2020

ANNUAL FINANCIAL REPORT

UTAH VALLEY UNIVERSITY

A COMPONENT OF THE STATE OF UTAH

ANNUAL FINANCIAL REPORT

2020

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Valley University (University), and its discretely presented component unit foundation, as of and for the year ended June 30, 2020, 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 Utah Valley University Foundation (Foundation), a discretely presented component unit. 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 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 financial position of the University and its discretely presented component unit, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19, the Foundation no longer meets the requirements to be reported as a blended component unit and is now a discretely presented component unit. To reflect this change, the beginning balances of the University have been restated and the Foundation is presented as its own column on the financial statements. As a result, the Statement of Net Position reflects an approximately $100 million decrease in beginning net position for the University. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the University's Schedule of the Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Contributions to the Utah Retirement Systems 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 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 State Auditor

Office of the State Auditor
December 23, 2020

Management's Discussion and 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, 2020, with comparative information for the year ended June 30, 2019. 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 $19.9 million during the fiscal year and net position at June 30, 2020 was $541.5 million.
- Federal Grants and Contracts increased by $10.1 million due to additional funding received related to the world-wide pandemic.
- The University issued $52.9 million in new bonds.

Overview of the Financial Statements and Financial Analysis

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

	2020	2019 As Restated	Change	% Change
ASSETS				
Current assets	$ 102,364,600	$ 108,789,033	$ (6,424,433)	(5.9%)
Noncurrent assets	87,601,641	78,437,969	9,163,672	11.7%
Capital assets, net	485,060,038	447,290,607	37,769,431	8.4%
Total assets	**675,026,279**	**634,517,609**	**40,508,670**	**6.4%**
Deferred Outflows of Resources	13,127,537	11,110,416	2,017,121	18.2%
LIABILITIES				
Current liabilities	44,166,761	40,926,985	3,239,776	7.9%
Noncurrent liabilities	94,587,165	81,611,914	12,975,251	15.9%
Total liabilities	**138,753,926**	**122,538,899**	**16,215,027**	**13.2%**
Deferred Inflows of Resources	7,892,369	1,486,713	6,405,656	430.9%
NET POSITION				
Net invested in capital assets	426,854,757	405,525,768	21,328,989	5.3%
Restricted expendable	5,566,302	4,560,082	1,006,220	22.1%
Unrestricted	109,086,462	111,516,563	(2,430,101)	(2.2%)
Total net postion	**$ 541,507,521**	**$ 521,602,413**	**$ 19,905,108**	**3.8%**

The decrease in current assets held by the University of $6.4 million is mainly due to a decrease in cash of $31.7 million due to ongoing operations and purchasing investments. Short term investments increased $22.9 million. Cash and cash equivalents make up 41.5% of the current assets balance with $42.5 million. A portion of cash, $6.9 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 $46.9 million due to increases in restricted cash and capital assets. The $22.2 million increase in restricted cash was due to issuing bonds and having unspent bond proceeds on hand. The decrease in investments of $9.7 million is directly related to the increase in short term investments. As investments mature and become available for use within the following year, they are classified as current investments. Noncurrent accounts receivable decreased by $3.7 million due to a change in the collection process. The University is currently writing off receivables before they become long term.

Capital assets increased by $37.8 million due to the addition of various capital assets during fiscal year 2020. The University purchased a building at Thanksgiving Point for $18.0 million. There were other buildings and remodeling projects completed during the year ended June 30, 2020 which were included in the total of $27.9 million that was added to buildings during the fiscal year. The University also purchased various pieces of equipment at a cost of $10.8 million. The net change in capital assets totaled $54.1 million, excluding depreciation. This net increase in capital assets was offset by a net change in depreciation of $16.3 million, which nets to an increase in capital assets of $37.8 million.

Noncurrent liabilities increased by $13.0 million during the year. Bonds, notes, and capital leases payable increased by $30.0 million due to issuing $52.9 million in new bonds with offsetting reductions in bonds by bond refunding, bond defeasance, and principal payments on outstanding debt. The net pension liability decreased by $17.7 million. Most of the changes in the pension liability resulted from investment earnings, changes in estimates, and due to Utah Retirement Systems creating a new "Higher Education" division with a net pension liability calculated based on a smaller group of participants.

Statement of Revenues, Expenses, and Changes in Net Position

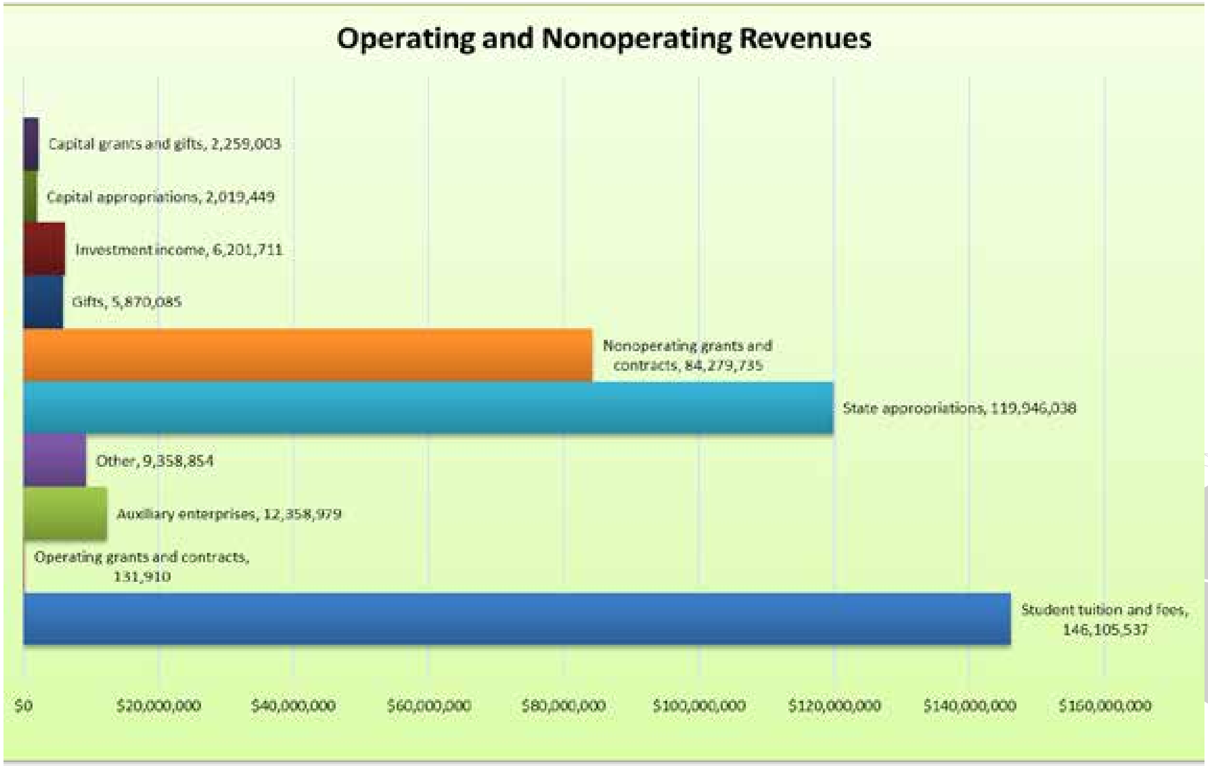
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the University, the operating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

Generally speaking, operating revenues are 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

	2020	2019 As Restated	Change	% Change
REVENUES				
Operating revenues				
Student tuition and fees	$ 146,105,537	$ 148,173,407	$ (2,067,870)	(1.4%)
Grants and contracts	131,910	224,042	(92,132)	(41.1%)
Auxiliary enterprises	12,358,979	14,294,656	(1,935,677)	(13.5%)
Other	8,684,193	10,663,099	(1,978,906)	(18.6%)
Total operating revenues	**167,280,619**	**173,355,204**	**(6,074,585)**	**(3.5%)**
EXPENSES				
Operating expenses				
Salaries and benefits	233,851,248	232,214,178	1,637,070	0.7%
Student financial aid	41,801,652	34,196,024	7,605,628	22.2%
General and administrative, maintenance and utilities	62,203,928	64,135,648	(1,931,720)	(3.0%)
Auxiliary enterprises	9,160,708	9,122,453	38,255	0.4%
Depreciation	19,535,894	18,273,218	1,262,676	6.9%
Total operating expenses	366,553,430	357,941,521	8,611,909	2.4%
Operating loss	**(199,272,811)**	**(184,586,317)**	**(14,686,494)**	**8.0%**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	119,946,038	120,695,815	(749,777)	(0.6%)
Grants and contracts	84,279,735	73,374,999	10,904,736	14.9%
Gifts	5,870,085	5,622,595	247,490	4.4%
Investment income	6,201,711	4,859,568	1,342,143	27.6%
Other nonoperating revenues (expenses)	(1,398,100)	(1,683,219)	285,119	(16.9%)
Net nonoperating revenues	214,899,469	202,869,758	12,029,711	**5.9%**
Income before other revenues	**15,626,658**	**18,283,441**	**(2,656,783)**	**(14.5%)**
Capital appropriations	2,019,449	31,214,904	(29,195,455)	(93.5%)
Capital grants and gifts	2,259,003	17,971,790	(15,712,787)	(87.4%)
Other revenues	4,278,452	49,186,694	(44,908,242)	(91.3%)
Change in net position	**19,905,110**	**67,470,135**	**(47,565,025)**	**(70.5%)**
Net position – beginning as restated	521,602,411	454,132,276	67,470,135	14.9%
Net position – ending	**$ 541,507,521**	**$ 521,602,411**	**$ 19,905,110**	**3.8%**

The following graphs illustrate operating and nonoperating revenues and expenses for the year ended June 30, 2020.



The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $19.9 million. The Covid-19 world-wide pandemic had a negative impact on our revenue and expenses. For fiscal year 2020, the tuition had been collected for the spring semester before the pandemic, but other revenues generated from auxiliaries and other in-person sales were impacted significantly. There were also various expenses incurred to deliver education remotely and keep the campus sanitized that impacted our operations.

Operating revenues decreased by 3.5% from the prior year. Most of the decrease was in auxiliary enterprises and Sales and Services of Education Departments and were directly related to the pandemic. Auxiliary Enterprises decreased by 13.5% or $1.9 million. Sales and Services of Education Departments had a 28.9% or $1.3 million decrease in revenue. Tuition and fees decreased by $2.1 million or 1.4% compared to the prior reporting period due to an increase in scholarship discount and allowances.

Operating expenses increased from the prior year by 2.4% or $8.6 million. Salaries increased by $12.5 million or 7.6%. Salaries and benefits increased due to hiring more faculty and staff, equity and retention increases, and a cost of living increase. Benefits increased by 7.1% but the increase was offset by the change in the net pension liability of $14.2 million. After the pension liability adjustment, benefit expense decreased by 16.0% or $10.9 million from the prior year. Student Financial Aid increased by $7.6 million or 22.2% due to stimulus payments passed through the University to students from the Federal Coronavirus funds.

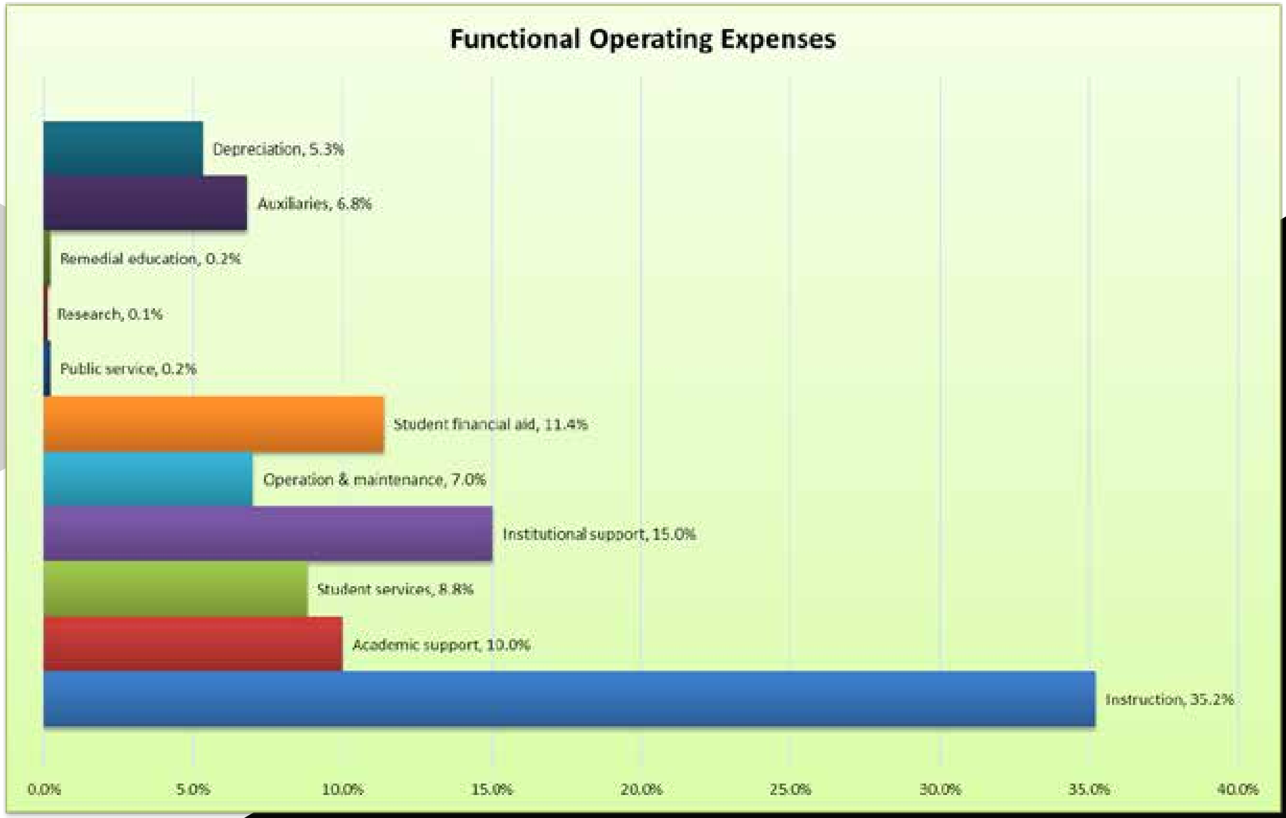
Total nonoperating revenues and expenses increased from the prior year by $12.0 million or 5.9%. Federal and State Grants and Contracts increased by $10.9 million or 14.9% mostly due to additional funding received related to the Covid-19 virus and its impact. Investment income increased $1.3 million or 27.6% due to our investment strategies and increases in interest rates.

Capital grants and gifts decreased by $15.7 million due to lower amounts of capital donations received for the construction of various of capital projects in the prior year. Capital appropriations decreased by $29.2 million in fiscal year 2020 due to the Performing Arts building being funded by the legislature in fiscal year 2019.

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2020, and 2019:

	June 30, 2020	June 30, 2019	Change	% Change
Operating Expenses				
Instruction	$ 129,165,829	$ 128,483,246	$ 682,583	0.5%
Academic support	36,679,424	36,130,145	549,279	1.5%
Student services	32,376,104	31,609,579	766,525	2.4%
Institutional support	55,043,133	54,117,790	925,343	1.7%
Operation & maintenance	25,627,012	26,416,049	(789,037)	(3.0%)
Student financial aid	41,801,652	34,196,024	7,605,628	22.2%
Public service	522,415	491,260	31,155	6.3%
Research	371,734	370,248	1,486	0.4%
Remedial education	655,220	905,011	(249,791)	(27.6%)
Auxiliaries	24,775,013	26,948,951	(2,173,938)	(8.1%)
Depreciation	19,535,894	18,273,218	1,262,676	6.9%
Total Operating Expenses	**$ 366,553,430**	**$ 357,941,521**	**$ 8,611,909**	**2.4%**

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2020.



Operating expenses were very comparable to the prior year. Total operating expenses increased $8.6 million from the prior year, or 2.4%. Most of that increase was due to an increase in Student Financial Aid that resulted from the federal support money passed on to students for Covid-19 stimulus. The $2.2 million decrease in Auxiliaries was due to a reduction of salaries and benefits and administrative expenses due to the campus closure because of the pandemic.

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

	2020	2019 As Restated	Change	% Change
Cash provided (used) by:				
Operating activities	$ (187,341,272)	$ (161,212,130)	$ (26,129,142)	16.2%
Noncapital financing activities	207,663,614	198,918,739	8,744,875	4.4%
Capital and related financing activities	(21,387,625)	(16,909,317)	(4,478,308)	26.5%
Investing activities	(8,443,363)	4,850,323	(13,293,686)	(274.1%)
Change in cash	(9,508,646)	25,647,615	(35,156,261)	(137.1%)
Cash - beginning of year, restated	78,160,402	52,512,787	25,647,615	48.8%
Cash – end of year	**$ 68,651,756**	**$ 78,160,402**	**$ (9,508,646)**	**(12.2%)**

The University's cash decreased by $9.5 million for the year. Capital and related financing activities cash outflows increased by $4.5 million or 26.5%. This increase in cash outflows is due mainly to $53.9 million in capital asset purchases in 2020 and $22.6 million in 2019. The University also issued bonds and refunded and defeased existing bonds. Principal payments on debt in 2020 was $36.0 million compared to 4.0 million in 2019. The increases in cash outflows for capital asset purchases and debt principal payments was offset by the issuance of new debt, a cash inflow, of $68.2 million.

Operating activities include cash inflows from tuition and fees received ($149.3 million) and sales from auxiliary services ($15.4 million), as well as cash outflows from payments related to employee salaries and benefits ($247.1 million) and student aid in the form of scholarships and fellowships ($46.2 million). Cash outflows from operating activities was $26.1 million more than in 2019. Most of the increase in cash outflows, $17.9 million, was due to payments related to employee services and benefits, followed in significance by $8.7 million in payments for student financial aid. The cash outflows for students for financial aid increased in 2020 due to the stimulus payments made to students.

Noncapital financing activities increased from the prior year by $8.7 million. State appropriations decreased $2.3 million from the prior year to provide total cash inflows of $117.5 million. Federal and State Grants and Contracts provided cash of $84.4 million, which was an increase of $11.1 million from the prior year. Most of that increase was due to stimulus funds received to help with the pandemic.

Outlook

The University is facing unprecedented challenges but we are looking forward with optimism. The global pandemic has changed the face of higher education and we are learning how we can best provide learning while maintaining a safe environment. The State of Utah is facing budget shortfalls, but the economy is better than most states. The State is expecting the economy to begin to rebound somewhat in 2021 if the pandemic doesn't cause long-term lock downs. State appropriations for higher education are expected to remain near 2020 levels so we are planning to keep our budgets flat. We plan to continue travel restrictions and provide mostly off-campus learning, which will reduce some expenses.

Fall semester of fiscal year 2020, student enrollment decreased by 1.9% and tuition increased by 1.7%. Tuition and fees as a percentage of total revenues (37.7%) is greater than the percentage of State appropriations as a percentage of total revenue (30.9%) for the University, therefore, the expectation of appropriations being the same as 2020 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 2020.

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

Statement of Net Position

for the Year Ended June 30, 2020

	Utah Valley University	UVU Foundation
ASSETS		
Current assets		
Cash and cash equivalents	$ 35,561,845	$ 5,407,455
Restricted cash, cash equivalents	6,903,068	-
Investments	45,688,943	2,668,025
Accounts and contributions receivable, net	10,068,455	1,358,600
Notes and pledges receivable	136,248	1,805,371
Prepaid expenses	2,421,859	-
Inventories	1,584,182	-
Total current assets	102,364,600	11,239,451
Noncurrent assets		
Restricted cash, cash equivalents	26,186,843	39,235,252
Investments	58,380,712	43,544,261
Accounts and contributions receivable, net	1,772,730	27,871,553
Notes and pledges receivable	756,283	10,915,923
Other long term assets	-	2,031,810
Net pension asset	505,073	-
Capital Assets		
Non depreciable capital assets	85,052,140	-
Depreciable capital assets, net	400,007,898	-
Total noncurrent assets	572,661,679	123,598,799
Total assets	**675,026,279**	**134,838,250**
DEFERRED OUTFLOWS OF RESOURCES	13,127,537	-
LIABILITIES		
Current liabilities		
Accounts payable	8,577,497	-
Accrued liabilities	18,406,865	-
Other liabilities	260,605	-
Unearned revenue	10,967,761	-
Current portion of bonds, notes, and capital leases payable	5,267,071	-
Funds held for others	686,962	-
Total current liabilities	44,166,761	-
Noncurrent liabilities		
Accrued liabilities	4,304,945	-
Unearned revenue	500,430	185,047
Other long-term liabilities	-	-
Net pension liability	11,245,757	-
Bonds, notes, and capital leases payable	78,536,033	-
Total noncurrent liabilities	94,587,165	185,047
Total liabilities	**138,753,926**	**185,047**
DEFERRED INFLOWS OF RESOURCES	7,892,369	1,994,010
NET POSITION		
Net investment in capital assets	426,854,757	-
Restricted		
Nonexpendable: Scholarships	-	40,718,850
Expendable:		
Grants and contracts	5,039,186	-
Scholarships and loans	527,116	86,532,888
Capital projects	-	-
Unrestricted	109,086,462	5,407,455
Total net position	**$ 541,507,521**	**$ 132,659,193**

Statement of Revenues, Expenses, and Changes in Net Position

for the Year Ended June 30, 2020

	Utah Valley University	UVU Foundation
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarships and allowances of $55,306,001)	$ 146,105,537	$ -
Private grants and contributions	110,774	35,402,439
Grants and contracts	21,136	-
Sales and services of education departments	3,243,825	-
Auxiliary enterprises (net of scholarships and allowances of $2,448,804)	12,358,979	-
Other operating revenues	5,440,368	244,445
Total operating revenues	**167,280,619**	**35,646,884**
EXPENSES		
Operating expenses		
Salaries	176,958,499	-
Fringe benefits	56,892,749	-
Student financial aid	41,801,652	1,774,030
Maintenance and utilities	15,253,426	-
General and administrative	46,950,502	7,447,444
Cost of goods sold - auxiliary enterprises	9,160,708	-
Depreciation	19,535,894	-
Total operating expenses	366,553,430	9,221,474
Operating loss	**(199,272,811)**	**26,425,410**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	119,946,038	-
Federal grants and contracts	75,648,301	-
State grants and contracts	8,631,434	-
Gifts	5,870,085	-
Investment income	6,201,711	3,576,349
Interest on capital asset-related debt	(2,072,761)	-
Other nonoperating revenues (expenses)	674,661	-
Net nonoperating revenues (expenses)	214,899,469	3,576,349
Income before other revenues, expenses, gains, or losses	**15,626,658**	**30,001,759**
Capital appropriations	2,019,449	-
Gifts to endowments	-	3,172,252
Capital grants and gifts	2,259,003	-
Total other revenues	4,278,452	3,172,252
Increase in net position	**19,905,110**	**33,174,011**
NET POSITION		
Net position--beginning of year, restated	521,602,411	99,485,182
Net position--end of year	**$ 541,507,521**	**$ 132,659,193**

Statement of Cash Flows

for the Year Ended June 30, 2020

	Primary Institution UVU
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 149,267,148
Receipts from grants and contracts	131,910
Receipts from auxiliary and educational sales and services	15,378,679
Collection of loans to students	89,917
Payments to suppliers	(67,012,334)
Payments for employee services and benefits	(247,064,184)
Payments for student aid: scholarships and fellowships	(46,239,996)
Other operating receipts	8,107,588
Net cash used by operating activities	**(187,341,272)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	117,453,170
Federal, state and private grants and contracts	84,444,058
Gifts	5,766,386
Net cash provided by noncapital financing activities	**207,663,614**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts received	1,850,000
Purchases of capital assets	(53,863,502)
Proceeds from sales of capital assets	769,539
Principal paid on capital debt and leases	(35,984,613)
Interest paid on capital related debt	(2,378,336)
Proceeds from capital debt issued	68,219,287
Net cash used by capital and related financing activities	**(21,387,625)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	25,683,000
Receipt of interest on investments	5,223,637
Purchase of investments	(39,350,000)
Net cash provided by investing activities	**(8,443,363)**
Net increase in cash	(9,508,646)
Cash and cash equivalents - beginning of year, restated	78,160,402
Cash and cash equivalents - end of year	**$ 68,651,756**

Statement of Cash Flows (continued)

for the Year Ended June 30, 2020

		Primary Institution UVU
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	**$**	**(199,272,811)**
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense		19,535,894
DFCM projects not capitalized		2,497,120
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net		(278,598)
Inventories		1,879,205
Prepaid expenses, deferred charges		(371,583)
Accounts payable		843,648
Accrued liabilities		475,743
Unearned revenue		1,631,773
Funds held for others		(153,811)
Other liabilities		119,075
Net Pension Asset		(505,073)
Deferred Outflows of Resources		(2,084,684)
Net Pension Liability		(17,717,105)
Deferred Inflows of Resources		6,059,935
Net Cash Used by Operating Activities	**$**	**(187,341,272)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated library books	$	4,377
Donated assets		404,625
Assets contributed by DFCM		2,019,449
Adjustments to fair market value of investments		1,570,344
Total Noncash Activities	**$**	**3,998,795**

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 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 capital 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 (See Note 8).

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.

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, 2020, $8,011,721of the University's bank balances of $8,261,721 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; 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, 2020, 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	$ 62,525,662	$ -	$ 62,525,662	$ -
Corporate bonds	104,069,655	-	104,069,655	-
Total debt securities	**$166,595,317**	**$ -**	**$166,595,317**	**$ -**

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: 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, 2020, 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	$ 62,525,662	$ 62,525,662	$ -	$ -	$ -
Corporate bonds	104,069,655	45,688,943	58,380,712	-	-
Total	$166,595,317	$108,214,605	$ 58,380,712	$ -	$ -

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, 2020, 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	$ 62,525,662	$ -	$ -	$ -	$ 62,525,662
Corporate bonds	104,069,655	13,021,480	64,561,426	26,486,749	-
Totals	$166,595,317	$ 13,021,480	$ 64,561,426	$ 26,486,749	$ 62,525,662

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, 2020, the University held more than 5% of its total investments in the following corporate bonds: CitiGroup Inc. (5.2%), Bank of America (6.0%), Mizuho Financial Group (5.4%), Wells Fargo Bank (6.9%), and US Bank (6.0%). These investments represent 29.5% 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 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, 2020, the University had $104,069,655 in corporate 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, 2020:

Current accounts receivable, net	
Student tuition and fees	$ 5,270,271
Investment interest	223,438
Operating activities	2,053,306
Auxiliary enterprises	1,002,043
Total	8,549,058
Less allowance for doubtful accounts	(1,800,000)
Total	6,749,058
Current accounts receivable-state agency	
Operating activities	176,885
Grants and contracts	3,142,512
Total	3,319,397
Noncurrent accounts receivable, net	
Operating activities	1,772,730
Total accounts receivable	**$ 11,841,185**

University loans to students consisted of the following at June 30, 2020:

Current notes and pledges receivable, net	
Loans to students	$ 186,109
Less allowance for doubtful accounts	(49,861)
` Total	136,248
Noncurrent notes and pledges receivable, net	
Loans to students	988,565
Less allowance for doubtful accounts	(232,282)
Total	756,283
Total	**$ 892,531**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2020. 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, 2020, the allowance for uncollectible loans was $282,143.

NOTE 4. INVENTORIES

Inventories at June 30, 2020 were as follows:

Auxiliary enterprises	$ 718,535
Supplies and other inventory	865,647
Total	**$ 1,584,182**

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2020:

Current accounts payable	
Interest payable	$ 375,916
Vendors payable	2,483,681
Grants and contracts	542,977
Employee deposits payable	495,927
Total	3,898,501
Current accounts payable-related party	
Interest payable	38,247
Current accounts payable-state agency	
State taxes payable	6,631
Other payable	8,054
Construction payable	4,626,064
Total accounts payable - state agency	4,640,749
Total	**$ 8,577,497**

University accrued liabilities consisted of the following at June 30, 2020:

Current accrued liabilities	
Federal taxes payable	$ 1,652,112
Wages payable	5,372,055
Early retirement payable	416,970
Accrued leave payable	3,145,360
Medical and dental claims payable	3,993,427
Student reimbursements	314,630
Payroll liabilities	2,234,176
Total	17,128,730
Current accrued liabilities-state agency	
State taxes payable	971,767
Payroll liabilities	306,368
Total	1,278,135
Noncurrent accrued liabilities	
Early retirement payable	452,524
Accrued leave payable	3,852,421
Total	4,304,945
Total	**$ 22,711,810**

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NOTE 6. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at June 30, 2020:

Current unearned revenue	
Prepaid tuition and fees	$ 10,614,075
Grants and contracts	251,062
Prepaid rental income	93,844
Total	10,958,981
Current unearned revenue - State agency	
Grants and contracts	8,780
Noncurrent unearned revenue	
Grants and contracts	265,821
Prepaid rental income	234,609
Total	500,430
Total	**$ 11,468,191**

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NOTE 7. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2020:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$ 51,001,061	$ 5,623,889	$ -	$ 56,624,950
Land improvements – nondepreciable	6,911,491	1,807,000	-	8,718,491
Works of art and historical treasures	4,166,324	393,825	-	4,560,149
Construction in process	5,738,223	19,723,817	(10,313,490)	15,148,550
Total not being depreciated	67,817,099	27,548,531	(10,313,490)	85,052,140
Capital assets being depreciated				
Land improvements – depreciable	13,238,174	1,121,530	-	14,359,704
Infrastructure	23,628,735	1,384,574	-	25,013,309
Buildings	466,081,350	27,866,836	-	493,948,186
Leasehold Improvements	3,689,736	-		3,689,736
Equipment	64,096,611	10,755,281	(4,433,205)	70,418,687
Library books	7,409,952	225,262	(85,792)	7,549,422
Total being depreciated	578,144,558	41,353,483	(4,518,997)	614,979,044
Less accumulated depreciation				
Land improvements – depreciable	(8,574,015)	(938,837)	-	(9,512,852)
Infrastructure	(10,333,987)	(805,259)	-	(11,139,246)
Buildings	(128,117,405)	(11,978,086)	-	(140,095,491)
Leasehold Improvements	(911,448)	(167,820)	-	(1,079,268)
Equipment	(46,864,287)	(5,301,746)	3,150,006	(49,016,027)
Library Books	(3,869,908)	(344,146)	85,792	(4,128,262)
Total accumulated depreciation	(198,671,050)	(19,535,894)	3,235,798	(214,971,146)
Total depreciable capital assets, net	379,473,508	21,817,589	(1,283,199)	400,007,898
Total capital assets, net	**$ 447,290,607**	**$ 49,366,120**	**$ (11,596,689)**	**$ 485,060,038**

NOTE 8. DEFERRED OUTLFOWS / DEFERRED INFLOWS OF RESOURCES

The University has the following deferred outflows and inflows of resources at June 30, 2020:

Deferred Outflows of Resources	
Deferred amount on refunding of bonds	$ 22,521
Difference between expected and actual experience	9,245,750
Changes in assumptions	1,047,647
Changes in proportion and differences between contributions and proportionate share of contributions	46,233
Pension contributions made subsequent to the measurement date	2,765,386
Total	$ 13,127,537
Deferred Inflows of Resources	
Deferred amount on refunding of bonds	$ 345,721
Difference between expected and actual pension experience	136,028
Change in actuarial assumptions	2,425
Net difference between projected and actual earnings on pension investments	6,894,114
Changes in proportion and differences between contributions and proportionate share of contributions	514,081
Total	$ 7,892,369

NOTE 9. 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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 39,245,000	$ 52,870,000	$ (32,770,000)	$ 59,345,000	$ 3,075,000
Premium	4,062,949	3,553,551	(3,460,476)	4,156,024	470,571
Discount	(1,041)	-	1,041	-	-
Total bonds payable	43,306,908	56,423,551	(36,229,435)	63,501,024	3,545,571
Notes payable	2,388,521	10,606,743	(828,291)	12,166,973	1,093,246
Notes payable-related	7,319,458	3,201,970	(2,386,321)	8,135,107	628,254
Total bonds and notes payable	53,014,887	70,232,264	(39,444,047)	83,803,104	5,267,071
Net pension liability	28,962,862	365,229	(18,082,334)	11,245,757	-
Early retirement	785,463	444,074	(360,043)	869,494	416,970
Accrued leave	5,903,493	6,693,294	(5,599,006)	6,997,781	3,145,360
Total	**$ 88,666,705**	**$ 77,734,861**	**$ (63,485,430)**	**$ 102,916,136**	**$8,829,401**

NOTE 10. 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, 2022 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 a result, $29,615,000 of the SBR 2012A Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Assets. A portion of the SBR 2012A Bonds liability, $6,475,000, remains outstanding and is included in the Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $364,408. This difference, the deferred amount on refunding, is reported in the accompanying financial statements as a deferred inflow of resources, and is being amortized using the straight line method and charged to interest expense for the remaining life of the SBR 2019B bonds. The University completed the advance refunding to reduce its total debt service payments over the next 13 years by $2,457,544 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,891,053.

As of June 30, 2020, unspent bond proceeds related to the SBR 2019A and 2019B Student Center Building Fee Bonds totaled $23,551,054.

Bonds payable at June 30, 2020 consisted of the following:

Description	**Original Issue**	**Balance June 30, 2020**	**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	6,475,000	2,065,000
Plus premium	6,075,767	723,306	289,322
Total net SBR 2012A	55,325,767	7,198,306	2,354,322
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	21,860,000	675,000
Plus premium	3,420,897	3,306,867	171,045
Total net SBR 2019A	25,280,897	25,166,867	846,045
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	31,010,000	335,000
Plus premium	132,654	125,851	10,204
Total net SBR 2019B	31,142,654	31,135,851	345,204
Total net bonds	**$ 111,749,318**	**$ 63,501,024**	**$ 3,545,571**

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 $75,083,895.

The following is a summary of the pledged revenues for fiscal year 2020 and the bond payments due in fiscal year 2021:

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Pledged revenues		
Building fee – Spring	$	2,186,297
Building fee – Summer		649,391
Building fee – Fall		2,319,309
Total building fees		5,154,997
Interest income		353,280
Unified system revenues		99,670
Total pledged revenues		5,607,947
Principal and interest payments for fiscal year 2021		
SBR 2012A Bonds		2,326,800
SBR 2019A Bonds		1,556,825
SBR 2019B Bonds		1,052,909
Total principal and interest payments to be covered by pledged revenues	$	4,936,534

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 $2,331,966.

The scheduled maturities of bonds payable at June 30, 2020, are as follows:

Year	Principal	Interest	Total
2021	3,075,000	1,861,534	4,936,534
2022	3,190,000	1,725,209	4,915,209
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
2026-2030	19,580,000	5,123,060	24,703,060
2031-2035	15,825,000	2,098,846	17,923,846
2036-2040	7,235,000	555,675	7,790,675
Total	**$59,345,000**	**$15,738,894**	**$75,083,894**

NOTE 11. NOTES PAYABLE

The University has entered into the following agreements:

During the year ended June 30, 2005, the University entered into an agreement with CitiMortgage to finance $8,731,639 towards the implementation of energy conservation measures, facility improvement measures, and operational efficiency improvements. The agreement carries a term of 17 years and bears an interest rate of 4.8% with quarterly payments of $224,613 to $239,867. This note matures November 2021. The amount owed as of June 30, 2020, was $1,597,807. In prior years this agreement was reported as a capital lease. In accordance with GASB 88 this agreement is now reported as a note payable.

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, 2020, was $10,569,167.

The following is a schedule of notes payable as of June 30, 2020:

Fiscal Year Ending June 30	Principal	Interest
2021	$ 1,093,246	$ 590,982
2022	984,006	536,406
2023	258,507	504,762
2024	9,831,214	207,637
	$ 12,166,973	$ 1,839,787

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, 2020, was $3,201,970.

   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, 2020, was $4,933,136.

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

Fiscal Year Ending June 30	Principal	Interest
2021	$ 628,254	$ 438,910
2022	663,283	403,880
2023	700,265	366,898
2024	739,309	327,854
2025	780,530	286,633
2026-2030	2,814,901	849,015
2031-2034	1,808,564	230,888
Total	$ 8,135,106	$ 2,904,078

B. During the year ended June 30, 2020, 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, 2020 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 12. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were $80,627 for the year ended June 30, 2020.

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
2021	$ 77,668
2022	77,668
2023	51,568
2024	42,868
2025	40,910
2026-2030	77,418
Total future minimum lease payments	**$ 368,100**

NOTE 13. 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% 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, 2020, 23 employees participated in the early retirement plan, most of which received both stipends and medical benefits. Of the 23 early retirees participating in the program, 18 participants received medical and dental insurance benefits and 19 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 1.59% and 1.01% 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 2.08% 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, 2020, the expenses for the 20% incentive stipend were $189,523 and the expenses for medical and dental insurance were $170,501.

NOTE 14. 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	Age of Eligibility	Benefit % Per Year	COLA**
Noncontributory System	Highest 3 Years	30 Years any age 25 Years any age* 20 Years age 60* 10 Years age 62* 4 Years age 65	2% per year all years	up to 4%
Contributory System	Highest 5 Years	30 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.25% per year to June 1975 2.00% per year July 1975 to present	up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.5% per year to all years	up to 2.5%

* With actuarial reductions

** 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, 2020, the University's required contribution rates for the plans were as follows:

Systems	Employee Paid	Employer Paid for Employee	Employer Contribution Rates
Tier I Noncontributory System	N/A	N/A	22.19%
Contributory System	N/A	6.00%	17.70%
Tier 2 Public Employees System*	N/A	N/A	18.99%

*Tier 2 rates include a statutorily required contribution to finance the unfunded actuarial accrued liability of the non-Tier 2 plans.

For the year ended June 30, 2020, the University and employee contributions to the plans were as follows:

Systems	Employer Paid	Employee Paid
Noncontributory System	$ 4,255,315	N/A
Contributory System	81,634	$ 27,672
Tier 2 Public Employees System	1,040,580	N/A
	$ 5,377,529	

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, 2019. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, 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 so the System during the plan year. At December 31, 2019, 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, 2018	Change
Contributory System	8.9578702%	$ 505,073	$ -	2.3477838%	6.6100864%
Noncontributory System	9.5149793%	-	11,161,357	0.7284342%	8.7865451%
Tier 2 Public Employees System	0.3752653%	-	84,400	0.4539268%	-0.0786615%
Total Net Pension Asset/Liability		$ 505,073	$ 11,245,757		

For the year ended June 30, 2020, the University reported pension expense of ($8,742,782). At June 30, 2020, 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	$ 9,245,750	$ 136,028
Change in assumptions	1,047,647	2,425
Net difference between projected and actual earnings on pension plan investments	-	6,894,114
Changes in proportion and differences between contributions and proportionate share of contributions	46,233	514,081
Contributions subsequent to the measurement date	2,765,387	-
	$ 13,105,017	$ 7,546,648

Contributions made between January 1, 2020, and June 30, 2020, of $2,765,387 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
2020	$ 4,320,149
2021	1,049,041
2022	(78,851)
2023	(2,536,186)
2024	7,407
Thereafter	31,421
	$ 2,792,981

Actuarial assumptions: The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% - 9.75%, average, including inflation
Investment rate return	6.95%, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experiences and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by Society of Actuaries.

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:

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-term Expected Real Rate of Return**
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0%	0%
Totals	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. 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 did not change from the prior year measurement period.

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 6.95%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower (5.95%) or one percentage point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 36,739,135	$ 11,161,357	$ (10,121,743)
Contributory System	802,781	(505,073)	(1,618,121)
Tier 2 Public Employees System	727,818	84,400	(412,844)
Total	$ 38,269,734	$ 10,740,684	$ (12,152,708)

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, 2020, 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 1.03% 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, 2020, were as follows:

Defined Contribution Plans	Employer Paid	Employee Paid
Tier 2 Public Employee System	$ 127,784	N/A
TIAA and Fidelity	16,230,157	$ 2,151,174
401(k) Plan	477,643	585,636
457 Plan	-	124,645
Roth IRA Plan	N/A	91,018

NOTE 15. 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 16. ESELF-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:

	2020	2019
Estimated claims liability - beginning of year	$ 4,636,729	$ 3,730,329
Current year claims and changes in estimates	35,091,003	33,089,256
Claim payments and administrative expenses	(35,734,305)	(32,182,856)
Estimated claims liability - end of year	**$ 3,993,427**	**$ 4,636,729**

NOTE 17. 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, 2020, the University had the following outstanding commitments to DFCM for various projects:

Performing Arts Building	$ 2,307,102
Scott C. Keller Business Building	19,085,758
Canyon Park business building L	60,942
Sorenson Student Center	1,513,968
Pope Science Building Infill Project	4,406,826
Instituional Advancement and Alumni Building	334,678
Campus infrastructure	97,400
Total	**$ 27,806,674**

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

NOTE 18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification for June 30, 2020, were as follows:

Year Ended June 30, 2020
Natural Classification

	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Functional Classification								
Instruction	$ 90,792,655	$ 30,575,582	$ -	$ 495,715	$ 7,301,877	$ -	$ -	$ 129,165,829
Academic Support	21,823,024	6,631,405	-	158,075	8,066,920	-	-	36,679,424
Student Services	19,423,364	6,807,919	-	186,029	5,958,792	-	-	32,376,104
Institutional Support	28,786,327	8,327,957	-	1,434,997	16,493,852	-	-	55,043,133
Operation and Maintenance of Plant	8,060,089	2,334,821	-	11,406,243	3,825,859	-	-	25,627,012
Student Financial Aid	-	-	41,801,652	-	-	-	-	41,801,652
Public Service	313,037	108,523	-	2,651	98,204	-	-	522,415
Research	204,056	26,779	-	380	140,519	-	-	371,734
Remedial Education	470,780	183,940	-	-	500	-	-	655,220
Auxiliaries	7,085,167	1,895,823	-	1,569,336	5,063,979	9,160,708	-	24,775,013
Depreciation	-	-	-	-	-	-	19,535,894	19,535,894
Total Expenses	**$ 176,958,499**	**$ 56,892,749**	**$ 41,801,652**	**$ 15,253,426**	**$ 46,950,502**	**$ 9,160,708**	**$ 19,535,894**	**$ 366,553,430**

NOTE 19. RESTATEMENT

In the prior year, the Utah Valley University Foundation was incorrectly reported as a blended component unit of the University. The Foundation will no longer be reported as a blended component unit and the beginning balances have been restated to reflect the correction:

Beginning net position, as previously stated	$ 622,014,818
Remove Foundation as a blended component unit	(107,556,674)
Elminating entries related to blended component unit	7,144,267
Beginning net position, as restated	$ 521,602,411

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, 2020 as follows:

UCCU Center	$ 2,870,781
Scholarships	263,630
School of business	15,279,191
Performing arts building	3,164,035
Autism building	318,636
Athletics practice facility	35,323
Roots of Knowledge	64,064
Center for Constitutional Studies	239,569
Other	6,994,924
Contributions receivable, net	$ 29,230,153

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, 2020 have been discounted to their net present value using the June 2020 Applicable Federal Rates for the anticipated collection period. The Applicable Federal Rates discount rate ranged from 0.18 to 1.01 percent.

Contributions receivable are as follows at June 30, 2020:

Receivable within one year	$ 1,358,600
Receivable from one to five years	27,278,733
Receivable in more than five years	9,352,584
Total contributions receivable	37,989,917
Discount contributions to net present value	(1,452,226)
Allowance for uncollectible contributions	(7,307,538)
Contributions receivable, net	$ 29,230,153

Investments (see UVU Foundation Note 5)

Investments consist of the following at June 30, 2020:

Common and preferred stocks	$ 2,723,224
Mutual funds	29,768,204
Money market accounts	3,321,707
REITs	1,805,911
Alternatives	5,757,832
Total	$ 43,376,878

The net return on investments is as follows for the years ended June 30, 2020:

Interest and dividend income	$ 1,044,405
Gains and changes in fair values	1,704,615
Investment costs	(253,353)
Net return on investments	$ 2,495,667

The Foundation's investments have the following maturities at June 30, 2020:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 to 5	5 to 10	10 to 20
Mutual funds	$ 29,768,204	$ 29,768,204			
Money market accounts	3,321,707	3,321,707			
Total investments with a maturity	33,089,911	$ 33,089,911			
Common and preferred stocks	2,723,224				
REITs	1,805,911				
Alternatives	5,757,832				
Total investments	$ 43,376,878				

Credit quality ratings for investments in debt securities are as follows at June 30, 2020:

		Credit Rating			
	Fair Value	AAA to A+	A to A-	B or Lower	Unrated
Mutual funds	$ 29,768,204	$ -	$ -	$ -	$ 29,768,204
Money market accounts	3,321,707	-	-	-	3,321,707
	$ 33,089,911	$ -	$ -	$ -	$ 33,089,911

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.

Fair Value Measurements (See UVU Foundation Note 6)

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

Common and preferred stocks and U.S. government securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Alternatives - Valued at the net asset value (NAV) of units owned as determined by the underlying assets of the investment.

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, 2020:

	Fair Value	Fair Value Measurements at Reporting Date Using: 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	$ 3,321,707	$ 3,321,707	$ -	$ -
Total debt securities	3,321,707	3,321,707	-	-
Equity Securities				
Common and preferred stocks	2,723,224	110,016	2,613,208	-
Mutual funds	29,768,204	8,014,814	12,667,641	9,085,749
Total Equity Securities	32,491,428	8,124,830	15,280,849	9,085,749
Total investments by fair value level	35,813,135	$ 11,446,537	$ 15,280,849	$ 9,085,749
Investments Measured at Net Asset Value (NAV)				
Hedge funds	5,757,832			
Private natural resources	-			
Private real-estate	-			
Total investments measured at NAV	5,757,832			
Private real-estate measured, equity method	1,805,911			
Total investments	$ 43,376,878			

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 $2,846,156 at June 30, 2020. The Foundation was required to make several capital contributions totaling $279,207 during the year ended June 30, 2020.

The following table sets forth a reconciliation of the Foundation's Level 3 assets for the year ended June 30, 2020:

Beginning balance, July 1, 2019	$ 15,874,371
Gains (losses) for the year:	
Realized	-
Unrealized	1,166,373
Purchases	1,154,207
Sales	(1,545,459)
Ending balance, June 30, 2020	$ 16,649,492

Investment in UVU Student Housing LLC (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 6.256% ownership interest. During the fiscal year, an investment return of $263,014 was rolled into capital. Subsequently, the Foundation contributed an additional $700,106 to this investment. 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 $5 related to this investment for the year ended June 30, 2020.

Restatement to Beginning Net Position (See UVU Foundation Note 13)

The Foundation implemented the GASB reporting model effective July 1, 2019 as a result of the change in basis of accounting described in Note 1. The beginning net position of the Foundation was decreased by $8,071,492 due to the change in reporting model as shown below:

Beginning net position, as previously stated	$ 107,556,674
Cumulative effect of accounting changes	(8,071,492)
Beginning net position, as restated	$ 99,485,182

Schedule of the Proportionate Share of the Net Pension Liability (Asset)

Utah Retirement Systems
December 31,
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014
Noncontributory System						
Proportion of the net pension liability (asset)	9.5149793%	0.7284342%	0.7504796%	0.7670871%	0.8118658%	0.7603048%
Proportionate share of the net pension liability (asset)	$ 11,161,357	$ 27,101,519	$ 18,351,944	$ 24,860,655	$ 25,503,030	$ 19,102,876
Covered payroll	$ 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	56.55%	138.09%	94.35%	127.58%	125.64%	96.71%
Plan fiduciary net position as a percentage of the total pension liability	94.20%	84.10%	89.20%	84.90%	84.50%	87.20%
Contributory Retirement System						
Proportion of the net pension liability (asset)	8.9578702%	2.3477838%	2.6921090%	2.6063328%	2.7210978%	2.3745669%
Proportionate share of the net pension liability (asset)	$ (505,073)	$ 1,666,936	$ 149,323	$ 1,428,160	$ 1,705,182	$ 260,368
Covered payroll	$ 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	-108.50%	365.84%	28.92%	204.41%	197.82%	30.42%
Plan fiduciary net position as a percentage of the total pension liability	103.60%	91.40%	99.20%	93.40%	92.40%	98.70%
Tier 2 Public Employees System						
Proportion of the net pension liability (asset)	0.3752653%	0.4539268%	0.5661958%	0.7665995%	1.0192718%	0.8523389%
Proportionate share of the net pension liability (asset)	$ 84,400	$ 194,407	$ 49,920	$ 85,514	$ (2,225)	$ (25,830)
Covered payroll	$ -	$ 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	0.00%	3.66%	0.90%	1.36%	(0.03%)	(0.62%)
Plan fiduciary net position as a percentage of the total pension liability	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 the Contributions to the Utah State Retirement Systems

Utah Valley University
Utah Retirement Systems
June 30,
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Noncontributory System						
Contractually required contribution	$ 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	(4,255,315)	(4,295,432)	(4,288,812)	(4,263,696)	(4,317,851)	(4,463,325)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 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	21.60%	21.81%	21.95%	21.98%	21.97%	21.97%
Contributory Retirement System						
Contractually required contribution	$ 81,634	$ 81,377	$ 86,260	$ 99,355	$ 141,988	$ 156,906
Contributions in relation to the contractually required contribution	(81,634)	(81,377)	(86,260)	(99,355)	(141,988)	(156,906)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 461,205	$ 459,760	$ 487,344	$ 561,329	$ 802,191	$ 886,472
Contributions as a percentage of covered-employee payroll	17.70%	17.70%	17.70%	17.70%	17.70%	17.70%
Tier 2 Public Employees System						
Contractually required contribution	$ 1,040,580	$ 983,342	$ 997,933	$ 1,074,235	$ 1,255,126	$ 999,809
Contributions in relation to the contractually required contribution	(1,040,580)	(983,342)	(997,933)	(1,074,235)	(1,255,126)	(999,809)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 5,479,612	$ 5,211,144	$ 5,411,787	$ 5,889,438	$ 6,877,886	$ 5,470,804
	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 Required Supplemental Information

FOR THE YEAR ENDED JUNE 30, 2020

Changes in Assumptions:

The following actuarial assumption changes were adopted January 1, 2019. There were no changes from the prior year measurement period.

Schedule of Proportionate Share:

There was a significant increase of the proportionate share of the liability in the Noncontributory System from 2018 to 2019. In 2019, URS created a separate division for Higher Education which significantly changed the University's reported proportionate share of Net Pension Liability (Asset).

2020

ANNUAL FINANCIAL REPORT

UTAH VALLEY UNIVERSITY

A COMPONENT OF THE STATE OF UTAH

UVU