255,315) | (4,295,432) | (4,288,812) | (4,263,696) | (4,317,851) | (4,463,325) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 19,781,608 | $ 20,622,127 | $ 19,702,795 | $ 19,691,429 | $ 19,539,022 | $ 19,394,236 | $ 19,650,773 | $ 20,311,773 |
| Contributions as a percentage of covered-employee payroll | 20.05% | 21.21% | 21.60% | 21.81% | 21.95% | 21.98% | 21.97% | 21.97% |
| **Contributory Retirement System** | | | | | | | | |
| Contractually required contribution | $ 80,286 | $ 83,909 | $ 81,634 | $ 81,377 | $ 86,260 | $ 99,355 | $ 141,988 | $ 156,906 |
| Contributions in relation to the contractually required contribution | (80,286) | (83,909) | (81,634) | (81,377) | (86,260) | (99,355) | (141,988) | (156,906) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 456,357 | $ 474,061 | $ 461,205 | $ 459,760 | $ 487,344 | $ 561,329 | $ 802,191 | $ 886,472 |
| Contributions as a percentage of covered-employee payroll | 17.59% | 17.70% | 17.70% | 17.70% | 17.70% | 17.70% | 17.70% | 17.70% |
| **Tier 2 Public Employees System** | | | | | | | | |
| Contractually required contribution | $ 1,090,263 | $ 1,083,487 | $ 1,040,580 | $ 983,342 | $ 997,933 | $ 1,074,235 | $ 1,255,126 | $ 999,809 |
| Contributions in relation to the contractually required contribution | (1,090,263) | (1,083,487) | (1,040,580) | (983,342) | (997,933) | (1,074,235) | (1,255,126) | (999,809) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 5,620,969 | $ 5,665,588 | $ 5,479,612 | $ 5,211,144 | $ 5,411,787 | $ 5,889,438 | $ 6,877,886 | $ 5,470,804 |
| | 19.40% | 19.12% | 18.99% | 18.87% | 18.44% | 18.24% | 18.25% | 18.28% |

* The University implemented GASB Statement 68 in 2015. The 10-year history will be built prospectively.

Notes to the **Required Supplemental Information**

# NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
## FOR THE YEAR Ending JUNE 30, 2022

**Schedule of Proportionate Share**:

In 2019, URS created a separate division for Higher Education which significantly changed the University's reported proportionate share of Net Pension Liability (Asset).

# Internal Control and Compliance Report

OFFICE OF THE
STATE AUDITOR

# Independent Auditor's Report

## On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board, Audit Committee
and
Dr. Astrid S. Tuminez, President
Utah Valley University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Valley University (the University) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 10, 2023. Our report includes a reference to another auditor who audited the financial statements of the Utah Valley University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Report on Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor
Salt Lake City, Utah
January 10, 2023

UTAH VALLEY UNIVERSITY

2022 ANNUAL FINANCIAL REPORT

UVU

2022 ANNUAL FINANCIAL REPORT

A component of the state of Utah

UTAH VALLEY UNIVERSITY

'22 Annual **Financial Report**