UVU

A COMPONENT UNIT OF THE STATE OF UTAH

2014

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

PRESIDENT'S MESSAGE	1
INDEPENDENT STATE AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION & ANALYSIS	5
STATEMENT OF NET POSITION	15
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	19

UVU™

ANNUAL FINANCIAL REPORT

PRESIDENT'S MESSAGE

At the beginning of this academic year we celebrated the five year anniversary of our move from Utah Valley State College to Utah Valley University. It has been my privilege to work alongside a remarkable set of students, staff, and faculty who are transforming the educational and economic landscape of our community and beyond. I believe we are accomplishing this now with a unique dual mission, one that has established the breadth, rigor, and advanced training of a first-rate teaching university while retaining the access to the trade and technical training of an open-admissions institution. In doing so, UVU now provides higher education for more Utahns than any other university in the state.

Each year since becoming a university in 2008 we have reached new heights in academic achievement, athletic prowess, community engagement, and financial security. We now offer 31 certificate programs and 131 degrees, including 3 master degrees. In the last five years we have added 137 full-time faculty members, and we have increased the number of graduates each year by 53%. Our athletics program was granted official NCAA Division I membership, we joined the Western Athletic Conference, and we won 3 championships in our first year as a member. We have increased the number of donors by 112%, and we have increased our Foundation Endowment from $37 million to $58 million. With seven new structures completed in the past five years, and more on the way, we have added nearly 700,000 square feet to our campus.

One of our most notable achievements in 2014 was our successful acquisition of "acute equity" funding during the historic session on Capitol Hill. Following a multiyear effort, the Utah Legislature appropriated $50 million to the Utah System of Higher Education for "acute equity" funding to narrow the funding gaps between state institutions, especially those growing at a rapid pace such as UVU. We received just over 42 percent or $21 million, of the total amount appropriated. Our percentage of budget from state tax funds increased from 41 percent to 48 percent. These resources will help ensure academic quality and meet the ongoing demands associated with growth.

It is a great credit to our faculty and staff that even while accommodating record-breaking growth in a period of significant economic challenge, we have never lost sight of our top priority: providing a serious, inclusive, and engaged educational experience dedicated to student success. This university is hardwired to overcome seemingly insurmountable obstacles with pluck and ingenuity. It is in our genes, and we have been doing it since our inception in 1941. Step by step, UVU is transforming the face of higher education. Join us as we rise to meet the future.

Sincerely,

Matthew S. Holland
President

OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Dr. Matthew S. Holland, President
Utah Valley University

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. The University is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit foundation as of June 30, 2014, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The President's Message has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this other information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 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 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 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 Utah State Auditor

Office of the Utah State Auditor
December 22, 2014

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, 2014, with comparative information for the year ended June 30, 2013. 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 audited separately and reported in the Component Unit column of the financial statements. The audited financial statements for the Foundation are available through the University's Institutional Advancement Office.

FINANCIAL HIGHLIGHTS

- The University's net position increased by $9.3 million during the fiscal year.
- $60.5 million was added in buildings, including the Student Life and Wellness building and parking structure, and the new Wee Care Center.
- Capital Gifts and Grants increased by $2.5 million during the fiscal year.
- State appropriations increased by $3.7 million during the fiscal year.
- Enrollment decreased by 3.7% in total headcount and 3.5% in full time equivalents.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The financial statements are prepared in accordance with Governmental Accounting Standards Board 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. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

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 availability 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

	Junet 30, 2014	Junet 30, 2013	Change	Change %
ASSETS				
Current assets	$ 74, 636,068	$ 109, 884, 637	$ (35,248,569)	(32.1%)
Noncurrent assets	45,053,463	35,603,513	9,449,950	26.5%
Capital assets, net	335,460,279	301,462,574	33,997,705	11.3%
Total assets	**455,149,810**	**446,950,724**	**8,199,086**	**1.8%**
Deferred Ouflows of Resources	437,212	532,717	(95,505)	(17.9%)
LIABILITIES				
Current liabilities	28,768,118	31,268,711	(2,500,593)	(8.0%)
Noncurrent liabilites	74,246,338	72,973,768	1,272,570	1.7%
Total liabilites	**103,014,456**	**104,242,479**	**(1,228,023)**	**(1.2%)**
NET POSITION				
Net invested in capital assets	266,201,655	254,463,421	11,738,234	4.6%
Restricted expendable	6,095,988	5,303,599	792,389	14.9%
Unrestricted	80,274,923	83,473,942	(3,199,019)	(3.8%)
Total net position	**$ 352,572,566**	**$ 343,240,962**	**$ 9,331,604**	**2.7%**

The decrease in current assets held by the University of $35.2 million is mainly due to a decrease in cash and investments of $35.5 million from the prior year. Much of the decrease in cash and current investments was due to a net increase in long-term investments of $23.5 million. This is also the main reason for the increase in noncurrent assets of 26.5%. The increase in noncurrent investments and receivables was offset by a decrease in restricted cash of $19.7 million, which was used to complete the new Student Life and Wellness building.

The change in current liabilities of $2.5 million is due to a large payable to the State (DFCM) in the prior year related to construction of the Student Life and Wellness building, which was not payable this year. That decrease was partially offset by an increase in payroll liabilities because the University changed from a pay-current system to a pay-lag system during the year. The last payroll of the fiscal year was accrued as a liability, whereas the previous fiscal year it was paid by June 30. The Change to a lag payroll also contributed to the increase in noncurrent assets. Employees received a loan during the lag transition which will be deducted from their final pay check. Most of that employee receivable of $3.1 million is considered a long-term receivable.

The University made various capital asset additions during fiscal year 2014. The most significant addition was the completion of the Student Life and Wellness building and parking structure. A total of $60.5 million was added to buildings. A number of other building additions and remodels were made and various pieces of equipment were purchased and some capital assets were disposed of during the year. The net change in capital asset increases and decreases totaled $46.0 million. This net increase in capital assets was offset by net depreciation expense of $12.0 million, which nets to an increase in capital assets of $34.0 million.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

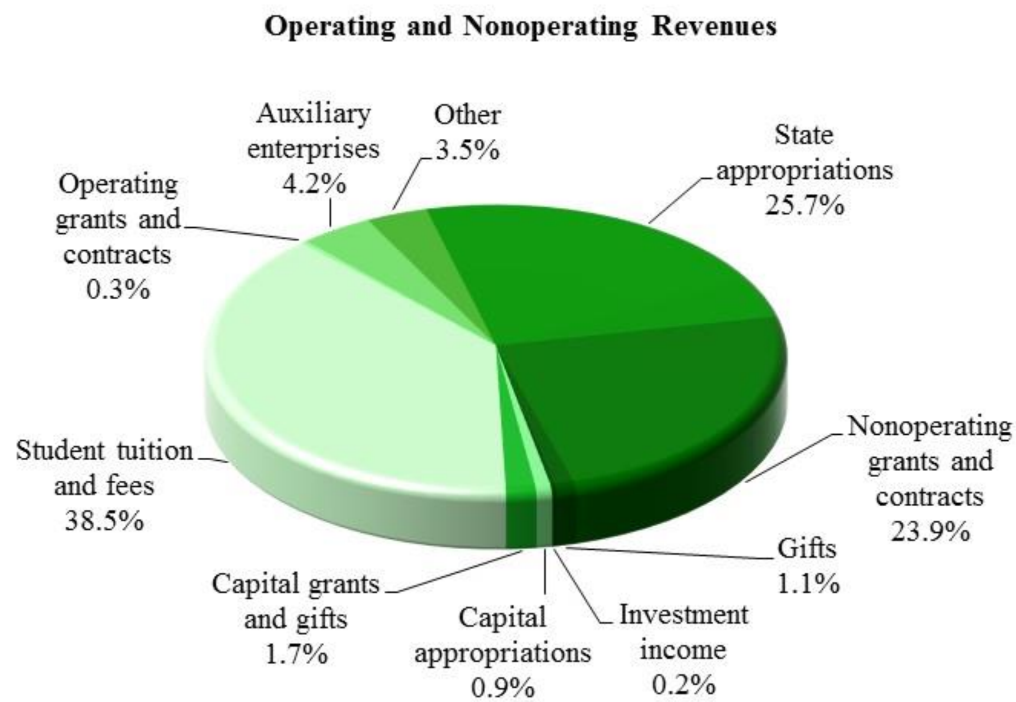
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the University, the operating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

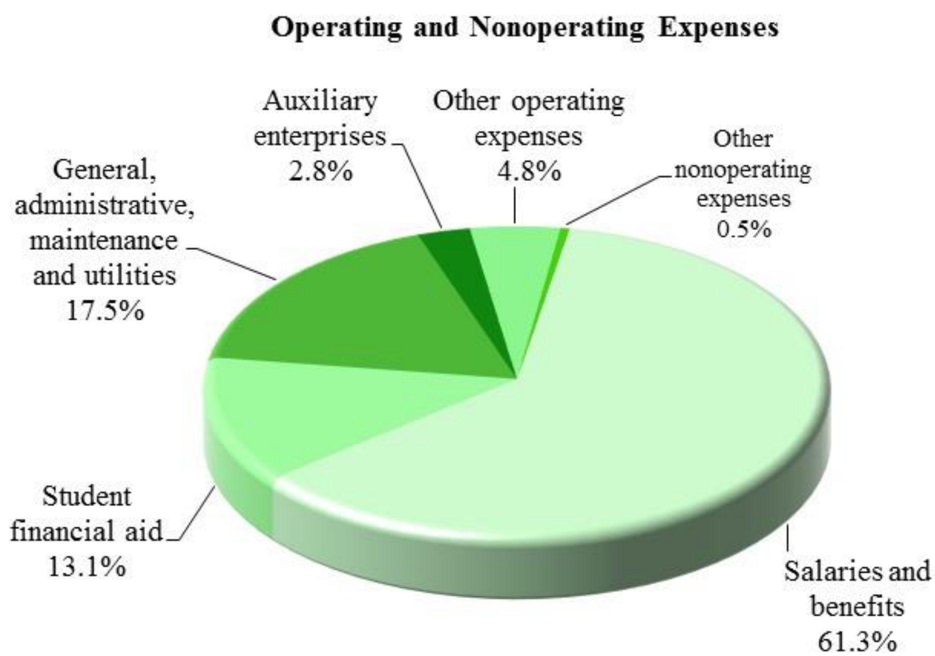
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission 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 Legislature to the University without the Legislature directly receiving commensurate goods or services for those revenues.

Statement of Revenues, Expenses, and chages in Net Position, Condensed

	June 30, 2014	June 30, 2013	Change	% Change
REVENUES				
Operating revenues				
Student tuition and fees	$ 106,684,620	$ 109,085,350	$ (2,400,730)	(2.2%)
Grants and contracts	948,700	16,593	932,107	5,617.5%
Auxilary enterprises	11,710,542	13,270,402	(1,559,860)	(11.8%)
Other	9,783,090	9,734,326	48,764	0.5%
Total operating revenues	**129,126,952**	**132,106,671**	**(2,979,719)**	**(2.3%)**
EXPENSES				
Operating expenses				
Salaries and benefits	164,355,445	159,404,850	4,950,595	3.1%
Student financial aid	35,113,209	41,592,881	(6,479,672)	(15.6%)
General and administrative, maintenance and utilities	46,827,554	43,693,931	3,133,623	7.2%
Auxiliary enterprises	7,497,447	9,915,463	(2,418,016)	(24.4%)
Other	12,842,808	12,028,304	814,504	6.8%
Total operating expenses	266,636,463	266,635,429	1,034	0.0%
Operating loss	**(137,509,511)**	**(134,528,758)**	**(2,980,753)**	**2.2%**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	71,279,595	67,617,025	3,662,570	5.4%
Grants and contracts	66,107,075	68,693,153	(2,586,078)	(3.8%)
Gifts	3,041,980	3,085,694	(43,714)	(1.4%)
Investment income	674,251	884,958	(210,707)	(23.8%)
Other nonoperating revenues (expenses)	(1,291,060)	(729,058)	(562,002)	77.1%
Net nonoperating revenues	139,811,841	139,551,772	260,069	0.2%
Income before other revenues	**2,302,330**	**5,023,014**	**(2,720,684)**	**(54.2%)**
Capital appropations	2,394,607	1,724,808	669,799	38.8%
Capital grants and gifts	4,634,667	2,122,540	2,512,127	118.4%
Other revenues	7,029,274	3,847,348	3,181,926	82.7%
Increase in net position	**9,331,604**	**8,870,362**	**461,242**	**5.2%**
Net position - beginning	343,240,962	334,370,600	8,870,362	2.7%
Net position- ending	**$ 352,572,566**	**$ 343,240,962**	**$ 9,331,604**	**2.7%**

The following graphs illustrate operating and nonoperating revenues and expenses as a percent of the total for the year ended June 30, 2014.





The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $9.3 million. Overall, operating revenues are comparable to the prior year, with a slight decrease of 2.3%. Tuition and fees decreased by $2.4 million compared the prior reporting period due mainly to an increase in the student discount and allowance. There was also a decrease in Auxiliary enterprises revenue of $1.6 million, which is mostly due to a decrease in bookstore sales. Operating grants and contracts revenue increased significantly over the prior year due mainly to a new contract with the FAA.

Operating expenses remained consistent with the prior year at $266.6 million, however there were some significant changes of some financial statement line items within that category which merit explanation. There was a decrease in Pell grants and an increase in tuition waivers, which have a direct impact on student financial aid. Student financial aid was down $6.5 million or 15.6%. The decrease in financial aid was offset by an increase in salaries and benefits. Salaries and benefits increased by $5.0 million or 3.1% due to a cost of living increase, as well as equity and retention increases. The increase in benefits is due to the increase in salaries which subsequently increased the amount of taxes and retirement contributions paid by the University. Auxiliary enterprises expenses decreased by 24.4% due mainly to a decrease in the purchase of costs of goods sold because of lower bookstore sales (as mentioned above).

General and administrative, and maintenance and utilities expenses increased by $3.1 million or 7.2%. Accounting for that change was an increase in computer and software purchases, office furniture purchases, and instructional equipment and supplies. Most of the increases were due to furnishing the new Student Life and Wellness building, as well as the Wee Care center and some additional furnishing of the science building.

Total nonoperating revenues and expenses were very comparable to the prior year. State appropriations increased by $3.7 million or 5.4%. That increase was offset by a decrease of $2.6 million in grants and contracts.

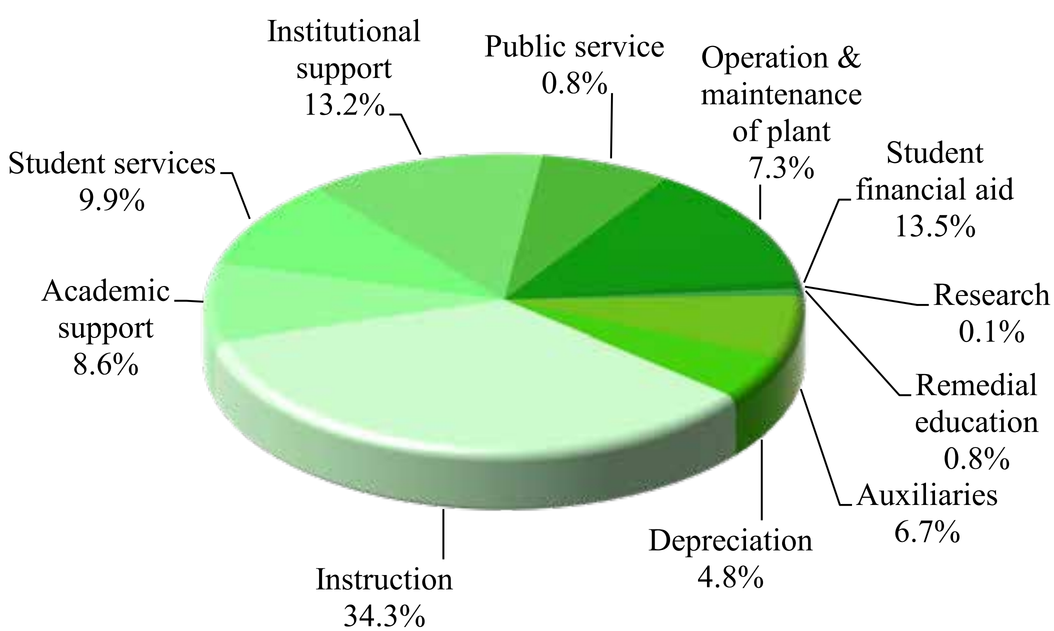
Capital grants and gifts increased 118.4% due to very successful fundraising effort to pay for the new Wee Care Center with mostly private funds.

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2014, and 2013:

	June 30, 2014	June 30, 2013	Change	% Change
Operating Expenses				
Instruction	$ 91,472,293	$ 90,561,518	$ 910,775	1.0%
Academic Support	22,878,739	21,355,107	1,523,632	7.1%
Student Services	26,346,037	25,359,096	986,941	3.9%
Institutional support	35,279,629	33,007,223	2,272,406	6.9%
Operation & maintenance	19,394,782	18,268,214	1,126,568	6.2%
Student Financial Aid	35,996,523	42,301,288	(6,304,765)	(14.9%)
Public service	2,073,173	1,837,192	235,981	12.8%
Research	239,051	121,592	117,459	96.6%
Remedial education	2,134,837	2,289,579	(154,742)	(6.8%)
Auxiliaries	17,978,591	19,506,316	(1,527,725)	(7.8%)
Depreciation	12,842,808	12,028,304	814,504	6.8%
Total Operating Expenses	**$ 266,636,463**	**$ 266,635,429**	**$ 1,034**	**0.0%**

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2014.

Functional Operating Expenses



The $1.0 million increase in instruction related costs are due to an increase of $1.5 million in salaries and benefits and an offsetting decrease in general and administrative costs of $0.4 million and a decrease in benefits of $0.1 million. Costs associated with academic support increased from the prior year by $1.5 million or 7.1%. The increase was due primarily to an increase of $0.7 million in salaries and benefits and a $0.7 million increase in general and administrative costs.

Costs related to institutional support increased $2.2 million of which $1.3 million of the increase is related to salary and benefits with an increase in maintenance costs of $1.1 million.

Operation and maintenance of plant expenditures increased $1.1 million due to general and administrative costs increasing by $1.1 million.

The functional expense of student financial aid decreased significantly by $6.3 million from the prior year. This decrease is mostly attributed to an increase in the student discounts and allowances.

Public service increased $0.2 million or 12.8%, which was primarily due to an increase in general and administrative costs of $0.2 million.

Auxiliary expenses decreased by $1.5 million due mostly to a decrease in cost of goods sold which was due to a reduction in the amount of textbooks sales at the bookstore. The decrease in cost of goods was offset by an increase in salaries and benefits of $0.6 million.

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

	June 30, 2014	June 30, 2013	Change	% Change
Cash provided (used) by:				
Operating activities	$ (121,452,706)	$ (120,826,977)	$ (625,729)	0.5%
Noncapital financing activities	137,045,844	137,199,146	(153,302)	(0.1%)
Capital and related financing activities	(47,914,813)	(33,246,178)	(14,668,635)	44.1%
Investing activities	(13,683,977)	(18,004,998)	4,321,021	(24.0%)
Change in cash	(46,005,652)	(34,879,007)	(11,126,645)	31.9%
Cash - beginning of year	113,019,666	147,898,673	(34,879,007)	(23.6%)
Cash - end of year	**$ 67,014,014**	**$ 113,019,666**	**$(46,005,652)**	**(40.7%)**

The University's cash decreased by $46.0 million mostly due to a decrease in cash from operating activities of $121.5 million. Operating activities include cash inflows from tuition received ($106.2 million) and sales from auxiliary services ($17.0 million), as well as cash outflows from payments related to employee salaries and benefits ($162.8 million) and student aid in the form of scholarships and fellowships ($35.1 million).

The decrease in cash related to operating activities was offset by an increase in cash from noncapital financing activities of $137.0 million, which includes cash inflows from State appropriations ($69.9 million) and federal, state, and private grants and contracts ($63.9 million).

Cash also decreased due to capital and related financing activities ($47.9 million) and investing activities ($13.7 million). The decrease in cash provided by capital and related financing activities is due to using bond proceeds in the construction of the Student Life and Wellness Building and parking structure. The University also used private donations to build the new Wee Care Center and Classroom Building. The decrease in cash related to investing activities is due to the purchase of investments.

When comparing the cash inflows and outflows to the prior year, the percent change is very consistent when looking at the two biggest sources and uses of cash. The main differences in cash, when compared to the prior year, relate to Capital and related financing activities (44.1% increase) and Investing activities (24.0% decrease), are explained by more cash outflows on construction of new buildings and the purchase of investments.

OUTLOOK

The University's overall financial position is strong and in spite of the current economic conditions the outlook for the future looks bright. The economy of the State of Utah has weathered the recent economic struggles better than most states but it is not without its own challenges. The State is expecting the economy to gradually strengthen during 2015. State appropriations for higher education are expected to remain at 2014 levels.

Total student enrollment decreased by 3.7% and tuition decreased by 2.2% or $2.4 million, for fiscal year 2014. During fall of 2014 the University experienced an increase in enrollment of 2.5% over fall of 2013. Tuition and fees as a percent of total revenues (38.5%) is greater than the percentage of State appropriations as a percentage of total revenue 25.7% for the University, therefore, the expectation of appropriations being held at 2014 amounts will be tempered by the increase in tuition and fees collected. The University is projecting enrollment in the next year to be about the same or slightly higher.

The University will continue to take a conservative approach to acquire debt for construction and expansion of facilities. Construction of the new student life and wellness building was completed in the spring of 2014. The University will complete a new classroom building in fiscal year 2015. This will be the largest building on campus with over 250,000 square feet at a cost of about $42 million.

Utah Valley University is well positioned to overcome the challenges of growth and future economic conditions. The University will make the necessary investments which will secure an even brighter future.

FINANCIAL STATEMENTS

- STATEMENT OF NET POSITION
- STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
- STATEMENT OF CASH FLOWS

STATEMENT OF NET POSITION

June 30, 2014

	Primary Institution UVU	Component Unit UVU Foundation	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 63,292,092	$ 660,561	$ 63,952,653
Investments	2,000,000	-	2,000,000
Accounts receivable, net	5,709,924	-	5,709,924
Notes and pledges receivable	217,659	3,924,506	4,142,165
Prepaid expenses	307,315	10,520	317,835
Inventories	3,109,078	-	3,109,078
Total current assets	74,636,068	4,595,587	79,231,655
Noncurrent assets			
Restricted cash, cash equivalents	3,721,922	32,269,038	35,990,960
Investments	31,070,716	-	31,070,716
Accounts receivable, net	9,068,640	-	9,068,640
Notes and pledges receivable	1,192,185	17,429,149	18,621,334
Other long term assets	-	4,141,109	4,141,109
Capital Assets			
Non depreciable capital assets	52,909,756	-	52,909,756
Depreciable capital assets, net	282,550,523	-	282,550,523
Total noncurrent assets	380,513,742	53,839,296	434,353,038
Total assets	**455,149,810**	**58,434,883**	**513,584,693**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	437,212	-	437,212
LIABILITIES			
Current liabilities			
Accounts payable	3,473,560	-	3,473,560
Accrued liabilities	11,549,087	-	11,549,087
Other liabilities	467,284	-	467,284
Unearned revenue	8,781,064	-	8,781,064
Current portion of bonds, notes, and capital leases payable	3,888,429	-	3,888,429
Funds held for others	608,694	-	608,694
Total current liabilities	28,768,118	-	28,768,118
Noncurrent liabilities			
Accrued liabilities	3,155,336	353,246	3,508,582
Unearned revenue	1,561,673	-	1,561,673
Bonds, notes, and capital leases payable	69,529,329	-	69,529,329
Total noncurrent liabilities	74,246,338	353,246	74,599,584
Total liabilities	**103,014,456**	**353,246**	**103,367,702**
NET POSITION			
Net investment in capital assets	266,201,655	-	266,201,655
Restricted			
Nonexpendable: Scholarships	-	18,825,966	18,825,966
Expendable:			
Grants and contracts	4,049,936	-	4,049,936
Scholarships	40,674	37,968,312	38,008,986
Loans	2,005,378	-	2,005,378
Unrestricted	80,274,923	1,287,359	81,562,282
Total net position	**$ 352,572,566**	**$ 58,081,637**	**$ 410,654,203**

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

For the Year Ended June 30, 2014

	Primary Institution UVU	Component Unit UVU Foundation	Total
REVENUES			
Operating revenues			
Student tuition and fees (net of scholarships and allowances of $32,489,152)	$ 106,684,620	$ -	$ 106,684,620
Private grants and contracts	94,518	-	94,518
Grants and contracts	854,182	-	854,182
Sales and services of education departments	5,115,450	-	5,115,450
Auxiliary enterprises (net of scholarships and allowances of $1,853,364)	11,710,542	-	11,710,542
Other operating revenues	4,667,640	-	4,667,640
Total operating revenues	**129,126,952**	**-**	**129,126,952**
EXPENSES			
Operating expenses			
Salaries	119,185,919	-	119,185,919
Fringe benefits	45,169,526	-	45,169,526
Student financial aid	35,113,209	1,461,853	36,575,062
Maintenance and utilities	10,771,680	-	10,771,680
General and administrative	36,055,874	7,381,972	43,437,846
Cost of goods sold - auxiliary enterprises	7,497,447	-	7,497,447
Depreciation	12,842,808	-	12,842,808
Total operating expenses	266,636,463	8,843,825	275,480,288
Operating loss	**(137,509,511)**	**(8,843,825)**	**(146,353,336)**
NONOPERATING REVENUES (EXPENSES)			
State appropriations	71,279,595	-	71,279,595
Federal grants and contracts	58,630,779	-	58,630,779
State grants and contracts	7,476,296	-	7,476,296
Gifts	3,041,980	8,639,484	11,681,464
Investment income (net of Foundation investment expense of $311,080)	674,251	6,317,500	6,991,751
Interest on capital asset-related debt	(1,193,123)	-	(1,193,123)
Other nonoperating revenues (expenses)	(97,937)	(45,739)	(143,676)
Net nonoperating revenues (expenses)	139,811,841	14,911,245	154,723,086
Income before other revenues, expenses, gains, or losses	**2,302,330**	**6,067,420**	**8,369,750**
Capital appropriations	2,394,607	-	2,394,607
Gifts to endowments	-	876,369	876,369
Capital grants and gifts	4,634,667	-	4,634,667
Total other revenues	7,029,274	876,369	7,905,643
Increase in net postion	**9,331,604**	**6,943,789**	**16,275,393**
NET POSITION			
Net position--beginning of year	343,240,962	51,137,848	394,378,810
Net position--end of year	**$ 352,572,566**	**$ 58,081,637**	**$ 410,654,203**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

		Primary Institution UVU
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and fees	$	106,295,215
Receipts from grants and contracts		948,700
Receipts from auxiliary and educational sales and services		16,973,392
Collection of loans to students		231,203
Payments to suppliers		(52,925,008)
Payments for employee services and benefits		(162,800,521)
Payments for student aid: scholarships and fellowships		(35,069,939)
Loans issued to students		(327,632)
Other operating receipts		5,221,884
Net cash used by operating activities		**(121,452,706)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		69,893,711
Federal, state and private grants and contracts		63,908,679
Gifts		3,243,454
Net cash provided by noncapital financing activities		**137,045,844**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received		3,132,200
Capital appropriations		272,434
Purchases of capital assets		(51,212,783)
Principal paid on capital debt and leases		(3,381,286)
Interest paid on capital related debt		(2,863,646)
Proceeds from capital debt issued		6,138,268
Net cash used by capital and related financing activities		**(47,914,813)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		16,778,672
Receipt of interest on investments		704,068
Purchase of investments		(31,166,717)
Net cash used by investing activities		**(13,683,977)**
Net decrease in cash		(46,005,652)
Cash and cash equivalents - beginning of year		113,019,666
Cash and cash equivalents - end of year	**$**	**67,014,014**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	**$**	**(137,509,511)**
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense		12,842,808
DFCM projects not capitalized		1,385,884
Changes in assets and liabilities		
Receivables, net		(5,136,958)
Inventories		144,303
Prepaid expenses		(154,422)
Accounts payable		500,856
Accrued liabilities		5,430,132
Unearned revenue		1,414,032
Funds held for others		(263,453)
Other liabilities		(106,377)
Net Cash Used by Operating Activities	**$**	**(121,452,706)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated library books	$	75,766
Donated assets		1,426,700
Assets contributed by DFCM		2,122,173
Total Noncash Activities	**$**	**3,624,639**

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 Comprehensive Annual 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 University's discretely presented component unit, the Utah Valley University Foundation (the Foundation). A discrete component unit is an entity which is legally separate from the University, but which is financially accountable to the University or whose relationship with the University is such that excluding it would cause the University's financial statements to be misleading or incomplete.

The Foundation is a separate but affiliated non-profit corporation. The Foundation's economic resources are used for the direct benefit of the University. The accounts of the Foundation are reported under the heading "Component Unit" in the financial statements. The Foundation is administered by a Board of Directors comprised of various members of the local community. The President of the University is a permanent nonvoting member of the Board.

The Foundation issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information included in the University's financial report.

The Foundation publishes audited financial statements annually. A copy of the audited 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 EQUIVALENTS

For the purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurer's Investment Fund (PTIF) are considered cash equivalents.

INVESTMENTS

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

ACCOUNTS RECEIVABLE

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, 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 cost on the date of acquisition or in the case of gifts, fair market 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 greater than one year. Buildings, building additions, and building improvements that extend the useful life of the asset or infrastructure, and leasehold and land improvements are capitalized if the cost is over $50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

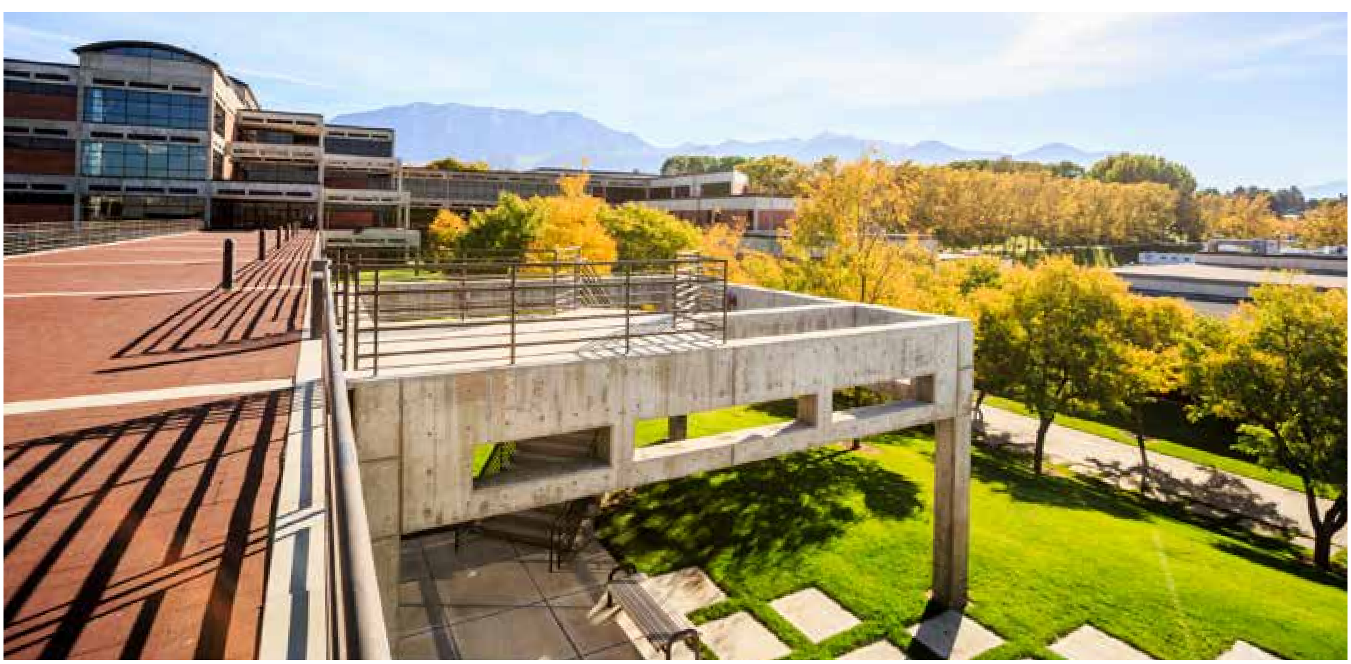
Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and improvements, 30 years for infrastructure and aircraft (less than 15 years old when acquired), 20 years for the library collection, 15 years for aircraft (greater than 15 years old when acquired), 10 years for land improvements and 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 capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year.

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 that have not yet been earned.



BOND DISCOUNTS/PREMIUMS/DEFERRED AMOUNT ON REFUNDING

Bond discounts, premiums, and the deferred amount on refunding, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year incurred.

COMPENSATED ABSENCES

Salaried, non-faculty full-time employees are entitled to accrue and carry forward at a calendar year-end maximum of 30 days of annual vacation leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to 30 days, 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 activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) applicable federal, state and local grants and contracts, and (4) fees charged to institutional loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as state appropriations, investment income, and Pell Grants and like revenues.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The University only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The University does not have any items that qualify for reporting in this category.

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 investment in capital assets, net of related debt.

Restricted net position – nonexpendable: Nonexpendable restricted net position consist 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 include 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 represent 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 selfsupporting activities that provide services for students, faculty, and staff.

IMPLEMENTATION OF NEW PRONOUNCEMENTS

The GASB issued GASB Statement No. 68 *Financial Reporting for Pension Plans* – an Amendment of GASB Statement No. 27 is effective for fiscal year 2015. This new accounting and reporting standard may impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of this statement may require restating beginning net position. The University did not early implement this standard and has made no estimation of the effect it will have on the financial statements.

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 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

THE UNIVERSITY

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 (the Act) that relate to the deposit and investment of public funds.

The University follows the requirements of the Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University 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 State of Utah Money Management Council.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk. At June 30, 2014, the carrying amounts of the University's deposits and bank balances were $10,266,777 and $11,646,044, respectively. $250,000 of the bank balances of the University was insured by the federal Deposit Insurance Corporation (FDIC). All deposits were held by a qualified depository as defined by the State Money Management Act. The State of Utah does not require collateral on deposits. University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

INVESTMENTS

The Act defines the types of securities authorized as appropriate investments for the University's nonendowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the 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), federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie 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 Act; and the Utah State Public Treasurers' Investment Fund.

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.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the 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 PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

At June 30, 2014, the University had investments and quality ratings as follows:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than One**	**One to Five**	**Five to Ten**	**Ten to Twenty**
PTIF	$ 56,692,734	$ 56,692,734	$ -	$ -	$ -
Corporate bonds	16,052,671	2,000,000	14,052,671	-	-
U.S. Agencies	17,018,045	-	15,500,000	1,518,045	-
Total	**$ 89,763,450**	**$ 58,692,734**	**$ 29,552,671**	**$ 1,518,045**	$ -

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 Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the 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. 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.

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, 2014, the University had investments and quality ratings as follows:

		Quality Rating			
Investment Type	**Fair Value**	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Unrated**
PTIF	$ 56,692,734	$ -	$ -	$ -	$ 56,692,734
Corporate bonds	16,052,671	-	-	16,052,671	-
U.S. Agencies	17,018,045	17,018,045	-	-	-
Totals	**$ 89,763,450**	**$ 17,018,045**	**$ -**	**$ 16,052,671**	**$ 56,692,734**

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. 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. The University held more than 5 percent of its total investments in the federal Home Loan Bank and Morgan Stanley. These investments represent 17.3 percent and 5.6 percent, respectively, of the University's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University 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, 2014, the University had $16,052,671 in corporate bonds and $17,018,045 in U.S. agencies which were uninsured and held by the counterparty's trust department, but not in the University's name.

Deposits – The Foundation

The Foundation maintains its cash balances in the PTIF and in several financial institutions. The amount on deposit at June 30, 2014, in the PTIF account was $627,327 and was combined with the University's PTIF account. Although this amount is not covered by federal depository insurance nor guaranteed by the State, PTIF balances are secured by investments purchased in compliance with the Act, are unrated, and have an average maturity of less than one year.

Custodial Credit Risk – The Foundation

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation does not have a formal deposit policy for custodial credit risk. The total amount deposited in various other financial institutions at June 30, 2014, was $33,234, all of which was insured by the FDIC.

Investments – The Foundation

As of June 30, 2014, the Foundation had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than One**	**One to Five**	**Five to Ten**	**Ten to Twenty**
Mutual funds	$ 10,708,440	$ 10,702,556	$ 5,884	$ -	$ -
Corporate bonds	49,331	49,331	-	-	-
Money market accounts	861,101	861,101	-	-	-
Certificates of deposits	566,889	-	566,889	-	-
Total	**12,185,761**	**$ 11,612,988**	**$ 572,773**	$ -	$ -
Common and preferred stocks	20,083,277				
Total	**$ 32,269,038**				

Interest Rate Risk – The Foundation

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 investment policy limits investing in any issuance with a maturity 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.

Credit Risk – The Foundation

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 & Poor's rating of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

At June 30, 2014, the Foundation's credit quality ratings for investments in debt securities were as follows:

Investment Type	Fair Value	Quality Rating AAA to A+	A	B	Unrated
Mutual funds	$ 10,708,440	$ -	$ -	$ -	$ 10,708,440
Corporate bonds	49,331	-	-	18,792	30,539
Money market accounts	861,101	-	-	-	861,101
Certificates of deposit	566,889	-	-	-	566,889
Totals	$ 12,185,761	$ -	$ -	$ 18,792	$ 12,166,969

Custodial Credit Risk - Foundation

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 - Foundation

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% of the total portfolio fair value the amount the Foundation may invest in any one issuer.

NOTE 3. ACCOUNTS, NOTES, AND PLEDGES RECEIVABLE

University accounts receivable consisted of the following at June 30, 2014:

Current accounts receivable, net	
Student tuition and fees	$ 1,593,888
Accrued interest	102,430
Investment interest	94,384
Operating activities	900,234
Auxiliary enterprises	1,151,837
Federal grants and contracts	1,173,682
Total	5,016,455
Less allowance for doubtful accounts	(787,694)
Total	4,228,761
Current accounts receivable-state agency	
Operating activities	27,585
State grants and contracts	1,453,578
Total	1,481,163
Noncurrent accounts receivable, net	
Student tuition and fees	9,963,824
Operating activities	2,838,700
Accrued interest	1,666,900
Less allowance for doubtful accounts	(5,400,784)
Total	9,068,640
Total	**$ 14,778,564**

University notes and pledges receivable consisted of the following at June 30, 2014:

Current notes and pledges receivable, net	
Loans to students	$ 292,434
Less allowance for doubtful accounts	(74,775)
Total	217,659
Noncurrent notes and pledges receivable, net	
Loans to students	1,510,610
Less allowance for doubtful accounts	(318,425)
Total	1,192,185
Total	**$ 1,409,844**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2014. 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. The federal government reimburses the University a portion of amounts canceled under these provisions.

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, 2014, the allowance for uncollectible loans was $393,200.

NOTE 4. INVENTORIES

Inventories at June 30, 2014 were as follows:

Auxiliary enterprises	$	2,342,719
Supplies and other inventory		766,359
Total	**$**	**3,109,078**

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2014:

Current accounts payable		
Interest payable	$	420,830
Vendors payable		2,212,461
Federal grants		354,497
Employee deposits payable		250,950
Total		3,238,738
Current accounts payable-related party		
Interest payable		103,384
Current accounts payable-state agency		
State taxes payable		18,354
Other payable		53,799
State grants and contracts		15,192
Management payable		44,093
Total accounts payable - state agency		131,438
Total	**$**	**3,473,560**

University accrued liabilities consisted of the following at June 30, 2014:

Current accrued liabilities	
Federal taxes payable	$ 1,161,963
Wages payable	3,646,696
Early retirement payable	257,275
Accrued leave payable	1,839,378
Medical and dental claims payable	2,201,252
Student reimbursements	70,837
Payroll liabilities	1,235,074
Total	10,412,475
Current accrued liabilities-state agency	
State taxes payable	604,059
Payroll liabilities	532,553
Total	1,136,612
Noncurrent accrued liabilities	
Early retirement payable	439,316
Accrued leave payable	2,716,020
Total	3,155,336
Total	**$ 14,704,423**

NOTE 6. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at June 30, 2014:

Current unearned revenue	
Prepaid tuition and fees	$ 7,551,423
Grants and contracts	1,229,641
Total	8,781,064
Noncurrent unearned revenue	
Grants and contracts	1,561,673
Total unearned revenue	$ **10,342,737**

NOTE 7. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2014:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$ 34,286,624	$ 10,136,146	$ -	$ 44,422,770
Land improvements- non depreciable	4,014,144	2,897,347	-	6,911,491
Works of art and historical treasures	1,392,853	148,500	-	1,541,353
Construction in process	36,503,235	26,028,955	(62,498,048)	34,142
Total not being depreciated	76,196,856	39,210,948	(62,498,048)	52,909,756
Capital assets being depreciated				
Land improvements – depreciable	7,484,008	1,698,038	-	9,182,046
Infrastructure	21,201,362	2,407,381	-	23,608,743
Buildings	261,451,355	60,523,706	-	321,975,061
Leasehold Improvements	2,543,205	-	-	2,543,205
Equipment	41,390,715	5,161,208	(805,255)	45,746,668
Library books	6,518,648	340,979	(90,839)	6,768,788
Total being depreciated	340,589,293	70,131,312	(896,094)	409,824,511
Less accumulated depreciation				
Land improvements – depreciable	(4,358,706)	(566,571)	-	(4,925,277)
Infrastructure	(5,681,835)	(741,220)	-	(6,423,055)
Buildings	(72,665,817)	(7,291,716)	-	(79,957,533)
Leasehold Improvements	(378,373)	(81,688)	-	(460,061)
Equipment	(29,224,647)	(3,848,924)	801,555	(32,272,016)
Library Books	(3,014,197)	(312,689)	90,840	(3,236,046)
Total accumulated depreciation	(115,323,575)	(12,842,808)	892,395	(127,273,988)
Total depreciable capital assets, net	225,265,718	57,288,504	(3,699)	282,550,523
Total capital assets, net	$ **301,462,574**	$ **96,499,452**	$ **(62,501,747)**	$ **335,460,279**

Interest capitalized as part of building construction was $1,377,919.

The Foundation had $3,138,750 in rental income property at the beginning of fiscal year 2014, however, that asset was sold during the fiscal year. The Foundation also had $18,500 of Land that was reclassified as real estate held for sale during fiscal year 2014. Therefore, the Foundation had no remaining capital assets at the end of fiscal year 2014.

NOTE 8. 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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 54,225,000	$ -	$ (2,470,000)	$ 51,755,000	$ 2,555,000
Premium	5,842,991	-	(298,939)	5,544,052	298,939
Discount	(7,291)	-	1,042	(6,249)	(1,042)
Total bonds payable	60,060,700	-	(2,767,897)	57,292,803	2,852,897
Capital leases	6,285,526	-	(661,681)	5,623,845	599,145
Total bonds and capital leases	66,346,226	-	(3,429,578)	62,916,648	3,452,042
Notes payable	4,612,447	6,138,267	(249,604)	10,501,110	436,387
Early retirement	545,916	448,362	(297,687)	696,591	257,275
Accrued leave	4,606,537	2,747,795	(2,798,934)	4,555,398	1,839,378
Total	**$ 76,111,126**	**$ 9,334,424**	**$ (6,775,803)**	**$ 78,669,747**	**$ 5,985,082**

The Foundation's liabilities for the years ending June 30 were as follows:

	2014	2013
Deferred annuity payments	$ 353,246	$ 382,024

NOTE 9. BONDS PAYABLE

Bonds payable consist of the Municipal Building Authority of Utah County, Utah, Lease Revenue Bonds, (Federally Taxable) Series 2004A and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project) {MBA 2004A&B}, the State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A {SBR 2004A} and the State Board of Regents of the State of Utah, Utah Valley University, Student Center Building Fee and Unified System Revenue Bonds, Series 2012 A {SBR 2012A}.

The Municipal Building Authority of Utah County, Utah, issued Lease Revenue Bonds, (Federally Taxable) Series 2004A (Utah Valley State College Project), in the amount of $3,900,000 and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project), in the amount of $2,600,000, on August 3, 2004. The Authority leased the 2004 Projects to Utah County, Utah pursuant to a Master Lease Agreement dated August 1, 2004. The County, in turn, subleased the Series 2004 Projects to the State Board of Regents of the State of Utah on behalf of the University, pursuant to a Sublease Agreement dated as of August 1, 2004. The MBA 2004A&B Bonds were issued for the purpose of (i) refunding all of the Authority's outstanding 1999 Bonds; (ii) financing the acquisition and construction of a baseball stadium and related improvements; (iii) satisfying a reserve fund requirement; and (iv) paying the costs associated with the issuance of the 2004 Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A, in the amount of $11,020,000, and Student Center Building Fee and Unified System Revenue Refunding Bonds, (Federally Taxable) Series 2004B, in the amount of $4,035,000 for and on behalf of the University on August 3, 2004. The SBR 2004 A&B Bonds were issued for the purpose of (i) refunding all of the State Regent's outstanding 2000 Bonds and the 1995A Bonds; (ii) satisfying a reserve fund requirements; and (iii) paying the costs associated with the issuance of the 2004 Bonds. The SBR 2004B Bonds were paid off in November of 2011.

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. 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.

Bonds payable at June 30, 2014 consisted of the following:

Description	Original Issue	Balance June 30, 2014	Due Within One Year
MBA 2004A Lease Revenue Bonds (federally taxable), due in annual installments through 2019, interest rates 5.5% to 6.0%	$ 3,900,000	$ 1,955,000	$ 280,000
Less discount	(16,666)	(6,250)	(1,042)
Total net MBA 2004A	3,883,334	1,948,750	278,958
MBA 2004B Lease Revenue Refunding Bonds, due in annual installments through 2014, interest rate 4.2%	2,600,000	280,000	280,000
Plus premium	37,378	3,398	3,398
Total net MBA 2004B	2,637,378	283,398	283,398
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 4.0% to 4.5%	11,020,000	2,495,000	315,000
Plus premium	105,719	43,531	6,219
Total net SBR 2004A	11,125,719	2,538,531	321,219
SBR 2012A Student Center Building Fee and Unified System Revenue Bonds, due in annual installments through 2033, interest rates 3% to 5%	49,250,000	47,025,000	1,680,000
Plus premium	6,075,767	5,497,124	289,322
Total net SBR 2012A	55,325,767	52,522,124	1,969,322
Total net bonds	**$ 72,972,198**	**$ 57,292,803**	**$ 2,852,897**

Principal and interest on the SBR 2004A Bonds, the MBA 2004A&B Bonds, and the SBR 2012A 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) Student Center building fees; (iii) investment income; and (iv) HUD subsidy grant. The revenues are pledged until fiscal year 2033 when the last bond is retired. The total pledged revenues are estimated to be equal to future debt service payments of $75,106,424.

The following is a summary of the pledged revenues for fiscal year 2014 and the bond payments due in fiscal year 2015:

Pledged revenues	
Building fee – Spring	$ 2,147,467
Building fee – Summer	549,433
Building fee – Fall	2,291,616
Total building fees	4,988,516
Interest income	94,413
Student center food rental franchises	39,829
Net auxiliary profits	258,618
Parking services	615,654
Total pledged revenues	$ 5,997,030
Principal and interest payments for fiscal year 2015	
SBR 2004A Bonds	415,252
MBA 2004A&B Bonds	674,080
SBR 2012A Bonds	3,689,200
Total principal and interest payments to be covered by pledged revenues	$ 4,778,532

In addition, the SBR 2004A Bonds and the MBA 2004A&B Bonds are insured by a financial guaranty insurance policy issued by XL Capital Assurance Inc. The SBR 2004A Bonds and the MBA 2004A&B Bonds Debt Service Reserve Requirements have been met by the purchase of a Reserve Instrument from XL Capital Assurance Inc. As required by the SBR 2012A Bond, a reserve fund has been established of $3,721,922.

The scheduled maturities of bonds payable at June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	$ 2,555,000	$ 2,223,532	$ 4,778,532
2016	2,350,000	2,136,990	4,486,990
2017	2,440,000	2,052,162	4,492,162
2018	2,530,000	1,954,404	4,484,404
2019	2,635,000	1,843,113	4,478,113
2020-2024	12,000,000	7,545,008	19,545,008
2025-2029	13,755,000	4,484,124	18,239,124
2030-2033	13,490,000	1,105,800	14,595,800
Total	**$ 51,755,000**	**$ 23,345,133**	**$ 75,100,133**

NOTE 10. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were $46,180 for the year ended June 30, 2014.

The following is a schedule by year of future operating lease payments for the previously described operating leases:

Fiscal Year Ending June 30	Operating Leases
2015	$ 38,894
2016	40,864
2017	40,864
2018	40,864
2019	40,864
2020-2024	212,501
2025-2029	107,268
2030-2033	11,060
Total future minimum lease payments	**$ 533,179**

NOTE 11. CAPITAL LEASE OBLIGATIONS

The University has acquired certain equipment under various lease-purchase contracts or other capital lease agreements. The cost of University assets held under capital leases totaled $11,603,993 as of June 30, 2014. Accumulated depreciation of leased assets totaled $3,281,412 at June 30, 2014.

The assets acquired through capital leases are as follows:

Aircraft	$ 863,427
Less: accumulated depreciation	(239,710)
Student Services equipment	16,831
Less: accumulated depreciation	(3,800)
ESCO Energy Savings Projects	10,723,735
Less: accumulated depreciation	(3,037,902)
Total net capital lease assets	**$ 8,322,581**

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30		Capital Leases
2015	$	857,827
2016		858,745
2017		811,824
2018		838,439
2019		862,387
2020-2022		2,569,296
Total future minimum lease payments		6,798,518
Amounts representing interest		(1,174,673)
Present value of net minimum lease payments	**$**	**5,623,845**

NOTE 12. 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 State Board of Regents. 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 percent 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, 2014, 20 employees participated in the early retirement plan, of which 12 retirees received both medical and dental insurance benefits and stipends, 5 received stipends, and 3 received medical and dental insurance benefits.

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 1.19% and 7.46% 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 0.5% 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, 2014, the expenses for the 20 percent incentive stipend were $171,748 and the expenses for medical and dental insurance were $125,939.

NOTE 13. PENSION PLANS AND RETIREMENT BENEFITS

PLAN DESCRIPTION

The University contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective chapters of Title 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

FUNDING POLICY

Plan members in the Tier 1 State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the University is required to contribute 15.97% (Tier 1) and 16.75% (Tier 2) of their annual covered salary. In the State and School Noncontributory Retirement System, the University is required to contribute 20.46% (with an additional 1.5% to a 401(k)) of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The University contributions to the Tier 1 and Tier 2 State and School Contributory Retirement System for the years ending June 30, 2014, 2013, and 2012 were $514,069, $399,557, and $228,879, respectively, and for the Tier 1 Noncontributory Retirement System the contributions for June 30, 2014, 2013, and 2012 were $4,483,972, $3,888,859, and $3,474,679, respectively. Employer contributions to the 401(k) plan for the same years were $404,364, $348,014, and $329,008, respectively. The contributions were equal to the required contributions for each year.

Employee contributions to the 401(k) plan for the years ended June 30, 2014, 2013, and 2012 were $696,140, $575,539, and $599,862, respectively.

Teacher's Insurance and Annuity Association as well as Fidelity Investments provide individual retirement fund contracts with participating employees. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the year ended June 30, 2014, the University's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary. The payments for this plan totaled $11,411,169. The University has no further liability once annual contributions are made.

NOTE 14. 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 15. SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

As of 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 $250,000 and aggregate claims exceeding 125% of expected claims. The University has a contract with EMI Health of Utah to provide excess insurance and certain administrative and management services such as the evaluation and payment of claims. 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:

	2014	2013
Estimated claims liability - beginning of year	$ 2,135,580	$ 2,479,222
Current year claims and changes in estimates	20,179,525	21,273,160
Claim payments and administrative expenses	(20,113,853)	(21,616,802)
Estimated claims liability - end of year	**$ 2,201,252**	**$ 2,135,580**

NOTE 16. 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 percent 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, 2014, the University had the following outstanding commitments to DFCM for various projects:

New classroom building	$	1,006,393
Student wellness center and parking structure		111,242
UVU Hanger Building Master Plan		4,000
Extended Education building		34,096
UVU HVAC improvements		6,700
Total	**$**	**1,162,431**

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

NOTE 17. RELATED PARTY TRANSACTIONS

The University entered into various agreements involving the Foundation:

A. During the year ended June 30, 2014, the Foundation transferred ownership of a building to the University. This building was originally purchased in 2007 for $4,700,000. The building's net book value when transferred was $2,906,250.

The University paid $1,628,050 to the Foundation and the remaining $1,278,200 was donated to the University. The donation to the University is reported as part of "Gifts" in the same statement.

B. 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 percent with semi-annual payments of $254,933. This note matures in June 2034. The amount due as of June 30, 2014 was $6,138,268.

During the year ended June 30, 2012, the University borrowed $3 million to acquire land. The note carries a term of 20 years and bears a 6 percent interest rate with semi-annual payments of $129,787, and matures September 2031. The amount due as of June 30, 2014 was $2,788,765.

During the year ended June 30, 2009 the University borrowed $2,000,000 from the Foundation to acquire a number of buildings adjacent to campus. The note carries a term of 15 years and bears a 6 percent interest rate with semi-annual payments of $102,039 and matures August 2023. The amount due as of June 30, 2014, was $1,461,579.

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

2015	$	386,387
2016		409,020
2017		432,981
2018		458,348
2019		485,205
2020-2024		2,785,374
2025-2029		2,634,282
2030-2034		2,797,015
Total	**$**	**10,388,612**

C. During the year ended June 30, 2014, 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, 2014 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 18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows:

Year Ended June 30, 2014
Natural Classification

	Compensation	Benefits	Financial Aid	Maintenance	General and Admistrative	Auxilary	Depreciation	Total
Functional Classification								
Instruction	$ 62,876,756	$ 21,063,254	$ -	$ 453,368	$ 7,078,915			$ 91,472,293
Academic Support	12,687,069	4,837,416	-	220,271	5,133,983			22,878,739
Student Services	14,150,150	5,367,595	-	102,886	6,725,406			26,346,037
Institutional Support	16,072,532	8,706,540	-	1,199,689	9,300,868			35,279,629
Operation and Maintenance of Plant	5,551,905	2,881,618	-	8,080,470	2,880,789			19,394,782
Student Financial Aid	860,455	22,859	35,113,209	-	-			35,996,523
Public Service	983,648	368,153	-	12,574	708,798			2,073,173
Research	59,488	11,224	-	-	168,339			239,051
Remedial Education	1,628,699	502,160	-	120	3,858			2,134,837
Auxiliaries	4,315,217	1,408,707	-	702,302	4,054,918	7,497,447	-	17,978,591
Depreciation							12,842,808	12,842,808
Total Expenses	**$ 119,185,919**	**$ 45,169,526**	**$ 35,113,209**	**$ 10,771,680**	**$ 36,055,874**	**$ 7,497,447**	**$ 12,842,808**	**$ 266,636,463**

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