THE UNIVERSITY OF UTAH®

# 2022 ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF UTAH | A COMPONENT UNIT OF THE STATE OF UTAH

THE UNIVERSITY OF UTAH


UTAH
UTES
RICE-ECCLES STADIUM

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## MESSAGE FROM THE PRESIDENT

# Taylor R. Randall

**DEAR COLLEAGUES,**

I'm pleased to report that fiscal year 2021–2022 represented near normal. Our students returned to campus; patrons were back at our arts venues and museums; and we had a respite in our health care operations from the stress of the pandemic.

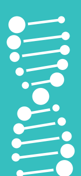
At my inauguration last March, I introduced my vision for the U to become a top 10 public university with unsurpassed societal impact. I want us to *inspire* a new generation of students by revolutionizing the student experience and reaching our enrollment goal of 40,000 students. I want us to *innovate* and generate discoveries that change the world and to secure $1 billion in research funding annually. And I want us to *impact* the lives of all 3.3 million Utahns.

To share this vision and help grow our impact, I embarked on a "Six Commitments" statewide tour this past summer and signed a new compact with the state of Utah to reflect our partnership and to pledge to the following six commitments:

- **To lead**—We serve as Utah's flagship university
- **To educate**—We inspire lifetime success through learning
- **To research**—We innovate, improve lives, and change the world
- **To serve**—We impact Utah through service
- **To deliver patient care**—We care for the health and well-being of Utahns
- **To unify with sister institutions**—We partner as we lead, educate, research and serve

In addition to the enclosed financial statements and notes, other metrics also tell the story of the U's statewide influence:

Students come to the U from **two-thirds** of Northern Utah zip codes



U of U Health patients live in **96 percent** of those zip codes

The university trains **two-thirds** of Utah's physicians

The U awards **more than half** of the advanced degrees awarded to Utah graduates

The university is the state's largest employer with **39,300** direct jobs and directly and indirectly supports another **831,000** jobs

The U manages **550 buildings** totaling **15.4 million square feet** of space in **14 counties** and **33 cities** across Utah

To give you more context for how the U continues to thrive in other ways, here is a sampling of achievements and events from 2021–2022:

- We welcomed **5,520** freshmen in Fall 2022 with **30%** of the domestic incoming freshmen being students of color, up from 18% in 2009.
- Total undergraduate enrollment for Fall 2022 was **26,356** with **73%** of all undergraduates being residents of Utah.
- The U continued its growth in sponsored research funding with a total of **$686 million** (up from $603 million in FY21).

I am proud of this past year's accomplishments on all fronts. We will continue to work together to promote student success, be at the forefront of innovation and scientific discovery, engage in the service of our communities, and ensure the long-term viability of this university.

Sincerely,

Taylor R. Randall
President

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Dr. Taylor R. Randall, President
University of Utah

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the University of Utah (the University), which comprise the respective financial position of the business-type activities and fiduciary activities, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University's business-type activities and the University's fiduciary activities, as of June 30, 2022, 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.

The financial statements of the University of Utah Hospitals and Clinics (UUHC), a department of the University, and its blended component units ARUP Laboratories, Inc. (ARUP), University of Utah Research Foundation (UURF), University of Utah Health Insurance Plans (UUHIP), Community Nursing Service (CNS), and George S. and Dolores Doré Eccles Endowment for Medical School Excellence (EMSE), were audited or reviewed by other auditors. Their reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UUHC, ARUP, UURF, UUHIP, CNS, and EMSE, is based solely on the report of the other auditors. These reports represent 38 percent, 36 percent, and 62 percent, respectively, of the assets, net position, and revenues of the University's business-type activities.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of ARUP and EMSE were not audited or reviewed in accordance with *Government Auditing Standards*.

## Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

## Emphasis of Matter

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

## Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we;

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

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

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Message from the President and the listing of Governing Boards and Officers but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor
Salt Lake City, Utah
October 28, 2022


# MANAGEMENT'S DISCUSSION & ANALYSIS

## INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Utah and its component units for the year ended June 30, 2022, with selected comparative information for prior fiscal years. This discussion has been prepared by management and should be read in conjunction with the Financial Statements and the Notes to the Financial Statements, which follow this discussion and analysis.

The University of Utah's Financial Statements include the University of Utah Hospitals and Clinics as well as the balances and activities of five component units: The University of Utah Research Foundation, ARUP Laboratories, Inc., University of Utah Health Insurance Plans (UUHIP), George S. and Dolores Dore Eccles Endowment for Medical School Excellence (EMSE), and Community Nursing Services (CNS). More information about these entities and their inclusion in the financial statements may be found in Note 1 – *Summary of Significant Accounting Policies – Reporting Entity*.

## ABOUT THE UNIVERSITY OF UTAH

Founded in 1850, the University of Utah is Utah's oldest and most comprehensive institution of higher education and is the flagship institution of the state system of higher education. The university offers over 100 major subjects at the undergraduate and graduate level, including law and medicine, to more than 34,000 students from across the United States and world, preparing students to live and compete in the global workplace. With more than 39,000 employees, it is one of the state's largest employers.

The University of Utah is home to the only academic medical center in the state—University of Utah Health—and provides patient care for the people of Utah, Idaho, Wyoming, Montana, western Colorado and much of Nevada. It also serves as the training ground for the majority of the state's physicians, nurses, pharmacists, therapists, and other health care professionals. Home to the Huntsman Cancer Institute, Eccles School of Medicine, John A. Moran Eye Center, Huntsman Mental Health Institute and ARUP Laboratories, U of U Health has been nationally ranked in the top 10 for quality for 12 years in a row, and as the No. 1 hospital in the state for the past six years.

The financial statements that follow provide additional information on the resources available to the university to accomplish its mission and to achieve its goals and objectives. For more information about the university and its programs and initiatives, please visit utah.edu.

## OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

*Overview of the Contents of the Financial Statements*

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. Five financial statements are included in the statements and are described individually below. In addition to the statements, the Notes to the Financial Statements are also integral and provide further information to the reader on various aspects of the university's financial position.

The **Statement of Net Position** is presented as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position is just one indicator of the current financial condition of the university. Most elements of the Statement of Net Position are measured using current values except for capital assets, which are stated at historical cost less accumulated depreciation.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents the university's results of operations for the entire fiscal year. The net difference between revenues and expenses, and other changes, is the increase (or decrease) in net position for the year and correlates to the ending net position on the Statement of Net Position. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The **Statement of Cash Flows** provides additional information by reporting the major sources and uses of cash by type of activity – as well as providing a reconciliation to the net operating gain or loss. The ending cash position also ties to the Statement of Net Position – Cash and Cash Equivalents.

The **Statement of Fiduciary Net Position** and the **Statement of Changes in Fiduciary Net Position** present the financial positions of custodial funds held by the university at the end of the fiscal year.

# ANALYSIS OF FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION

Total net position increased 4.5% from the prior year and 34.9% over the periods shown. While operating revenues across all categories were consistently up both year to year and over the period shown, non-operating revenues, especially gifts and investment income (and loss) were more volatile. Operating expenses generally paced consistently with operating revenues. The correlation of operating revenues and expenses, coupled with the consistent upward trend in state appropriations indicate a steady improvement in financial condition reflecting the university's prudent management of its resources.

Total assets increased 7.3% from the prior year primarily due to increases in cash, investments due to the overall strong performance of the operations of the university, and capital assets due to the addition of new buildings, as well as, building construction in progress. Liabilities increased 5.2% from the prior year primarily due to the issuance of new bonds during fiscal 2022 and the implementation of GASB 87, offset by reductions in the deferred FICA payroll tax and the deferred Medicare advance, as allowed by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Deferred Inflows of Resources increased 287.9% as a result of changes in assumptions by the retirement plan administrator as well as the implementation of GASB 87.

A condensed Statement of Net Position for the most recent five fiscal years is shown in *Figure 1* below.

**FIGURE 1**

| Condensed Statement of Net Position—as of June 30 (in thousands)[1] | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Current assets | $2,057,009 | $2,293,302 | $2,648,916 | $3,132,119 | $2,830,671 |
| Noncurrent assets | | | | | |
| Capital assets, net | 3,323,706 | 3,468,781 | 3,796,778 | 3,988,313 | 4,315,081 |
| Other noncurrent assets | 2,108,022 | 2,360,379 | 2,463,534 | 2,707,170 | 3,398,467 |
| Total Assets | 7,488,737 | 8,122,462 | 8,909,228 | 9,827,602 | 10,544,219 |
| Deferred outflows of resources | 83,134 | 72,775 | 83,832 | 69,640 | 54,874 |
| Current liabilities | 704,892 | 860,291 | 1,032,227 | 1,116,224 | 1,061,761 |
| Noncurrent liabilities | 1,223,595 | 1,338,567 | 1,478,872 | 1,503,184 | 1,693,772 |
| Total Liabilities | 1,928,487 | 2,198,858 | 2,511,099 | 2,619,408 | 2,755,533 |
| Deferred inflows of resources | 75,898 | 16,358 | 50,124 | 85,317 | 330,924 |
| Net investment in capital assets | 2,320,870 | 2,411,866 | 2,648,561 | 2,802,229 | 2,945,760 |
| Restricted, nonexpendable | 604,497 | 633,722 | 629,359 | 820,051 | 794,882 |
| Restricted, expendable | 757,165 | 750,207 | 757,882 | 820,913 | 835,610 |
| Unrestricted | 1,884,954 | 2,184,226 | 2,396,035 | 2,749,324 | 2,936,383 |
| Total Net Position | $5,567,486 | $5,980,021 | $6,431,837 | $7,192,517 | $7,512,635 |

[1] As reported in each year's published audited financial statements

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues from tuition and fees increased significantly, 7.8% from the prior year, as a result of the record fall semester enrollments and a return of students to campus. Overall tuition and fees increased 16.6% over the periods shown, and continued growth is expected in future years as the university continues its emphasis on growing enrollment, research, and outreach.

Patient services revenues increased 6.1% from the prior year; and have increased 44.1% over the periods shown. Recovery from pandemic-focused services and a return to both outpatient and elective procedures will continue to be demonstrated in strong financial results for UUHC. This consistent growth reflects the UUHC's commitment to grow in capacity and quality in servicing the health care needs of the intermountain region.

Grants and Contracts revenues increased 11.2% from the prior year; and have increased 38% over the periods shown due to growth in substantially all major research categories and sponsors' awards. Federal research funding, primarily from the National Institutes of Health, represents the most significant category of sponsored funding.

Sales and services revenue increased 12.8% from the prior year primarily due to strong performance from the acquisition of Health Choice Utah—a blended component unit of UUHIP. Sales and services revenue maintained a consistent upward trend for the periods shown increasing 56.6%.

Auxiliary and other income increased substantially by 36.4% from the prior year primarily due to the return to normal operations across the university's self-supporting enterprises which include student housing, athletic ticket sales, campus store, and parking. These categories are up 29.5% for the periods shown as would be expected with continued enrollment growth.

Total operating revenue overall increased by 10.3% over the prior year and by 42.9% over the periods shown.

Operating expenses have increased as well; 9.9% over the prior year and 43.8% for the periods shown across all categories. Compensation and benefits expense, at 49.4% of total operating expenses, remains the single largest category of operating expense. Post-pandemic, the university increased compensation for employees and continued to experience increased compensation costs in healthcare primarily driven by the need to provide market competitive wages. Other operating expenses went up slightly at 1.9% from the prior year, but increased 43.3% for the years shown.

A condensed Statement of Revenues, Expenses, and Changes in Net Position for the most recent five fiscal years is shown in *Figure 2* on page 10.

Detail for total expenses for the most recent five years appears in *Figure 3* on page 10.

As a public university, the University of Utah receives funds from a variety of sources in support of its operations. While the Statement of Revenues, Expenses, and Changes in Net Position classifies certain funds as "nonoperating" for the purposes of financial reporting, such funds do, in fact, support the university's operations by covering costs such as salaries and benefits, travel, research expenses, and student aid.

State appropriations increased 4.2% continuing a rebound from pandemic-related reductions in appropriations. The university continues to receive strong financial support from the state including funding support for capital needs and increased compensation for employees. In fact, the very first bill considered by the Utah Legislature in its 2022 legislative session addressed funding for compensation for fiscal year 2023.

During fiscal year 2022 the university raised an additional $176 million in committed gifts. Although gifts appeared to decrease in the prior fiscal year, that was due to a one-time reclassification. Investment income fluctuates from year to year, and reflects the impact of market performance. Fiscal year 2022 shows an investment loss from the endowment pool, cash management pool, and other investments of $128 million which represents a decrease of -142.9% from the prior year.

**FIGURE 2**

| Condensed Statement of Revenues, Expenses, and Changes in Net Position – for the years ended June 30 (in thousands)[1] | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Operating revenues | | | | | |
| Tuition and fees, net | $ 347,902 | $ 367,174 | $ 377,951 | $ 376,295 | $ 405,767 |
| Patient services, net | 2,209,201 | 2,460,034 | 2,547,953 | 3,000,434 | 3,184,221 |
| Grants and contracts | 455,950 | 483,626 | 540,716 | 566,240 | 629,418 |
| Sales and services | 991,457 | 1,146,289 | 1,205,810 | 1,375,910 | 1,552,658 |
| Auxiliary and other | 386,095 | 368,303 | 390,558 | 366,493 | 499,998 |
| Total operating revenues | 4,390,605 | 4,825,426 | 5,062,988 | 5,685,372 | 6,272,062 |
| Operating expenses | 4,585,138 | 5,105,317 | 5,311,744 | 5,997,162 | 6,591,993 |
| Operating loss | (194,533) | (279,891) | (248,756) | (311,790) | (319,931) |
| Nonoperating revenues | | | | | |
| State appropriations | 335,828 | 367,168 | 353,874 | 374,253 | 390,118 |
| Gifts | 158,773 | 155,353 | 165,736 | 56,315 | 176,426 |
| Investment income (loss) | 90,595 | 124,568 | 83,088 | 297,953 | (127,858) |
| Other net nonoperating revenue (expense) | (7,327) | (30,730) | 31,658 | 222,387 | 36,564 |
| Total nonoperating revenues | 577,869 | 616,359 | 634,356 | 950,908 | 475,250 |
| Income before capital and permanent endowment additions | 383,336 | 336,468 | 385,600 | 639,118 | 155,319 |
| Capital contributions, permanent endowment additions and special and extraordinary items | 205,242 | 141,732 | 55,301 | 167,686 | 167,858 |
| Increase in net position | 588,578 | 478,200 | 440,901 | 806,804 | 323,177 |
| Net Position - beginning of year (as adjusted) | 4,978,908 | 5,501,821 | 5,990,936 | 6,385,713 | 7,189,458 |
| Net Position - end of year | $5,567,486 | $5,980,021 | $6,431,837 | $7,192,517 | $7,512,635 |

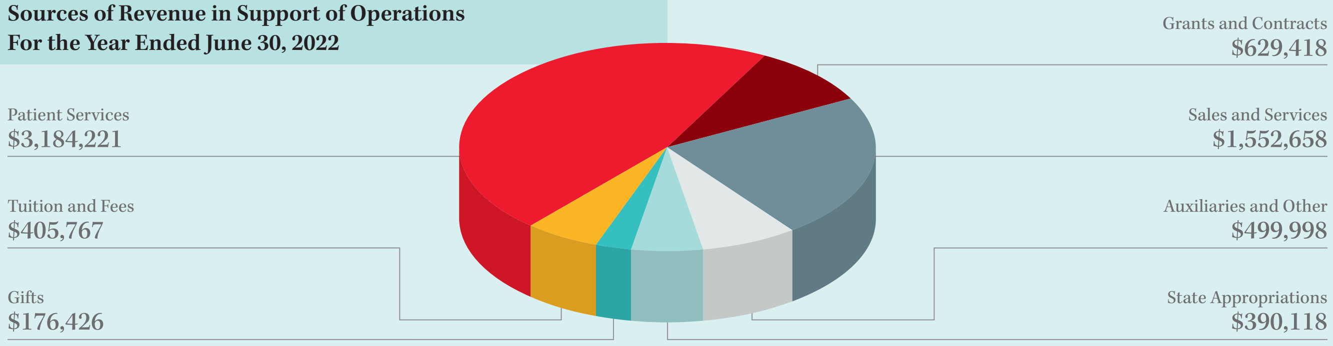
[1] As reported in each year's published audited financial statements

**FIGURE 3**

| Total expenses (in thousands) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Operating expenses | | | | | |
| Compensation and benefits | $2,509,786 | $2,691,906 | $2,802,999 | $3,009,018 | $3,337,857 |
| Component units | 531,708 | 619,092 | 690,450 | 835,649 | 948,301 |
| Supplies | 567,176 | 672,615 | 695,855 | 814,695 | 914,755 |
| Depreciation and amortization | 222,591 | 236,321 | 247,453 | 277,697 | 310,918 |
| Other | 753,877 | 885,383 | 874,987 | 1,060,103 | 1,080,162 |
| Total operating expenses | 4,585,138 | 5,105,317 | 5,311,744 | 5,997,162 | 6,591,993 |
| Nonoperating expenses | | | | | |
| Interest and other | 41,942 | 65,552 | 41,987 | 50,011 | 169,364 |
| Total expenses | $4,627,080 | $5,170,869 | $5,353,731 | $6,047,173 | $6,761,357 |

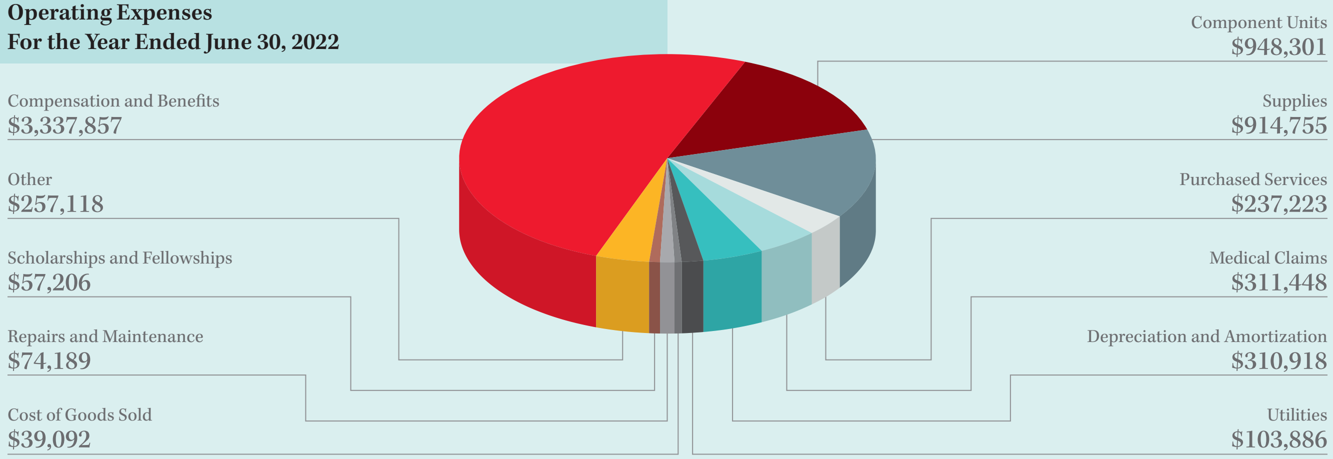
The graph below shows the various types of funding available to support the operations of the University:

**Sources of Revenue in Support of Operations**
**For the Year Ended June 30, 2022**



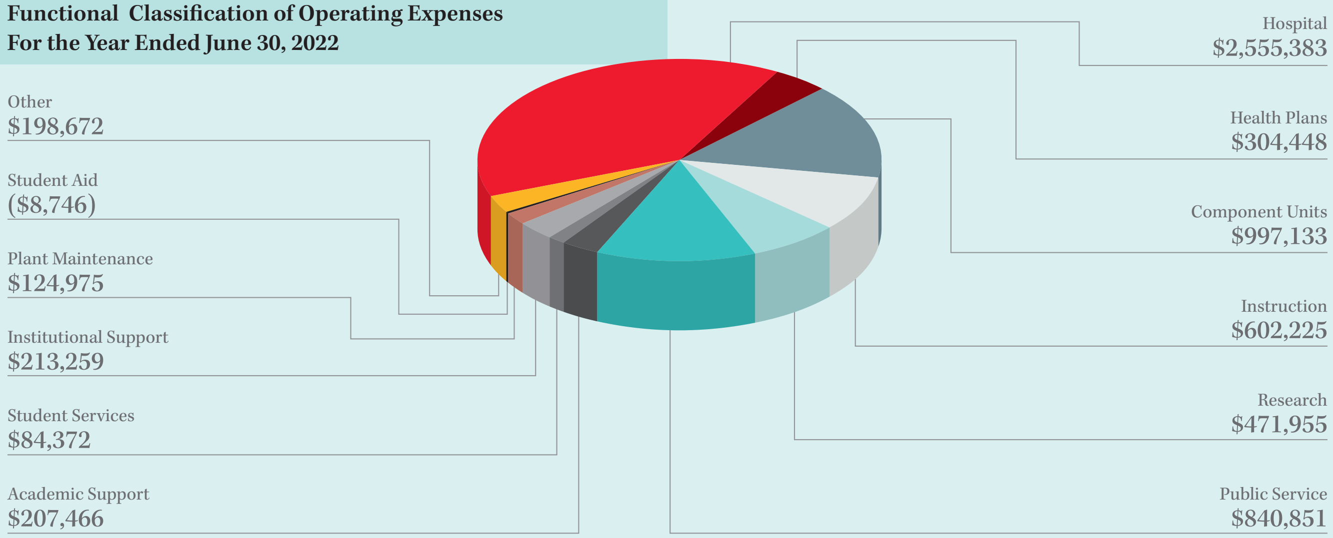

A graphical presentation of the University's operating expenses by natural classification appears below:

**Operating Expenses**
**For the Year Ended June 30, 2022**




Note 18 of the Notes to the Financial Statements provides more information regarding the classification of operating expenses by "function" (or purpose) as an alternative view to that which is presented on the face of the financial statements. A graphical presentation of the breakdown of operating expenses by functional classification follows:

**Functional Classification of Operating Expenses**
**For the Year Ended June 30, 2022**



The decrease is primarily from unrealized market value losses from a decline in market net asset values which caused unrealized losses in its endowment pool and from increases in interest rates which caused market value unrealized losses in the cash management pool. However, like other public institutions, the university practices a buy and hold to maturity strategy within its cash management pool and at maturity, principal balances will be returned at full par value.

The graph on page 11 shows the various types of funding available to support the operations of the university. Because investment income included an unrealized loss, it is not shown as a source of funding in support of operations for the current fiscal year.

## STATEMENT OF CASH FLOWS

A condensed version of the Statement of Cash Flows for the most recent five years is shown in *Figure 4* on page 13.

Cash flows from operating activities primarily consist of tuition and fees, patient services, grants and contracts, and auxiliaries. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations, federal Pell grants and private gifts.

Cash changed -61.4% from the prior year primarily due to a substantial increase in cash used for investing activities. The University actively manages its investment portfolio by balancing endowment pool returns, cash management pool liquidity and income which may cause changes in cash balances due to the accounting classification of cash and cash equivalents, short-term investments and investments.

Cash and cash equivalents vary based on the current needs to support current operations. The University's investment guidelines for its cash management pool are to stay in compliance within regulations governing its pool including the State of Utah Money Management Act, specifically invest in securities to maintain coverage for at least 3-5 months of payroll and at least one week's average of accounts payable, and to generate optimal earned income for short-term capital needs.

## CAPITAL AND DEBT ACTIVITIES

Some key construction projects were completed during the fiscal year, including the Ken Garff Performance Zone at Rice Eccles Stadium and the Public Safety Building. Other important projects underway or in planning include:

- *Spencer Fox Eccles School of Medicine*—this project will replace the existing School of Medicine building and will also include space for the Global Health program.

- *James Levoy Sorenson Innovation and Discovery Center*—this project will provide new space for the Center for Genomic Innovation, the Center for Medical Innovation, the Gaming Applications Lab, the Prototyping Lab and Machine Shop, and Discovery-focused Simulation.

- *Applied Sciences Building*—this project will restore and renovate the historic William Stewart building and construct an addition. This project will provide new and updated space for both the education and research missions of the university.

- *Impact & Prosperity Epicenter*—this new facility will house the Sorenson Impact Center and the Business Health and Prosperity Center. This will be a multidisciplinary hub for social impact, community engagement, and enterprise; empowering social entrepreneurs and organizations. It will also provide housing of up to 775 beds in individual rooms and apartment configurations and is expected to be completed by summer 2024.

- *Kathryn F. Kirk Center for Comprehensive Cancer Care and Women's Cancers*—this hospital expansion will be open for patients in spring of 2023. It will add

| FIGURE 4 | | | | | |
|---|---|---|---|---|---|
| **Condensed Statement of Cash Flows—for the years ended June 30 (in thousands)** | **2018** | **2019** | **2020** | **2021** | **2022** |
| Cash flows from (to): | | | | | |
| Operating activities | $(17,577) | $ 18,852 | $ 29,272 | $ (59,186) | $(65,426) |
| Noncapital financing activities | 486,181 | 555,815 | 570,489 | 901,271 | 709,125 |
| Capital and related financing activities | (394,621) | (317,848) | (395,078) | (423,609) | (351,670) |
| Investing activities | (28,358) | (159,531) | 758,174 | (27,340) | (1,588,574) |
| Net increase (decrease) in cash | 45,625 | 97,288 | 962,857 | 391,136 | (1,296,545) |
| Cash and cash equivalents - beginning of year | 614,896 | 660,522 | 757,810 | 1,720,667 | 2,111,803 |
| Cash and cash equivalents - end of year | $ 660,521 | $ 757,810 | $1,720,667 | $2,111,803 | $ 815,258 |

48 new inpatient rooms and include four floors of clinical space.

- *Family and Graduate Housing Replacement in West Village*—this project replaces outdated buildings with new construction for graduate students and students with families. Current construction will provide 504 new apartments by summer 2023.
- *Mario Capecchi Intersection and Health Sciences Garage, Medical Drive Roadway and Bridge*—this project will improve traffic flow on North Medical Drive and provide nearby parking options. Designed to improve travel for patients and employees, its expected completion is summer 2023.
- *Kahlert Village 4th Wing*—this addition to Kahlert Village student housing that opened in Fall of 2020, will provide additional housing of 430 beds for undergraduate students and is expected to be completed by summer 2023.
- *Healthcare, Educators, Leaders & Innovators (HELIX) Complex*—this new 259,000 square foot facility will provide collaboration and office space for University of Utah Health faculty and staff. It, too, is expected to open summer 2023.

Early planning is underway for expansion of research space and on-campus housing.

During fiscal year 2022, the University issued one bond series. In February, the University issued $186,285,000 Tax-Exempt General Revenue Bonds, Series 2022A. Proceeds from the Series 2022A bonds will be used to finance a portion of the construction costs of the West Village Graduate and Married Student Housing and the Impact and Prosperity Epicenter.

Strong credit ratings carry substantial advantages for the University, such as continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms. The University's Administration takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high credit ratings, currently Aa1 according to Moody's and AA+ according to S&P for our General Revenue Bond System, are important indicators of the University's success in this area.

## OUTLOOK FOR THE COMING FISCAL YEAR

President Randall has set a goal for the University of Utah to become a top 10 public university with unsurpassed societal impact. Strategy 2025 shows how the university can get there through the following primary objectives:

- **Student Success**—the core of which is access, equity, growth, experience and completion. In addition to building an inclusive community that fosters a sense of belonging for all, the president has set a bold goal of increasing enrollment to 40,000 students.
- **Generate Knowledge**—the University of Utah is recognized as one of the nation's leading research institutions as evidenced by its membership in the Association of American Universities. To further innovation efforts, the president has established a goal of reaching $1 billion in research funding.

- **Engage Communities**—as the state's flagship university the university recognizes its responsibility to deliver excellence in teaching, research, patient care and community service. The president has charged the university with making an impact on the lives of all 3.3 million Utahns.

"Ensuring vitality" is a foundational theme underlying the three broad goals above. This is evidenced by prudent and conservative fiscal stewardship; a narrative that emerges from a careful review of the financial statements and notes included in this report.

**Student Success**—Enrollment for the Fall 2022 semester again exceeded the previous year with first-year students entering the University of Utah in record numbers (5,520). This class also set records for number of students of color (1,655 students) as well as female-identifying students (2,779). Overall, enrollment for the fall semester was 34,734 (both undergraduate and graduate) and is on pace to meet President Randall's goal of reaching enrollment of 40,000 students. With the growth in our student body, the university is carefully developing plans to accommodate additional students, which include more on-campus housing, added campus parking, and increased numbers of teaching faculty. In the fall of 2022, the university broke ground on the new Spencer Fox Eccles School of Medicine building, which will open in 2025. This new building will help drive innovation in the university's medical programs.

**Generate Knowledge**—Sponsored projects awards have increased from $459 million in 2017 to $686 million in 2022; a steady and consistent rise year to year. These numbers represent 2,933 awarded grants in 2022 with 1,093 principal investigators conducting research in more than 963.8 thousand square feet of dedicated research space. In addition, 68% of the university's sponsored funding comes from federal sources with the majority coming from the National Institutes of Health. The university is leading research discoveries in the fields of opioid addition and chronic pain; infectious disease and precision medicine; computing and technology; environmental sustainability and education; cancer research and human genetics; communications and public outreach; and, art design and health gaming. The university prides itself on moving knowledge to market through the University of Utah Research Foundation with four startup companies, 159 patents, 15 licenses, and 203 invention disclosures occurring in 2022. The outlook for 2023 and beyond continues to be strong for research.

**Engage Communities**—The university has launched a number of programs and projects to provide demonstrable and positive impact on the surrounding community, the state, and the world. In fall of 2022, the Wilkes Center for Climate Science and Policy was launched with the stated purpose of studying policies and solutions that combat the threats of climate change. In addition, the National Science Foundation awarded a Stage 1 planning grant to Professor Shannon Jones, assistant professor in the Department of Nutrition and Integrative Physiology to launch an interdisciplinary project that brings together civic and academic collaborators to plan a community-designed resource hub to address food access and security for people experiencing housing insecurity and homelessness. Bonding has also been approved by the Legislature to build a campus with a full-service hospital in West Valley City with plans for groundbreaking in 2024 and opening in 2027. The hospital and outpatient health center will offer world-class and culturally appropriate care alongside an academic campus that will support education and career pathways.

The state of Utah, while not without challenges, continues to be a strong supporter of education and business. In Governor Cox's state of state address in January, he pointed to "historic" investments in education of $510 million – including K-12 and higher education. He continues to emphasize opportunity for all Utahns. The University of Utah's strategic goals centered around student success, research, and community impact as well as the president's statewide tour are aligned with that vision. In terms of the state's challenges, one of which is an ongoing drought, the university is uniquely positioned to provide expertise to solving these thorny issues facing the state's citizenry.

Utah ranks first in 50 states for the growth rate of its gross state product ($185.2 billion in 2022). In addition, its population growth rate of 1.8% over the past five years ranks it second in the 50 states. Its unemployment rate in 2022 was 2.2%. The outlook for the state is strong.

The outlook for the university across all of its strategic goals is very strong and we are excited about the future.


# FINANCIAL STATEMENTS

THE UNIVERSITY OF UTAH

# Statement of Net Position

(in thousands of dollars) As of June 30, 2022

## ASSETS

| | |
|---|---|
| Current Assets | |
| Cash and cash equivalents (Notes 2 & 4) | $ 437,332 |
| Short-term investments (Notes 2 & 4) | 1,422,222 |
| Receivables, net (Note 5) | 726,285 |
| Inventory (Note 1) | 131,945 |
| Other assets (Note 6) | 112,887 |
| Total current assets | 2,830,671 |
| Noncurrent Assets | |
| Restricted cash and cash equivalents (Notes 2 & 4) | 377,926 |
| Restricted short-term investments (Notes 2 & 4) | 45,776 |
| Investments (Notes 3 & 4) | 1,869,151 |
| Restricted investments (Notes 3 & 4) | 723,389 |
| Receivables (note 5) | 143,620 |
| Restricted receivables, net (Note 5) | 85,271 |
| Donated property | 1,231 |
| Net pension asset (Note 8) | 147,439 |
| Other assets (Note 6) | 4,664 |
| Capital assets, net (Note 7) | 4,315,081 |
| Total noncurrent assets | 7,713,548 |
| Total assets | 10,544,219 |

## DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|---|
| Deferred loss on bond refunding (Note 1) | 6,368 |
| Deferred outflows related to pensions (Note 8) | 21,734 |
| Deferred outflows related to excess consideration (Note 1) | 26,772 |
| Total deferred outflows of resources | 54,874 |

## LIABILITIES

| | |
|---|---|
| Current Liabilities | |
| Accounts payable (Note 5) | |
| to the State of Utah | 58,093 |
| to Others | 211,242 |
| Accrued payroll | 223,121 |
| Compensated absences and early retirement benefits (Notes 1 & 15) | 86,167 |
| Unearned revenue (Note 9) | 103,805 |
| Deposits and other liabilities (Notes 11 & 15) | 289,491 |
| Bonds, notes and contracts payable (Notes 15, & 16) | |
| to the State of Utah | 5,085 |
| to Others | 84,757 |
| Total current liabilities | 1,061,761 |
| Noncurrent Liabilities | |
| Compensated absences and early retirement benefits (Notes 1 & 15) | 51,608 |
| Deposits and other liabilities (Notes 11 & 15) | 35,640 |
| Bonds, notes and contracts payable (Notes 15, & 16) | |
| to the State of Utah | 63,130 |
| to Others | 1,543,394 |
| Net pension liability (Note 8) | 0 |
| Total noncurrent liabilities | 1,693,772 |
| Total liabilities | 2,755,533 |

*Continued on next page...*

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

# Statement of Net Position

(in thousands of dollars) As of June 30, 2022

## DEFERRED INFLOWS OF RESOURCES

| | |
|---|---|
| Deferred inflows related to bonds (Note 1) | 5,950 |
| Deferred inflows related to pensions (Note 8) | 178,037 |
| Deferred inflows related to leases (Note 14) | 146,937 |
| Total deferred inflows of resources | 330,924 |

## NET POSITION

| | |
|---|---|
| Net investment in capital assets | 2,945,760 |
| Restricted for | |
| Nonexpendable | |
| Instruction | 219,229 |
| Research | 111,461 |
| Public service | 38,982 |
| Academic support | 88,146 |
| Scholarships | 318,050 |
| Other | 19,014 |
| Expendable | |
| Research | 175,714 |
| Public service | 140,286 |
| Academic support | 81,906 |
| Institutional support | 79,811 |
| Scholarships | 104,010 |
| Loans | 5,457 |
| Debt service | 0 |
| Capital additions | 0 |
| Insurance enterprises | 31,283 |
| Other | 217,143 |
| Unrestricted | 2,936,383 |
| Total net position | $ 7,512,635 |

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

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

(in thousands of dollars) As of June 30, 2022

## OPERATING REVENUES AND EXPENSES

| | |
|---|---|
| Revenues | |
| Tuition and fees, net (Note 1) | $ 405,767 |
| Patient services, net (Notes 1 & 13) | 3,184,221 |
| Federal grants and contracts | 397,855 |
| State and local grants and contracts | 62,071 |
| Nongovernmental grants and contracts | 169,492 |
| Sales and services, net (Note 1) | 1,552,658 |
| Auxiliary enterprises, net (Note 1) | 196,411 |
| Other operating revenues | 303,587 |
| Total operating revenues | 6,272,062 |
| Expenses | |
| Compensation and benefits | 3,337,857 |
| Component units | 948,301 |
| Supplies | 914,755 |
| Purchased services | 237,223 |
| Medical claims | 311,448 |
| Depreciation and amortization | 310,918 |
| Utilities | 103,886 |
| Cost of goods sold | 39,092 |
| Repairs and maintenance | 74,189 |
| Scholarships and fellowships | 57,206 |
| Other operating expenses | 257,118 |
| Total operating expenses | 6,591,993 |
| Operating loss | (319,931) |

## NONOPERATING REVENUES (EXPENSES)

| | |
|---|---|
| State appropriations | 390,118 |
| Government grants | 78,070 |
| Gifts | 176,426 |
| Investment Loss | (127,858) |
| Interest | (54,884) |
| Other | 13,378 |
| Total nonoperating revenues | 475,250 |
| Income before capital and permanent endowment additions | 155,319 |

## CAPITAL CONTRIBUTIONS, PERMANENT ENDOWMENT ADDITIONS AND SPECIAL AND EXTRAORDINARY ITEMS

| | |
|---|---|
| Capital appropriations | 26,401 |
| Capital grants and gifts | 19,304 |
| Additions to permanent endowments | 42,362 |
| Gain on disposal of government operations | 79,791 |
| Total capital and permanent endowment additions | 167,858 |
| Increase in net position | 323,177 |

## NET POSITION

| | |
|---|---|
| Net position - beginning of year, as adjusted (Note 1) | 7,189,458 |
| Net position - end of year | $ 7,512,635 |

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

# Statement of Cash Flows

(in thousands of dollars) As of June 30, 2022

## CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---|
| Receipts from tuition and fees | $ 397,867 |
| Receipts from patient services | 3,167,855 |
| Receipts from grants and contracts | 607,880 |
| Receipts from auxiliary and educational services | 1,722,865 |
| Collection of loans to students | 5,274 |
| Payments to suppliers | (2,912,043) |
| Payments for compensation and benefits | (3,319,064) |
| Payments for scholarships and fellowships | (57,206) |
| Loans issued to students | (2,980) |
| Gain on disposal of government operations | 79,791 |
| Other | 228,207 |
| Net cash used by operating activities | (81,554) |

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|---|
| State appropriations | 390,118 |
| Government grants | 78,070 |
| Federal direct loan receipts | 135,524 |
| Federal direct loan payments | (135,524) |
| Gifts | |
| Endowment | 42,363 |
| Nonendowment | 182,151 |
| Other | 32,551 |
| Net cash provided by noncapital financing activities | 725,253 |

## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|---|
| Proceeds from capital debt | 236,415 |
| Capital appropriations | 26,401 |
| Gifts | 52,883 |
| Purchase of capital assets | (500,560) |
| Principal paid on capital debt | (87,805) |
| Interest paid on capital debt | (79,005) |
| Net cash used by capital and related financing activities | (351,671) |

## CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---|
| Proceeds from sales and maturities of investments | 1,910,081 |
| Receipt of interest and dividends on investments | 38,583 |
| Purchase of investments | (3,537,237) |
| Net cash provided by investing activities | (1,588,573) |
| Net decrease in cash | (1,296,545) |
| | |
| Cash - beginning of year | 2,111,803 |
| Cash - ending of year | $ 815,258 |

*Continued on next page...*

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

# Statement of Cash Flows

(in thousands of dollars) As of June 30, 2022

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

| | |
|---|---|
| Operating loss | $ (319,932) |
| Adjustments | |
| Depreciation and amortization expense | 310,918 |
| Gain on disposal of government operations | 79,791 |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources | |
| Receivables, net | 10,879 |
| Inventory | (10,028) |
| Net pension asset | (82,087) |
| Other assets | (45,902) |
| Deferred outflows related to pensions | 11,646 |
| Accounts payable | 29,898 |
| Accrued payroll | (13,300) |
| Compensated absences and early retirement benefits | 5,462 |
| Unearned revenue | (43,881) |
| Deposits and other liabilities | (112,091) |
| Net pension liability | (1,755) |
| Deferred inflows related to pensions | 98,828 |
| Net cash used by operating activities | $ (81,554) |

## NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

| | |
|---|---|
| Leases | $ (2,738) |
| Donated property and equipment | 6,438 |
| Completed construction projects transferred from State of Utah (Note 1) | 465 |
| Annuity and life income | 312 |
| Increase in fair value of investments | 166,441 |
| Total noncash investing, capital, and financing activities | $ 170,918 |

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

# Statement of Fiduciary Net Position

(in thousands of dollars) As of June 30, 2022

## ASSETS

| | | |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents | $ | 425 |
| Short-term investments | | 5,206 |
| Total current assets | | 5,631 |
| Noncurrent Assets | | |
| Investments | | 13,940 |
| Total noncurrent assets | | 13,940 |
| Total assets | | 19,571 |

## LIABILITIES

| | | |
|---|---|---|
| Current Liabilities | | |
| Accounts payable | | 4,565 |
| Accrued payroll | | 89 |
| Deposits and other liabilities | | 104 |
| Total current liabilities | | 4,758 |
| Noncurrent Liabilities | | |
| Deposits & other liabilities | | 17 |
| Total noncurrent liabilities | | 17 |
| Total liabilities | | 4,775 |

## NET POSITION

| | | |
|---|---|---|
| Restricted for: | | |
| Individuals, organizations and other governments | | 14,796 |
| Total net position | $ | 14,796 |

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH

# Statement of Changes in Fiduciary Net Position

(in thousands of dollars) As of June 30, 2022

| | Custodial Funds |
|---|---|
| Contributions: | |
| Other governments | $ 52,936 |
| Other entities | 34,348 |
| Total contributions | 87,284 |
| Investment Earnings | |
| Net increase (decrease) in fair value of investments | (1,233) |
| Interest, dividends and other investment income | 390 |
| Income from investment activity | (843) |
| Deductions: | |
| Payments to other governments, entities or individuals | 91,331 |
| Total deductions | 91,331 |
| Net increase (decrease) in fiduciary net position | (4,890) |
| Net position - beginning of year | 19,686 |
| Net position - end of year | 14,796 |

The accompanying notes are an integral part of these financial statements

# NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*A. Reporting Entity*

The financial statements report the financial activity of the University of Utah (University), including the University of Utah Hospitals and Clinics (UUHC). The University is a component unit of the State of Utah (State).

Component units are entities that are legally separate from the University, but are financially accountable to the University, or whose relationships with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. University administrators hold a majority of seats on the boards of trustees of five other related entities representing component units of the University. Because the University appoints the majority of the five boards, is able to impose its will on these organizations, and the organizations almost exclusively benefit the University, the financial accountability criteria as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, have been met and the five organizations are included as blended component units of the University. The component units of the University are ARUP Laboratories, Inc. (ARUP), Community Nursing Service (CNS), University of Utah Health Insurance Plans (UUHIP), George S. and Dolores Dore Eccles Endowment for Medical School Excellence (EMSE), and the University of Utah Research Foundation (UURF).

- ARUP is a not-for-profit corporation that provides clinical and anatomic pathology reference laboratory services to medical centers, hospitals, clinics and other clinical laboratories throughout the United States, including UUHC. ARUP contracts with the University of Utah School of Medicine Department of Pathology to provide pathology consulting services. The fiscal year end for ARUP is June 30. Other independent auditors audited ARUP and their report, dated September 1, 2022, was issued under separate cover.

- CNS is a not-for-profit corporation that assists clients to attain health care goals, while maintaining their independence and dignity, through home health and hospice care. The fiscal year end for CNS is December 31. Other independent auditors audited CNS and their report, dated May 13, 2022, was issued under separate cover.

- UUHIP is a health insurance company operating as a licensed non-profit health service insurance corporation as provided in Chapter 7 of Title 31A of the Utah Insurance Code. UUHIP writes individual and group health insurance products. The fiscal year end for UUHIP is December 31. Other independent auditors audited UUHIP and their report, dated August 12, 2022, was issued under separate cover.

  Health insurance companies are subject to certain minimum surplus requirements as specified by the National Association of Insurance Commissioners (NAIC) and the Utah Insurance Department. Under those requirements, the amount of capital and surplus maintained by a health service insurance corporation is to be the greater of minimum Risk-Based Capital (RBC) or $400,000. RBC is determined based on the various risk factors related to UUHIP's operations. Regulatory compliance is determined by a ratio of UUHIP's total adjusted capital, calculated in the manner prescribed by NAIC to its authorized control level RBC. If UUHIP drops below specific trigger levels, a specified corrective action is required. The minimum level of total adjusted capital before corrective action commences is twice the authorized control level RBC. UUHIP met both minimum surplus requirements with RBC exceeding the authorized control level and surplus exceeding $400,000 at December 31, 2021.

- EMSE is a 501(c)(3) public charity and support organization solely for the benefit of the University of Utah, performing the limited function of managing endowment funds donated to the entity on behalf of the University, the proceeds of which endowment will be used solely for the University of Utah School of Medicine's benefit. The Entity has a fiscal year end of June 30, and the report from its independent auditors dated September 16, 2022, was issued under separate cover.

- UURF is a not-for-profit corporation governed by a board of directors who, with the exception of two directors, are affiliated with the University. The operations of UURF include the leasing and administration of Research Park (a research park located on land owned by the University), the leasing of certain buildings, and the commercial development of patents and products developed by University personnel. As part of its mission to advance technology commercialization, UURF creates new corporate entities to facilitate the startup process. In general, these entities do not have assets. Expenses related to the companies are expensed as incurred. The fiscal year end for UURF is June 30. UURF is audited by other independent auditors and their report, dated October 10, 2022, was issued under separate cover.

The University, ARUP, CNS, UUHIP, and UURF apply all GASB pronouncements in the accounting and reporting of their operations. EMSE applies FASB pronouncements in the accounting and reporting of their operations, which are then converted to GASB for consolidation into the University's statements.

*B. Basis of Accounting*

All statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the instructional, research and public service efforts, and other University priorities. Significant recurring sources of the University's revenues are considered nonoperating as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and required by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Operating revenues include tuition and fees, grants and contracts, patient services, and revenue from various auxiliary and public service functions. Nonoperating revenues include state appropriations, Pell grants and certain government grants, gifts, and investment income. Operating expenses include compensation and benefits, student aid, supplies, repairs and maintenance, utilities, etc. Nonoperating expenses primarily include interest on debt obligations.

When both restricted and unrestricted resources are available, such resources are tracked and spent at the discretion of the department subject to donor restrictions, where applicable.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University recognizes gifts, grants, appropriations, and the estimated net realizable value of pledges as revenue as soon as all eligibility requirements imposed by the provider have been met.

Patient revenue of UUHC and the School of Medicine medical practice plan is reported net of third-party adjustments.

For the year ended June 30, 2022, the University adopted GASB Statement No. 87, Leases. GASB 87 intends to improve accounting and reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

*C. 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; or for endowments, distributes according to the University's spending policy. A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the University's outstanding commitments under the terms of the partnership agreements. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation considering subsequent calls and distributions.

*D. Allowances*

In accordance with GASB Statement No. 34, certain expenses are netted against revenues as allowances. The following schedule presents revenue allowances for the year ended June 30, 2022:

| Revenue Allowances | |
|---|---|
| Tuition and fees | $121,684,939 |
| Patient services | 90,415,494 |
| Sales and services | 396 |
| Auxiliary enterprises | 2,180,942 |

*E. Inventories*

The University Campus Store's inventories are valued using the retail inventory method. All other inventories are stated at the lower of cost or market using the first-in, first-out method or, on a basis that approximates cost determined on the first-in, first-out method. ARUP inventories consist primarily of laboratory testing supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value. ARUP inventory includes a reserve of $4.66 million related to COVID-19 testing supplies that may not be consumed in future testing. The excess of COVID-19 supplies was due to the uncertain nature of the COVID-19 testing volume demand.

*F. Research and Development Costs*

Research and development costs of ARUP are expensed as incurred. These costs for the year ended June 30, 2022 were approximately $14.6 million.

*G. Compensated Absences & Early Retirement Benefits*

Employees' vacation leave, excluding UUHC, is accrued at a rate of eight hours each month for the first five years and increases to a rate of 16.67 hours each month after fifteen years of service. There is no requirement to use vacation leave, but a maximum of thirty days plus one-year accrual may be carried forward at the beginning of each calendar year. Eligible employees are reimbursed for unused vacation leave upon termination and vacation leave is expended when used or reimbursed. The liability for vacation leave at June 30, 2022 was approximately $65.6 million.

Employees earn sick leave at a rate of eight hours each month, with an accumulation limit of 1,040 hours. The University does not reimburse employees for unused sick leave. Each year, eligible employees may convert up to four days of unused sick leave to vacation leave based on their use of sick leave during the year. Sick leave is expended when used.

In addition, the University may provide early retirement benefits, if approved by the Administration and by the Board of Trustees; for certain employees who have attained the age of 60 with at least fifteen years of service and who have been approved for the University's early retirement program. Currently, 172 employees participate in the early retirement program. The University pays each early retiree an annual amount equal to the lessor of 20% of the retiree's final salary or their estimated social security benefit, as well as health care and life insurance premiums, which is approximately 50% of their early retirement salary, until the employee reaches full social security retirement age. In accordance with GASB Statement No. 47, Accounting for Termination Benefits, the amount recognized on the financial statements was calculated at the discounted present value of the projected future costs. For the year ended June 30, 2022, these expenditures were approximately $4.2 million.

Employees of UUHC receive a combined accrual for paid time off in lieu of the separate vacation and sick accruals received by University employees. Accrual rates for paid time off begin at 13.33 hours per month and increase each five years until the maximum accrual of 20 hours per month is reached after ten years of service. The maximum number of hours which can be carried forward at the beginning of a calendar year is 520 hours for staff and 600 hours for managers and directors. Employees who meet specified accrual balances have the option to receive an annual payout of up to 80 hours in May or November. Employees are paid for all unused paid time off hours upon termination. The cost of paid time off is accrued each month by the Hospital. The liability for paid time off at June 30, 2022 was approximately $61 million.

*H. Construction*

The Utah State 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 plant assets on the books of the University. Interest expense incurred for construction of capital facilities is capitalized on certain projects. Construction projects administered by DFCM are not recorded on the books of the University until the facility has been completed and transferred to the University.

*I. Deferred Outflows and Inflows of Resources*

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, losses incurred due to refunding of bond debt are reported as deferred outflows rather than as reductions to bond liabilities, gains resulting from bond refinancing transactions are reported as deferred inflows. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, deferred outflows and deferred inflows of resources related to pensions have been recorded. Further information regarding pension reporting is found in Note 8. In accordance with GASB Statement No. 87, *Leases*, deferred outflows and deferred inflows of resources related to leases have been recorded. Further information regarding lease reporting is found in Note 14.

*J. Pensions*

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

*K. Adjustments to Beginning Net Position*

For the year ended June 30, 2022, the University implemented GASB Statement No. 87, *Leases*, which decreased beginning net position by $2.5 million. Additionally, a reevaluation of recognition of prior year gifts resulted in a decrease to beginning net position of $0.5 million.

*L. Disposal of Government Operation*

In November 2021 after consideration of their declining market share in the dialysis sector, diminishing reimbursements from all payers, increased supply costs and concerns regarding legislative policy changes, the University disposed of its Dialysis Clinic operations.

At the time of the sale the revenues and expenses of the Dialysis Clinics consisted of:

| Revenues | |
|---|---|
| Operating | $ 13,891,617 |
| Nonoperating | 10,972 |
| Total Revenue | $ 13,902,589 |

| Expenses | |
|---|---|
| Operating | $ 17,015,985 |
| Nonoperating | 0 |
| Total Revenue | $ 17,015,985 |

## 2. CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consist of cash and short-term investments with an original maturity of three months or less. Cash, depending on source of receipts, is pooled, except for cash and cash equivalents held by ARUP, CNS, EMSE and UUHIP and, when legal requirements dictate the use of separate accounts. The cash balances are invested principally in short-term investments that conform to the provisions of the *Utah Code*. It is the practice of the University that the investments ordinarily be held to maturity at which time the par value of the investments will be realized.

The Utah State Treasurer's Office operates the Utah Public Treasurers' Investment Fund (PTIF) which is managed in accordance with the State of Utah Money Management Act (Act) and is available for investment of funds administered by any Utah public treasurer.

Short-term investments have original maturities longer than three months and remaining maturities of one year or less.

At June 30, 2022, cash and cash equivalents and short-term investments consisted of:

| Cash and Cash Equivalents | |
|---|---|
| Cash | $ 42,078,165 |
| Money market funds | 238,686,628 |
| Utah Public Treasurers' Investment Fund | 460,572,452 |
| U.S. Treasuries | 5,750,000 |
| U.S Agencies | 68,171,006 |
| Total (fair value) | $ 815,258,251 |

| Short-term Investments | |
|---|---|
| Commercial paper | $ 1,998,360 |
| Time certificates of deposit | 920,114 |
| U.S. Treasuries | 552,492,986 |
| U.S. Agencies | 863,592,887 |
| Corporate notes | 48,993,325 |
| Total (fair value) | $ 1,467,997,672 |

## 3. INVESTMENTS

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at fair value on the date of receipt. Other investments also are recorded at fair value.

University personnel manage certain portfolios and other portfolios are managed by banks, investment advisors, or through trust agreements.

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the *Utah Code*, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2022 was 4% of the twelve-quarter moving average of the market value of the endowment pool. The spending practices are reviewed periodically and any necessary changes are made. In general, nearly all of the University's endowment is subject to spending restrictions imposed by donors.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2022 was approximately $148,711,314. The net appreciation is a component of restricted expendable net position.

At June 30, 2022, the investment portfolio composition was as follows:

| Investments | |
|---|---|
| Time certificates of deposits | $ 13,043,142 |
| U.S. Treasuries | 159,662,429 |
| U.S. Agencies | 903,872,522 |
| Corporate notes | 63,319,401 |
| Exchange traded derivatives | 8,999,896 |
| Mutual funds | 1,396,781,132 |
| Common and preferred stocks | 45,320,732 |
| Funds Separately Invested | 1,540,586 |
| Total (fair value) | $ 2,592,539,840 |

## 4. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the Utah 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 Act that relate to the deposit and investment of public funds.

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

For endowment funds, the University follows the requirements of the UPMIFA, the Utah Board of Higher Education Rule 541, *Management and Reporting of Institutional Investments* (Rule 541), and the University's investment policy and endowment guidelines.

ARUP and UUHIP follow their own investment policies and manage their credit risk by requiring that 70% of their investment portfolio must be compliant with the Act. EMSE and CNS follow their own investment policies in order to manage their credit risk.

### Deposits

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned.

At June 30, 2022, the carrying amounts of the University's deposits and bank balances were $35,678,368 and $74,639,195, respectively. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to $250,000 for demand deposits and $250,000 for time and savings deposits at each banking institution. As a result, the bank balances of the University were insured for $2,456,867, by the FDIC. The bank balances in excess of that amount were uninsured and uncollateralized, leaving $72,182,328 exposed to custodial credit risk. The University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

### Investments

The Act defines the types of securities authorized as appropriate investments for the University's 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.

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified or permitted 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), or 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 Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah 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 Securities and Exchange Commission (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 Utah 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 realized gains or losses on investments.

The UPMIFA, Rule 541, and the University's endowment guidelines 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 SEC, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

*Fair Value of Investments*

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

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

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

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| **Investments by fair value level** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Debt securities | | | | |
| Money market mutual funds | $ 238,686,628 | | $ 238,686,628 | |
| Utah Public Treasurers' Investment Fund | 462,113,038 | | 462,113,038 | |
| Commercial paper | 1,998,360 | $ 1,998,360 | | |
| Time certificates of deposit | 13,963,256 | | 13,963,256 | |
| U.S. Treasuries | 717,905,415 | | 717,905,415 | |
| U.S. Agencies | 1,835,636,415 | | 1,835,636,415 | |
| Corporate notes | 112,312,727 | | 112,312,727 | |
| Exchange traded derivatives | 8,999,896 | | 8,999,896 | |
| Mutual bond funds | 151,625,072 | 181,476 | 151,443,596 | |
| Total debt securities | 3,543,240,807 | 2,179,836 | 3,541,060,971 | |
| Equity securities | | | | |
| Common and preferred stocks | 45,320,732 | 36,413,525 | | $ 8,907,207 |
| Mutual equity funds | 588,480,890 | 9,340,631 | 579,140,259 | |
| Total equity securities | 633,801,622 | 45,754,156 | 579,140,259 | 8,907,207 |
| Total investments by fair value level | 4,177,042,429 | 47,933,992 | 4,120,201,230 | 8,907,207 |
| Investments measured at net asset value (NAV) | | | | |
| Hedged equity | 62,886,211 | | | |
| Private equity | 92,028,943 | | | |
| Venture capital | 122,501,172 | | | |
| Credit sensitive fixed income | 90,934,842 | | | |
| Private real estate | 9,709,298 | | | |
| Private natural resources | 2,405,020 | | | |
| Other real assets | 120,667,394 | | | |
| Diversifying strategies | 155,542,290 | | | |
| Total investments measured at the NAV | 656,675,170 | | | |
| Total investments measured at fair value | $ 4,833,717,599 | $ 47,933,992 | $ 4,120,201,230 | $ 8,907,207 |

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:

- U.S. Treasuries and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Exchange Traded Derivatives and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Utah Public Treasurers' Investment Fund: application of the June 30, 2022 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

Equity securities, namely common and preferred stocks, classified as Level 3 are valued manually using various sources such as issuer, investment manager or default price if a price is not provided.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation considering subsequent calls and distributions. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV:

| Investments Measured at Net Asset Value (NAV) | | | | |
|---|---|---|---|---|
| **Investments** | **Fair Value** | **Unfunded Commitments** | **Redemption Frequency** | **Redemption Notice Period** |
| Hedged equity | $ 62,886,211 | | Monthly, quarterly | 30-75 days |
| Private equity | 92,028,943 | $ 20,614,117 | N/A | N/A |
| Venture capital | 122,501,172 | 36,766,736 | N/A | N/A |
| Credit sensitive fixed income | 90,934,842 | 20,886,067 | Quarterly | 90 days |
| Private real estate | 9,709,298 | 3,559,286 | N/A | N/A |
| Private natural resources | 2,405,020 | 684,643 | N/A | N/A |
| Other real assets | 120,667,394 | 43,146,282 | N/A | N/A |
| Diversifying strategies | 155,542,290 | | Daily, quarterly, annually | 0-90 days |
| Total alternative investments | $656,675,170 | | | |
| Total unfunded commitments | | $125,657,131 | | |

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 days -15 months or less. 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 ten years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, Rule 541 is more general, requiring only that investments be made

| FIGURE 1 | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1** | **1–5** | **6–10** | **More than 10** |
| Money Market Funds | $ 238,686,628 | $ 238,686,628 | | | |
| Utah Public Treasurers Investment Fund | 462,113,038 | 462,113,038 | | | |
| Commercial Paper | 1,998,360 | 1,998,360 | | | |
| Time Certificates of Deposit | 13,963,256 | 249,316 | $ 13,713,940 | | |
| U. S. Treasuries | 717,905,415 | 558,242,986 | 139,726,466 | $ 19,935,963 | |
| U. S. Agencies | 1,835,636,415 | 931,767,077 | 518,964,493 | 369,145,577 | $ 15,759,268 |
| Corporate Notes | 112,312,727 | 49,604,485 | 62,602,026 | 106,216 | |
| Exchange Traded Derivatives | 8,999,896 | | 531,690 | 891,900 | 7,576,306 |
| Mutual Bond Funds | 151,625,072 | | 48,496,952 | 103,128,120 | |
| Totals | $3,543,240,807 | $2,242,661,890 | $ 784,035,567 | $ 493,207,776 | $ 23,335,574 |

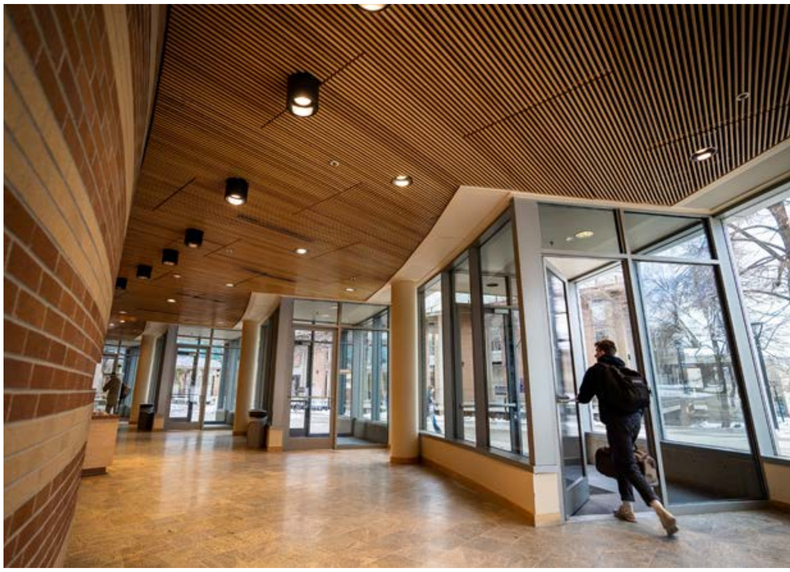
as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2022, the University had debt investments with maturities in *Figure 1* on page 32.

*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. ARUP and UUHIP manage their credit risk by requiring that 70% of their investment portfolio must be compliant with the Act. CNS and EMSE manage their credit risk based on their investment policies.

At June 30, 2022, the University had debt investments with quality ratings as shown below in *Figure 2*.

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank. Also, as required, the ownership of book-entry-only securities, such as U.S. Treasury or Agency securities, by the University's custodial bank was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.



At June 30, 2022, the University's custodial bank was both the custodian and the investment counterparty for $2,553,541,830 of U.S. Treasury and Agency securities purchased by the University.

*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 Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5–10% depending upon the total dollar amount held in the portfolio at the time of purchase.

| **FIGURE 2** | | **Quality Rating** | | | | | |
|---|---|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **AAA/A-1*** | **AA** | **A** | **BBB** | **Unrated** | **No Risk** |
| Money Market Funds | $ 238,686,628 | $ 238,429,804 | | | | $ 256,824 | |
| Utah Public Treasurers Investment Fund | 462,113,038 | | | | | 462,113,038 | |
| Commercial Paper | 1,998,360 | 998,450 | | | | 999,910 | |
| Time Certificates of Deposit | 13,963,255 | | $ 2,463,363 | $ 4,435,522 | $ 2,294,053 | 4,770,317 | |
| U. S. Treasuries | 717,905,415 | | | | | | $ 717,905,415 |
| U. S. Agencies | 1,835,636,415 | 31,142,993 | 4,568,431 | | | 1,799,924,991 | |
| Corporate Notes | 112,312,727 | 6,996,489 | 9,788,587 | 89,015,892 | 4,632,118 | 1,879,641 | |
| Exchange Traded Derivatives | 8,999,896 | | 516,800 | | 4,549,648 | 3,933,448 | |
| Mutual Bond Funds | 151,625,072 | | 48,513,787 | | | 103,111,285 | |
| Totals | $ 3,543,240,806 | $ 277,567,736 | $ 65,850,968 | $ 93,451,414 | $ 11,475,819 | $ 2,376,989,454 | $ 717,905,415 |

*A-1 is Commercial paper, Certificates of deposit and Agency Note rating

For endowments, the University, under Rule 541, is permitted to establish its own investment policy, which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset Allocation Guidelines allocates endowment funds in the following asset classes:

| Asset Category | Target | Range |
|---|---|---|
| **Global Equity** | **40%** | **30-50%** |
| Public Equities | 25% | 15-50% |
| Hedged Equity | 5% | 0-10% |
| Private Equity | 10% | 0-15% |
| **Global Fixed Income/Credit** | **20%** | **10-40%** |
| Interest Rate Sensitive | 11% | 5-40% |
| Credit Sensitive | 9% | 0-20% |
| **Real Assets** | **20%** | **10-30%** |
| Real Estate | 10% | 0-15% |
| **Diversifying Strategies** | **20%** | **0-30%** |

* May include semi-liquid hedge funds or illiquid private capital funds.

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2022, the University held more than 5% of its total investments in the Federal Home Loan Bank Federal Farm Credit Bank, and the Federal Agricultural Mortgage Corporation. These investments represent 21.53%, 8.48% and 5.82%, respectively, of the University's total investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. At June 30, 2022, the University's exposure to foreign currency risk is $3,838,514 in Private Real Estate investments being held in Euro currency denomination.

## 5. RECEIVABLES AND ACCOUNTS PAYABLE

Accounts, pledges, and interest receivable include hospital patient accounts, medical services plan accounts, trade accounts, pledges, interest income on investments, and other receivables. Loans receivable predominantly consist of student loans.

Allowances for doubtful accounts are established by charges to operations to cover anticipated losses from accounts receivable generated by sales and services and student loans. Such accounts are charged to the allowance when collection appears doubtful. Any subsequent recoveries are credited to the allowance accounts. Allowances are not established for pledges or in those instances where receivables consist of amounts due from governmental units or where receivables are not material in amount.

The following schedule presents receivables at June 30, 2022, including approximately $8.4 million and $76.9 million of noncurrent loans, and pledges receivable, respectively:

| | |
|---|---|
| Accounts | $1,223,465,604 |
| Grants and contracts | 74,544,506 |
| Loans | 13,747,677 |
| Leases | 149,203,726 |
| Pledges | 91,152,652 |
| Interest | 7,916,197 |
| Total Receivables | 1,560,030,362 |
| Less allowances for doubtful accounts | (604,854,772) |
| Receivables, net | $ 955,175,590 |

The following schedule presents the major components of accounts payable at June 30, 2022:

| | |
|---|---|
| Vendors | $ 116,473,053 |
| Interest | 28,178,120 |
| Payable to State | 58,093,339 |
| Other | 66,590,534 |
| Total accounts payable | $ 269,335,046 |

## 6. OTHER ASSETS

In the course of licensing intellectual property to business partners, the UURF may be granted an equity position in the entity the business partner has organized to commercialize University technology. The primary purpose of licensing University technology to the commercial entity, as well as, providing funding to the commercial entity, is to encourage research and positively impact the state, nation and world. The equity holdings the UURF is granted are a consequence of licensing University technology and do not meet the definition of investments for purposes of GASB 72 and thus, are classified as other assets in the Statement Net Position.

UUHC has prepaid claims expenditures of roughly $42 million.

## 7. CAPITAL ASSETS

Buildings; infrastructure and improvements, which include roads, curb and gutter, streets and sidewalks, and lighting systems; land; equipment; library materials; and intangible assets (primarily software) are valued at historical cost or at acquisition value at the date of donation. Buildings, infrastructure and improvements, and additions to existing assets are capitalized when acquisition cost equals or exceeds $250,000 for the University or $3,000 for UUHC. Equipment is capitalized when acquisition costs exceed $5,000 for the University or $3,000 for UUHC. All costs incurred in the acquisition of library materials are capitalized. Purchased software is capitalized when acquisition costs are $100,000 or greater and developed software is capitalized when development costs are $1,000,000 or greater for the University or $2,500 for both purchased and developed software for UUHC. All campus land acquired through grants from the U.S. Government has been valued at $3,000 per acre. Other land acquisitions have been valued at original cost or fair market value at the date of donation in the case of gifts. Buildings, improvements, land, and equipment of component units have been valued at historical cost.

| **FIGURE 3** *(in thousands of dollars)* | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Buildings | $ 4,462,834 | $ 242,393 | $ (21,599) | $ 4,683,628 |
| Infrastructure and improvements | 536,251 | 22,876 | (1,587) | 557,540 |
| Land | 93,747 | 15,696 | - | 109,443 |
| Equipment | 1,372,356 | 123,359 | (58,631) | 1,437,084 |
| Library materials | 133,437 | 405 | (23) | 133,819 |
| Art and special collections | 101,250 | 6,735 | (7) | 107,978 |
| Construction in progress | 431,302 | 444,675 | (345,201) | 530,776 |
| Right-to-use leases | | | | |
| ROU-Buildings | 128,995 | 4,828 | (12,083) | 121,740 |
| ROU-Land | 109 | 26 | - | 135 |
| ROU-Equipment | 5,819 | 9,575 | (142) | 15,252 |
| Total cost | 7,266,100 | 870,568 | (439,273) | 7,697,395 |
| Less accumulated depreciation & amortization | | | | |
| Buildings | 1,713,781 | 127,384 | (7,648) | 1,833,517 |
| Infrastructure and improvements | 297,704 | 29,939 | (2,578) | 325,065 |
| Equipment | 1,012,916 | 115,972 | (53,376) | 1,075,512 |
| Library materials | 118,462 | 1,725 | (23) | 120,164 |
| Right-to-use leases | | | | |
| ROU-Buildings | 6,593 | 27,492 | (10,212) | 23,873 |
| ROU-Land | 34 | 772 | (738) | 68 |
| ROU-Equipment | 1,251 | 4,349 | (1,485) | 4,115 |
| Total accumulated depreciation &amortization | 3,150,741 | 307,633 | (76,060) | 3,382,314 |
| Capital assets, net | $ 4,115,359 | $ 562,934 | $ (363,212) | $ 4,315,081 |

Capital assets of the University and its component units are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of University assets extend to forty years on buildings, fifteen years on infrastructure and improvements, twenty years on library books, from five to twenty years on equipment and from five to ten years on software. The estimated useful lives of component unit assets extend to fifty years on buildings and improvements and from three to eight years on equipment. Land, art and special collections, and construction in progress are not depreciated.

At June 30, 2022, the University had outstanding commitments for the construction and remodeling of University buildings of approximately $85.2 million. Capital assets at June 30, 2022, are shown in *Figure 3* on page 35.

## 8. PENSION PLANS AND RETIREMENT BENEFITS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association (TIAA), the UUHC 401(a) Plan, the UUHC Hospital Plan Plus (HPP) Benefit Program, or Fidelity Investments (Fidelity). Eligible employees of ARUP are covered by a separate defined contribution pension and profit-sharing plan. Eligible employees of CNS are covered by a separate tax-sheltered annuity contribution plan.

Defined Benefit Plans

Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) both of which are cost-sharing, multiple-employer public employee retirement systems.

**Summary of Benefits by System**

| System | Final Average Salary | Years of Service required and/ or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|---|---|---|---|
| Noncontributory System | Highest 3 years | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years | Up to 4% |
| Contributory System | Highest 5 years | 30 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 1.25% per year to June 1975;<br>2.00% per year July 1975 to present | Up to 4% |
| Public Safety System | Highest 3 years | 20 years any age<br>10 years age 60<br>4 years age 65 | 2.5% per year up to 20 years;<br>2% per year over 20 years | Up to 2.5% to 4% depending on the employer |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 1.5% per year all years | Up to 2.5% |
| Tier 2 Public Safety and Firefighter System | Highest 5 years | 25 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 1.5% per year to June 30, 2020;<br>2.0% per year July 1, 2020 to present | 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.

- The Public Safety Retirement System (Public Safety System) which is a cost-sharing, multiple-employer public employee retirement system.

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System), and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System) which are multiple employer, cost sharing, public employee retirement systems.

The Tier 2 Public Employee System and the Tier 2 Public Safety and Firefighter System were 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 Title 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 in Title 49 provides for the administration of the Systems 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. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can 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/general/publications.

The Systems provide retirement, disability, and death benefits. Retirement benefits are shown on page 36.

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 Utah State Retirement 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. Contribution rates as of June 30, 2022 are as follows:

| | Paid by Employer for Employee | Employer Contribution Rates |
|---|---|---|
| Noncontributory System | | |
| State and School Division Tier 1 | N/A | 22.19% |
| Contributory System | | |
| Higher Education Division Tier 1 | 6% | 17.70% |
| Higher Education Division Tier 2* | N/A | 19.40% |
| Public Safety System | | |
| Public Safety Tier 2* | 2.27% | 32.54% |

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

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

| | Employer Contributions | Employee Contributions |
|---|---|---|
| Noncontributory System | $ 22,085,732 | N/A |
| Contributory System | 450,177 | $ - |
| Public Safety System | 1,102,890 | - |
| Tier 2 Public Employees System | 4,348,662 | - |
| Tier 2 Public Safety and Firefighter System | 258,694 | - |
| Total | $ 28,246,155 | $ 0 |

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

At June 30, 2022, the University's net pension asset and liability were as follows:

| | Proportionate Share December 31, 2021 | Proportionate Share December 31, 2020 | Change Increase/ (Decrease) | Net Pension Asset | Net Pension Liability |
|---|---|---|---|---|---|
| Noncontributory System | 50.2718785% | 50.2718785% | 0.0000000% | $ 123,563,291 | $0 |
| Contributory System | 75.8194098% | 74.2338456% | 1.5855642% | 21,357,105 | 0 |
| Public Safety System | 2.1753500% | 2.3391093% | (0.1637593%) | 1,994,102 | 0 |
| Tier 2 Public Employees System | 1.2118460% | 1.4636091% | (0.2517631%) | 512,898 | 0 |
| Tier 2 Public Safety and Firefighter System | 0.2350836% | 0.3319353% | (0.0968517%) | 11,882 | 0 |
| Total Net Pension Asset / Liability | | | | $ 147,439,278 | $0 |

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, the University recognized pension expense of $56,012,556 for the defined benefit pension plans.

At June 30, 2022, the University 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 |
|---|---|---|
| Differences between expected and actual experience | $ 325,418 | $ 30,385,392 |
| Changes in assumptions | 6,774,960 | 6,961 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 147,350,997 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 432,842 | 293,615 |
| Contributions subsequent to measurement date | 14,200,708 | 0 |
| Total | $ 21,733,928 | $ 178,036,965 |

Contributions made between January 1, 2022 and June 30, 2022 of $14,200,708 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 ended December 31, | Net Deferred Outflows/ (Inflows) of Resources |
|---|---|
| 2022 | $ (59,393,173) |
| 2023 | (51,321,355) |
| 2024 | (36,365,393) |
| 2025 | (23,823,702) |
| 2026 | 83,284 |
| Thereafter | 316,596 |

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

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

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

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

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

The 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 and is applied consistently to each defined benefit pension plan. 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:

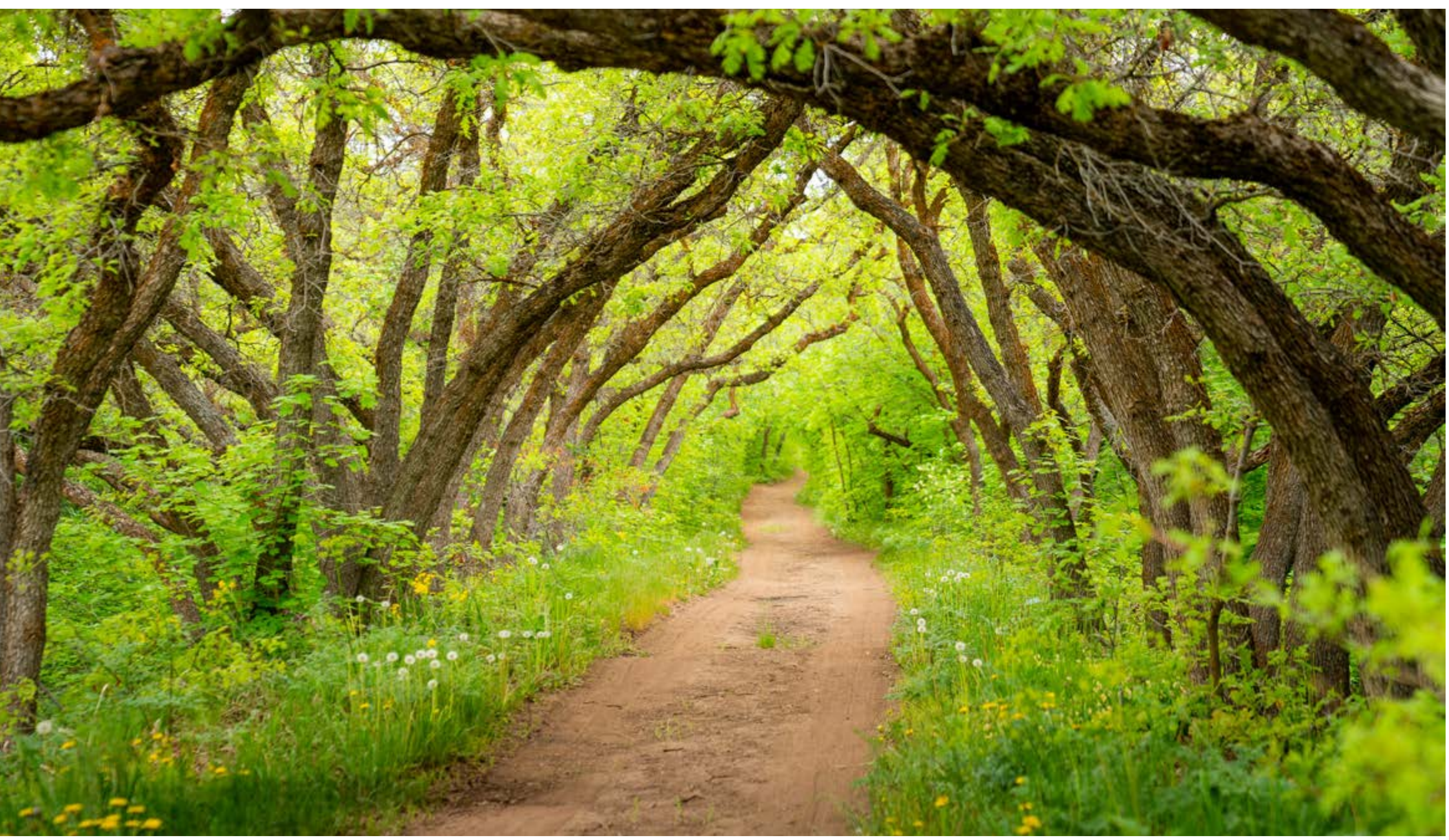
| | *Expected Return Arithmetic Basis* | | |
|---|---|---|---|
| **Asset Class** | **Target Asset Allocation** | **Real Return Arithmetic Basis** | **Long-Term expected portfolio real rate of return** |
| Equity securities | 37% | 6.58% | 2.43% |
| Debt securities | 20% | (0.28)% | (0.06)% |
| Real assets | 15% | 5.77% | 0.87% |
| Private equity | 12% | 9.85% | 1.18% |
| Absolute return | 16% | 2.91% | 0.47% |
| Cash and cash equivalents | 0% | (1.01)% | 0.00% |
| Totals | 100% | | 4.89% |
| Inflation | | | 2.50% |
| Expected arithmetic nominal return | | | 7.39% |

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

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumes 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 URS 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability (asset) would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (5.85%) | Discount Rate (6.85%) | 1% Increase (7.85%) |
|---|---|---|---|
| **Proportionate Share of Net Pension Liability (Asset)** | | | |
| Noncontributory System | $7,659,612 | $(123,563,291) | $(233,307,144) |
| Contributory System | (10,206,599) | (21,357,105) | (30,932,676) |
| Public Safety | 2,640,586 | (1,994,102) | (5,801,454) |
| Tier 2 Public Employees System | 3,055,962 | (512,898) | (3,253,041) |
| Tier 2 Public Safety and Firefighter System | 95,321 | (11,882) | (96,986) |
| Totals | $3,244,882 | $(147,439,278) | $(273,391,301) |



Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Plans

The University offers employees the choice between URS, TIAA, and Fidelity for individual retirement funds. Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) savings plans administered by the Utah Retirement Systems (Systems). For employees participating in the Noncontributory, Contributory and Public Safety systems, the University contributes 1.5%, 0.62%, and 0%, respectively of participating employees' annual salaries to a 401(k)-plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan and Tier 2 Public Safety and Firefighter defined contribution plan, the University is required to contribute 10.02% and 18.54%, respectively, of the employee's salary, of which 10% and 14%, respectively, is paid into the 401(k) plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. During the year ended June 30, 2022, the University's contribution totaled $2,186,598, which was included in the pension expense, and the participating employees' voluntary contributions totaled $249,789. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

TIAA and Fidelity provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2022, the University's contribution to these defined contribution pension plans was 14.2% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

UUHC employees hired prior to January 1, 2001, who were not enrolled in the URS program, are enrolled in a 401(a) defined contribution plan that is administered by the UUHC Chief Human Resources Officer. The administrator has the authority to amend, modify, or terminate the plan. UUHC is required to contribute 14.2% of covered payroll to the plan for the employees covered under this plan. Hospital employees hired subsequent to December 31, 2000 are enrolled in a separate 401(a) plan, the Hospital Plan Plus (HPP) Benefit Program. UUHC contributes 6% for employees covered under this plan. In addition, these employees are eligible for a match on employee contributions to a 403(b) Match Plan up to 4% of salary and fully vest in the UUHC's contributions to both plans after five years of service. Plan member contributions were approximately $53,354,000 for the year ended June 30, 2022.

The ARUP defined contribution pension and profit-sharing plan provides retirement benefits for all employees. Employees may choose to pay into the federal social security tax system or to participate in an enhanced ARUP retirement program. For those who choose to continue to pay social security taxes, ARUP makes contributions each pay period amounting to 5% of their compensation and ARUP continues to make matching social security tax contributions. For those who discontinue paying social security taxes, ARUP makes contributions each pay period amounting to 8.10% of their compensation and does not contribute any social security tax on their behalf. There are no minimum service and vesting requirements relating to pension contributions.

Contributions to the profit-sharing plan are at the discretion of ARUP and are made subject to certain tenure-based and hours-worked thresholds. Employees are fully vested in the profit-sharing plan after five years of service. Voluntary contributions to the profit-sharing plan by employee participants totaled $36,118,277 for the year ended June 30, 2022.

In addition, employees of the University may also contribute to 403(b), 457(b) traditional, Roth IRA, or


a 401(k) plan. The total fiscal year 2022 employee contributions to these plans were $139,919,233.

For the year ended June 30, 2022, the University's contributions to the defined contribution plans were equal to the required amounts, as shown in *Figure 4*.

| FIGURE 4 | 2022 |
|---|---|
| TIAA | $ 95,766,211 |
| Fidelity | 130,092,701 |
| 401(a), Hospital Plan Plus, & 403(b) | 76,510,007 |
| Employer 401(k) Contributions | 2,186,598 |
| ARUP defined contribution plan | 21,408,619 |
| ARUP Profit sharing plan | 10,653,297 |
| Total employer contributions | $ 336,617,433 |

## 9. UNEARNED REVENUE

Unearned revenue consists of summer session tuition and fees, advance payments on grants and contracts, advance ticket sales for various athletic and cultural events, and results of normal operations of auxiliary enterprises and service units.

## 10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others for the sole benefit of the University are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. The fair value of funds held in trust at June 30, 2022 was $168.1 million

In addition, certain funds held in trust by others are comprised of stock, reported at a value of $15,838,338 as of June 30, 2022, based on a predetermined formula. The fair value of this stock as of June 30, 2022 cannot be determined because the stock is not actively traded.

## 11. RISK MANAGEMENT AND INSURANCE

The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Division of Risk Management. Employees of the University and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund.

In addition, the University maintains self-insurance funds for health care, dental, and auto/physical damage, as well as hospital and physician's malpractice liability self-insurance funds. The malpractice liability self-insurance funds are held in trust with an independent financial institution in compliance with Medicare reimbursement regulations. Based on an analysis prepared by an independent actuary, the administration believes that the balance in the trust funds as of June 30, 2022, is adequate to cover any claims incurred through that date. The University and UUHC have a "claims made" umbrella medical professional liability insurance policy in the amount of $20,000,000 for catastrophic malpractice liabilities in excess of the trusts' fund balances, the coverage provides for $5,000,000 per occurrence and $26,000,000 in aggregate.

The estimated self-insurance claims liability is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the University's estimated self-insurance claims liability for the years ended June 30 is shown in *Figure 5*.

| FIGURE 5 | 2022 | 2021 |
|---|---|---|
| Estimated claims liability - beginning of year | $84,243,634 | $89,227,838 |
| Current year claims and changes in estimates | 284,724,035 | 237,203,630 |
| Claim payments, including related legal and administrative expenses | (276,100,910) | (242,187,834) |
| Estimated claims liability - end of year | $92,866,759 | $84,243,634 |

The University has recorded the investments of the malpractice liability trust funds at June 30, 2022, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance and malpractice liability trust funds, and the estimated provision for the claims liability for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

In 2016, UUHIP launched into the commercial health insurance market in Utah, specifically in the individual and large group market. UUHIP management does not believe it is subject to health insurer assessments under section 9010 of the Affordable Care Act (ACA) as a governmental entity associated with the University. To stabilize financial results, the federal government established the following permanent and transitional risk sharing programs with insurers of ACA-compliant plans:

- The permanent risk adjustment program redistributes insurer premiums based on qualitative market data.

- The transitional reinsurance program reimburses insurers of ACA-compliant plans for claimants exceeding specified limits and is a temporary provision that ended after December 31, 2016.

- The transitional risk corridors program shares excessive insurer gains or losses with the federal government and is a temporary provision that ended after December 31, 2016.

UUHIP has a reinsurance arrangement whereby premiums and benefits are ceded to another insurance company. The agreement is for certain coverage that provides reinsurance protection for 90% of qualified health claims in excess of $600,000 per occurrence. In addition, Health Care Utah (HCU), a component unit of UUHIP, separately maintained medical claims reinsurance with a deductible of $250,000 during 2021. The reinsurance pays 90% of losses in excess of the deductible, with annual limits of $2 million per member per year. Premiums to reinsurers for reinsurance ceded reduced premium revenue by approximately $4,267,000 during 2021. Excluding amounts recoverable under the ACA transitional reinsurance program, UUHIP had approximately $3,864,000 in reinsurance recoveries that reduced health benefits during 2021. UUHIP also had approximately $1,848,000 in reinsurance amounts recoverable included in other current assets at December 31, 2021. During the year ended December 31, 2021, UUHIP did not commute any ceded reinsurance nor did it enter into or engage in any loss portfolio transfer for any lines of business. Changes in UUHIP's estimated claims liability for the years ended December 31 is shown in *Figure 6*.

| FIGURE 6 | 2021 | 2020 |
|---|---|---|
| Estimated claims liability - beginning of year | $40,541,399 | $18,423,898 |
| Current year claims and changes in estimates | 286,848,957 | 151,318,319 |
| Claim payments, including related legal and administrative expenses | (281,881,978) | (153,391,365) |
| Estimated claims liability - end of year | $45,508,378 | $40,541,399 |

Due to uncertainties inherent in the reserving process, there is at least a reasonable possibility that actual claims paid could differ materially from amounts accrued at December 31, 2021.

## 12. INCOME TAXES

The University, as a political subdivision of the State, has a dual status for federal income tax purposes. The University is both an Internal Revenue Code (IRC) Section 115 organization and an IRC Section 501(c) (3) charitable organization. This status exempts the University from paying federal income tax on revenue generated by activities which are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax.

UURF is not subject to income taxes under Section 501(c) (3) of the IRC. ARUP is also not subject to income taxes based on a private letter ruling from the Internal Revenue Service stating that certain income providing an essential governmental function is exempt from federal income taxes under IRC Section 115. UUHIP has requested a ruling from the IRS that UUHIP's gross income be excluded from income under IRC Section 115. However, the outcome of that ruling request is uncertain. CNS is not subject to income taxes under Section 501(c) (3) of the IRC. EMSE is not subject to income taxes under Section 501(c) (3) of the IRC.

## 13. HOSPITAL REVENUE

*A. Net Patient Service Revenue*

UUHC reports net patient service revenue at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Charity care is excluded from net patient service revenue.

UUHC has third-party payor agreements with Medicare and Medicaid that provide for payments to UUHC at amounts different from established rates. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries and certain outpatient services and defined capital costs related to Medicare beneficiaries are paid on a cost reimbursement basis. Medicare reimbursements are based on a tentative rate with final settlement determined after submission of annual cost reports by UUHC and audits thereof by the Medicare fiscal intermediary.

The estimated final settlements for open years are based on preliminary cost findings after considering interim payments that have been received on behalf of patients covered under these programs.

*B. Charity Care*

UUHC maintains records to identify and monitor the level of charity care it provides. Based on established rates, the charges foregone resulting from charity care during the year ended June 30, 2022, were approximately $99.2 million. CNS estimated $0.4 million in estimated cost or foregone revenue of charity care for the year ended December 31, 2021.

*C. Other Uncompensated Care*

CNS provides services for which payments for such services are accepted under contracts with third-party payors such as Medicare, Medicaid, and other payor sources, whereby such accepted payments are less than the full amounts billable under CNS's rate schedule. Total contractual adjustments for the year ended December 31, 2021 were $23,162,476.

UUHC maintains records to identify uncompensated care, mostly from bad debt, totaling $28.1 millions for the year ended June 30, 2022.

## 14. LEASES

*A. Revenue*

UURF receives land lease revenues from noncancelable lease agreements with tenants of the Research Park and from tenants occupying nine buildings owned by UURF. The University receives lease revenue from nine buildings and five dark fiber networks. The UUHC receives land lease revenue from a lease agreement with the Veteran's Administration Hospital located in Salt Lake City. The total amount of inflows of resources, including lease revenue and interest revenue, recognized during the fiscal year was approximately $10.5 million.

*B. Commitments*

The University, UUHC, and ARUP have entered into lease agreements involving certain buildings, land and equipment. The total right of use asset is recorded at a cost of $137.1 million and accumulated amortization of $28.1 million.

Future minimum lease payments under lease agreements as of June 30, 2022 are shown in *Figure 7*.

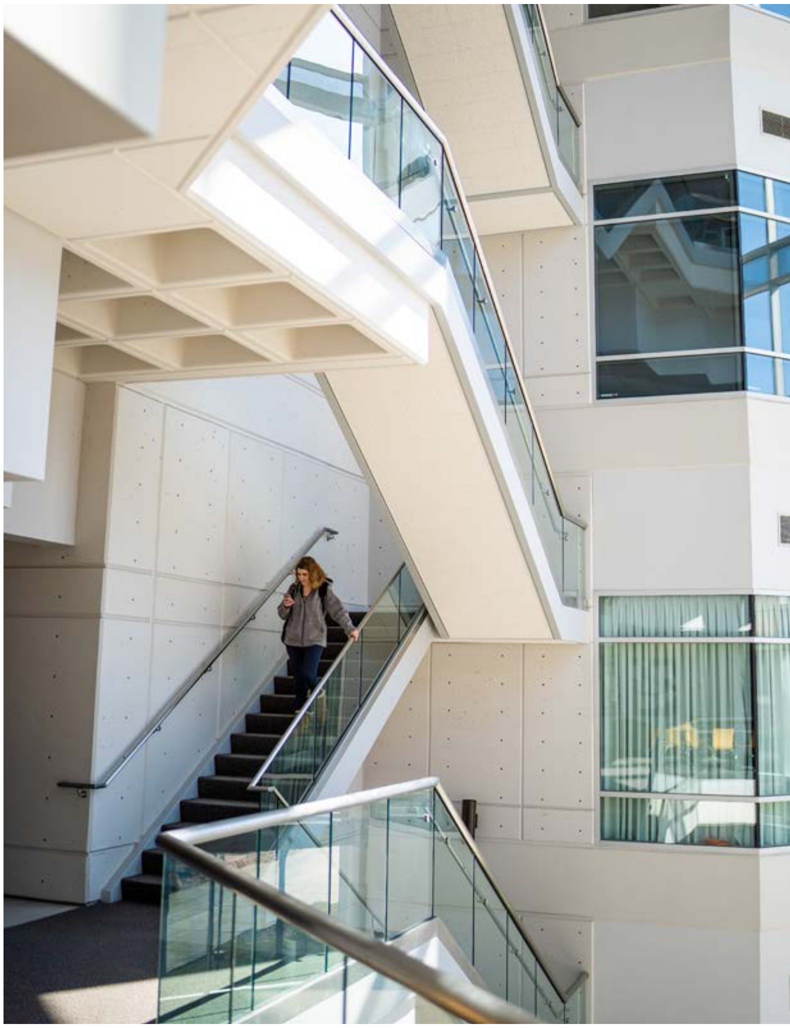
**FIGURE 7** *(in thousands)*

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 18,156 | $ 1,948 | $ 20,104 |
| 2024 | 14,094 | 1,749 | 15,843 |
| 2025 | 10,419 | 1,526 | 11,945 |
| 2026 | 8,975 | 1,362 | 10,337 |
| 2027 | 6,890 | 1,213 | 8,103 |
| 2028-2032 | 24,856 | 4,495 | 29,351 |
| 2033-2037 | 16,438 | 2,514 | 18,952 |
| 2038-2042 | 9,067 | 840 | 9,907 |
| 2043-2047 | 3,539 | 250 | 3,789 |
| 2048-2052 | 681 | 13 | 694 |
| Total | $113,115 | $15,910 | $129,025 |

## 15. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The long-term debt of the University consists of bonds payable, certificates of participation, lease obligations, compensated absences, net pension liability, and other obligations.

The Utah Board of Higher Education issues revenue bonds to provide funds for the acquisition, construction and renovation of major capital facilities and the acquisition of capital equipment for the University. In addition, revenue bonds have been issued to refund other revenue bonds and financed purchase obligations.



The revenue bonds are special limited obligations of the University. The obligation for repayment is solely that of the University and payable from the net revenues of auxiliary enterprises and UUHC, student building fees, land grant income, and recovered indirect costs. Neither the full faith and credit nor the taxing power of the State or any other political subdivision of the State is pledged to the payment of the bonds, the distributions or other costs associated with the bonds.

During fiscal year 2022 the University issued $186,285,000 General Revenue Bonds Series 2022A. Proceeds from the 2022A bond were used to finance construction of two buildings, the West Village student housing building and the Impact and Prosperity Epicenter building, a living-learning space for students, as well as to pay costs of issuance.

The following schedule lists the outstanding bonds payable and certificates of participation of the University at June 30, 2022:

| Issue | Date Issued | Maturity Date | Interest Rate | Original Issue | Current Liability | Balance 06/30/22 (a) |
|---|---|---|---|---|---|---|
| **Auxiliary and Campus Facilities** | | | | | | |
| Series 1998A - Revenue Refunding | 7/1/98 | 2029 | 4.100% - 5.250% | $ 120,240,000 | $ 46,973 | $ 30,739,416 |
| Series 2010C - Taxable Revenue | 12/28/10 | 2036 | 1.750% - 5.890% | 42,525,000 | 1,695,000 | 30,830,000 |
| **Hospital Facilities** | | | | | | |
| Series 2009B - Taxable Revenue | 12/17/09 | 2031 | 4.697% - 5.247% | 41,785,000 | 2,770,000 | 29,320,000 |
| Series 2016A - Revenue | 3/8/16 | 2036 | 3.000% - 5.000% | 8,395,000 | 75,102 | 1,121,555 |
| **Research Facilities** | | | | | | |
| Series 2009B - Taxable Revenue | 8/26/09 | 2029 | 5.670% - 6.279% | 27,730,000 | - | 15,170,000 |
| **General Revenue** | | | | | | |
| Series 2013A - Revenue | 7/30/13 | 2043 | 5.000% | 127,925,000 | 4,472,083 | 11,956,265 |
| Series 2014A - Revenue Refunding | 4/1/14 | 2027 | 4.000% - 5.000% | 32,785,000 | 750,180 | 17,911,388 |
| Series 2014B - Revenue Refunding | 7/15/14 | 2038 | 2.000% - 5.000% | 76,200,000 | - | 3,802,251 |
| Series 2015A - Revenue Refunding | 1/7/15 | 2034 | 1.500% - 5.000% | 45,330,000 | - | 2,367,793 |
| Series 2015B - Revenue Refunding | 5/13/15 | 2035 | 3.000% - 5.000% | 91,570,000 | - | 51,102,383 |
| Series 2016A - Revenue Refunding | 3/8/16 | 2036 | 3.000% - 5.000% | 68,210,000 | - | 57,830,059 |
| Series 2016B - Revenue Refunding | 11/29/16 | 2036 | 2.000% - 5.000% | 131,720,000 | 7,213,832 | 136,917,778 |
| Series 2017A - Revenue Refunding | 9/13/17 | 2039 | 4.000% - 5.000% | 155,930,000 | 7,250,121 | 163,658,227 |
| Series 2017B - Revenue Refunding | 12/21/17 | 2038 | 3.000% - 5.000% | 96,550,000 | 4,256,494 | 104,908,671 |
| Series 2018A - Revenue | 7/17/18 | 2044 | 4.000% - 5.000% | 80,040,000 | 1,860,477 | 87,919,237 |
| Series 2019A - Revenue | 12/3/19 | 2039 | 4.000% - 5.000% | 74,050,000 | 2,503,088 | 88,019,388 |
| Series 2019B - Revenue | 12/3/19 | 2039 | 3.073% - 3.351% | 30,165,000 | - | 30,165,000 |
| Series 2020A - Revenue | 6/24/20 | 2041 | 4.000% - 5.000% | 84,635,000 | 82,073 | 110,419,704 |
| Series 2020B - Revenue | 6/24/20 | 2032 | 0.577% - 1.866% | 20,115,000 | 1,765,000 | 18,360,000 |
| Series 2021A - Revenue | 2/2/21 | 2041 | 4.000% - 5.000% | 94,620,000 | 97,511 | 122,762,718 |
| Series 2021B - Revenue Refunding | 2/2/21 | 2039 | 0.177% - 2.256% | 76,870,000 | 540,000 | 76,330,000 |
| Series 2022A - Revenue | 1/11/22 | 2051 | 4.000% - 5.000% | 186,285,000 | - | 228,941,714 |
| **Certificates of Participation** | | | | | | |
| Series 2015 | 6/10/15 | 2026 | 1.800% | 10,050,000 | 1,700,000 | 1,700,000 |
| Total | | | | | $ 37,077,934 | $ 1,422,253,547 |

(a) Includes unamortized premiums on refunding.

UURF has purchased two buildings and entered into two loan agreements with the University, as well as one mortgage guaranteed by the University. The loans amounts are, $5,440,000 with an interest rate of 2.5% and $8,750,000 with an interest rate of 3.5% based on 5-year and 10-year repayment plans respectively, with call for annual payments. The remaining amount of the mortgage is $16,981,307 at 5.53% interest. It is anticipated the mortgage will be paid off on September 30, 2028.

The following schedule summarizes the changes in long-term liabilities for the year ended June 30, 2022. The beginning balance does not match the ending balance for FY2021 due to the implementation of GASB 87.

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Bonds payable | $ 1,225,952,664 | $236,043,135 | $ 41,442,252 | $ 1,420,553,547 | $ 35,377,934 |
| Certificates of participation | 3,360,000 | - | 1,660,000 | 1,700,000 | 1,700,000 |
| Leases Payable | 63,515,486 | 67,975,688 | 18,397,359 | 113,093,815 | 19,752,510 |
| Notes and contracts payable | 25,950,368 | 499,133 | 2,983,316 | 23,466,184 | 3,230,705 |
| Financed Purchase Obligations | 168,892,483 | 6,754,106 | 38,093,594 | 137,552,995 | 29,781,142 |
| Total long-term debt | 1,487,671,000 | 311,272,062 | 102,576,521 | 1,696,366,541 | 89,842,290 |
| Compensated absences | 132,312,323 | 113,923,975 | 108,461,812 | 137,774,486 | 86,166,893 |
| Net pension liability | 1,755,290 | - | 1,755,290 | - | - |
| Deposits and other liabilities | 437,143,849 | 231,965,568 | 343,978,499 | 325,130,918 | 289,490,705 |
| Total long-term liabilities | $ 2,058,882,462 | $657,161,605 | $ 556,772,123 | $ 2,159,271,944 | $ 465,499,888 |

Maturities of principal and interest requirements for long-term debt payable are as follows:

| | Payments | |
|---|---|---|
| Fiscal Year | Principal | Interest |
| 2023 | $ 88,104,683 | $ 64,456,814 |
| 2024 | 117,486,899 | 59,480,093 |
| 2025 | 116,478,802 | 54,891,204 |
| 2026 | 102,483,693 | 50,820,190 |
| 2027 | 109,174,468 | 46,611,552 |
| 2028–2032 | 431,953,276 | 168,754,026 |
| 2033–2037 | 302,791,145 | 93,624,709 |
| 2038–2042 | 245,993,153 | 43,490,452 |
| 2043–2047 | 95,982,807 | 19,297,054 |
| 2048–2052 | 85,917,616 | 6,159,002 |
| Total | $ 1,696,366,541 | $ 607,585,096 |

Interest related to bond systems with pledged revenues amounts to $567,849,901 and is included in the interest amounts in the above schedule.

## 16. RETIREMENT OF DEBT

In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The total principal amount of defeased bonds held in irrevocable trusts at June 30, 2022 is $200,430,000.

## 17. PLEDGED BOND REVENUE

The University issues revenue bonds to provide funds for the construction and renovation of major capital facilities and the acquisition of capital equipment for the University. Investors in these bonds rely solely on the net revenue pledged by the general revenue of the University for the retirement of outstanding bonds payable.

*Figure 8* presents the net revenue pledged and the principal and interest paid for the year ended June 30, 2022.

| FIGURE 8 | |
|---|---|
| **Revenue** | |
| Operating revenue | $4,181,306,525 |
| Nonoperating revenue | 0 |
| Total revenue | 4,181,306,525 |
| **Expenses** | |
| Operating expenses | 3,971,291,740 |
| Nonoperating expenses | 47,744,561 |
| Total expenses | 4,019,036,301 |
| Net pledged revenue | 162,270,224 |
| Principal and interest paid | $ 90,625,150 |

## 18. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following schedule presents, in thousands of dollars, operating expenses by functional classification for the year ended June 30, 2022:

| Function | Compensation and Benefits | Supplies and Services | Utilities | Scholarships & Fellowships | Depreciation | Medical Claims | Component Units | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 459,240 | $ 60,343 | $ 2,661 | $79,981 | | | | $ 602,225 |
| Research | 322,542 | 141,838 | 1,589 | 5,986 | | | | 471,955 |
| Public Service | 695,090 | 91,767 | 24,440 | 29,554 | | | | 840,851 |
| Academic Support | 161,743 | 41,575 | 3,331 | 818 | | | | 207,466 |
| Student Services | 48,493 | 31,179 | 4,109 | 591 | | | | 84,372 |
| Institutional Support | 225,427 | (34,600) | 6,676 | 1,797 | $13,958 | | | 213,259 |
| O & M Plant | 41,516 | 54,469 | 28,982 | 7 | | | | 124,975 |
| Scholarships | 8,053 | 50,025 | 28 | (66,851) | | | | (8,746) |
| Other | 99,895 | (53,659) | 6,073 | 5,323 | 141,040 | | | 198,672 |
| Hospital | 1,247,562 | 1,149,187 | 25,041 | | 115,813 | $17,779 | | 2,555,383 |
| Health Plans | 19,265 | (9,748) | 958 | | 305 | 293,668 | | 304,448 |
| Component Units | 9,031 | | | | 39,802 | | $948,301 | 997,133 |
| Total | $3,337,857 | $1,522,377 | $103,886 | $57,206 | $310,918 | $311,448 | $948,301 | $6,591,993 |

## 19. BLENDED COMPONENT UNITS

The following schedules present, exclusive of eliminations, condensed statements of net position, changes in net position, and cash flows for UURF, ARUP, UUHIP, EMSE and CNS. Amounts for UURF, ARUP, and EMSE are for the year ended June 30, 2022. Amounts for UUHIP and CNS are for the year ended December 31, 2021.

| Condensed Statement of Net Position | | | | | | | |
|---|---|---|---|---|---|---|---|
| | UURF | ARUP | UUHIP | CNS | EMSE | Eliminations increase/ (decrease) | Total |
| **Assets** | | | | | | | |
| Current Assets | $ 50,306,051 | $294,686,311 | $148,867,936 | $20,144,247 | $22,416,518 | $ 37,213,649 | $ 551,218,194 |
| Capital assets, net | 80,361,774 | 413,918,079 | | 6,724,161 | | (31,076,434) | 469,927,580 |
| Other noncurrent assets | 231,055,367 | 8,994,305 | | 514,509 | 15,054,301 | (95,682,751) | 144,881,430 |
| Total assets | 361,723,192 | 717,598,695 | 148,867,936 | 27,382,917 | 37,470,819 | | 1,166,027,204 |
| **Deferred outflows of resources** | | | | | | | |
| Deferred outflows related to consideration in excess of net position acquired | | | 26,771,814 | | | | 26,771,814 |
| Total deferred outflows of resources | 0 | 0 | 26,771,814 | 0 | 0 | | 26,771,814 |
| **Liabilities** | | | | | | | |
| Current liabilities | 12,992,548 | 81,518,690 | 115,089,157 | 7,094,670 | 259,210 | (240,114,979) | (23,419,914) |
| Noncurrent liabilities | 26,266,670 | 33,120,687 | 29,267,706 | 2,573,691 | 0 | (41,140,361) | 50,088,393 |
| Total liabilities | 39,259,218 | 114,639,377 | 144,356,863 | 9,668,361 | 259,210 | | 26,668,479 |
| **Deferred Inflows of Resources** | | | | | | | |
| Deferred inflows related to leases | 221,695,046 | | | | | (90,207,232) | 131,487,814 |
| Total deferred inflow of resources | 221,695,046 | 0 | 0 | 0 | 0 | | 131,487,814 |
| **Net Position** | | | | | | | |
| Net investment in capital assets | 50,357,429 | 380,651,446 | | | 0 | | 431,008,875 |
| Restricted expendable | | | 31,282,887 | 429,609 | 37,211,609 | | 31,712,496 |
| Unrestricted | 50,411,499 | 222,307,872 | | 17,284,947 | | 281,917,036 | 571,921,354 |
| Total net position | $100,768,928 | $602,959,318 | $ 31,282,887 | $17,714,556 | $37,211,609 | | $1,034,642,725 |

| Condensed Statement of Revenues, Expenses, and Changes in Net Position | | | | | | | |
|---|---|---|---|---|---|---|---|
| | UURF | ARUP | UUHIP | CNS | EMSE | Eliminations increase/ (decrease) | Total |
| **Operating Revenues** | | | | | | | |
| Leases | $ 22,975,177 | | | | | $ (12,319,826) | $ 10,655,351 |
| Royalties | 22,183,918 | | | | | | 22,183,918 |
| Sales and services | | $813,278,230 | $312,870,997 | $63,470,074 | | (108,034,779) | 1,081,584,522 |
| Net increase (decrease) in fair value of investments | 5,687,254 | | | | | | 5,687,254 |
| Total operating revenues | 50,846,349 | 813,278,230 | 312,870,997 | 63,470,074 | 0 | | 1,120,111,045 |
| **Operating Expenses** | | | | | | | |
| Operating expenses | 27,045,360 | 698,789,420 | 330,423,216 | 56,359,431 | 23,235 | (221,076,692) | 891,540,735 |
| Depreciation | 3,002,642 | 35,948,652 | | 850,238 | | | 39,801,532 |
| Total operating expenses | 30,048,002 | 734,738,072 | 330,423,216 | 57,209,669 | 23,235 | | 931,342,267 |
| Operating income (loss) | 20,798,347 | 78,540,158 | (17,552,219) | 6,260,405 | (23,235) | | 188,768,778 |
| **Nonoperating Revenues (Expenses)** | | | | | | | |
| Investment income | 101,668 | (460,341) | 2,154,218 | | (969,154) | | 1,795,545 |
| Interest expense | (1,246,756) | | (1,698,493) | | | | (2,945,249) |
| Federal income tax expense | | | (2,287,571) | | | | (2,287,571) |
| Sale of equity investments | 165,834 | | | | | | 165,834 |
| Contributions from (distributions to) the University | 1,336,018 | (61,683,174) | | | | 60,718,018 | 370,862 |
| Other non-operating income / (expenses) | | | (2,974,646) | 84,653 | 38,203,998 | | (2,889,993) |
| Total nonoperating revenues / (expenses) | 356,764 | (62,143,515) | (4,806,492) | 84,653 | 37,234,844 | | (5,790,572) |
| Net increase (decrease) in net position | 21,155,111 | 16,396,643 | (22,358,711) | 6,345,058 | 37,211,609 | | 182,978,206 |
| **Net Position** | | | | | | | |
| Net position - beginning of year | 79,613,817 | 586,562,675 | 53,641,598 | 11,369,498 | 0 | $120,476,931 | 851,664,519 |
| Net position - end of year | $100,768,928 | $602,959,318 | $ 31,282,887 | $17,714,556 | $37,211,609 | | $1,034,642,725 |

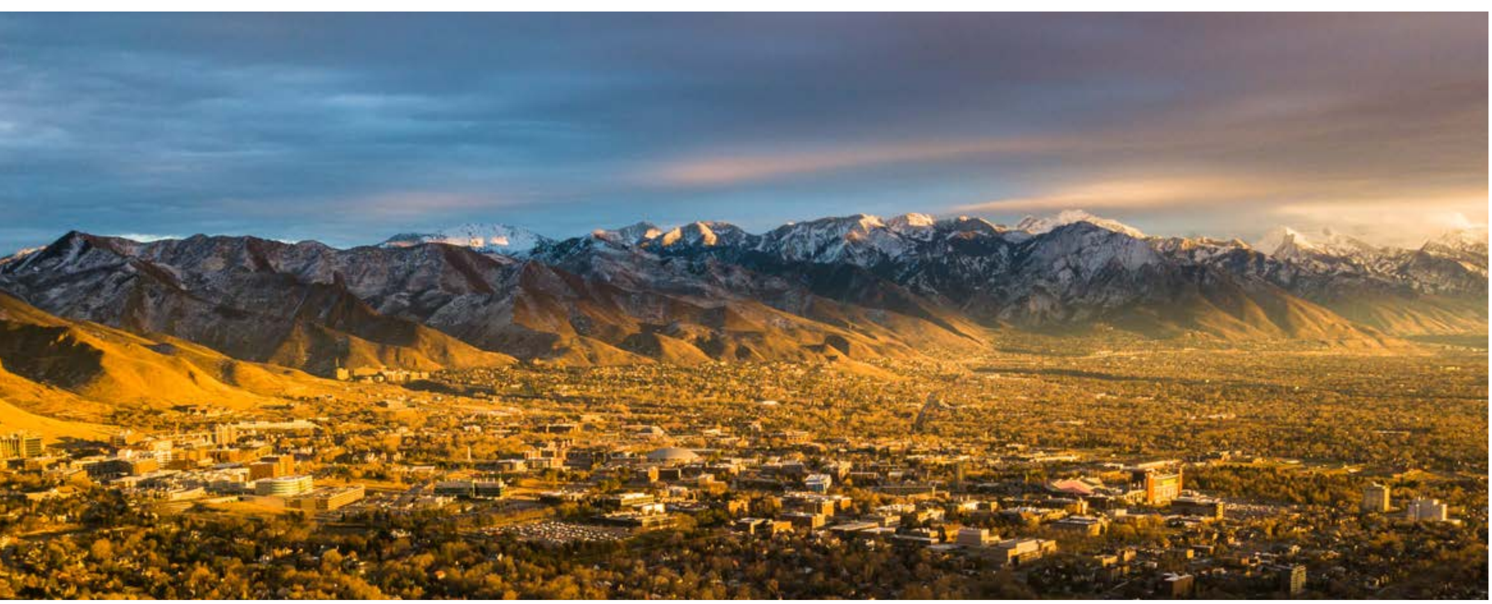
| Condensed Statement of Cash Flows | | | | | | | |
|---|---|---|---|---|---|---|---|
| | UURF | ARUP | UUHIP | CNS | EMSE | Eliminations increase/ (decrease) | Total |
| Net cash provided (used) by operating activities | $16,336,252 | $81,078,325 | $(24,890,963) | $ 3,902,408 | | $ 48,916,901 | $125,342,923 |
| Net cash provided (used) by noncapital financing activities | 1,336,018 | (62,054,036) | 29,000,000 | | 20,000,000 | 49,658,880 | 17,940,862 |
| Net cash used by capital and related financing activities | (12,693,794) | (58,414,461) | 0 | (580,294) | | | (71,688,549) |
| Net cash provided (used) by investing activities | (1,147,760) | 29,043,435 | (36,472,324) | (446,264) | (20,000,000) | (2,783,346) | (11,806,259) |
| Net increase (decrease) in cash | 3,830,716 | (10,346,737) | (32,363,287) | 2,875,850 | 0 | | 59,788,977 |
| Cash - beginning of year | 37,674,489 | 21,608,963 | 76,664,716 | 7,740,500 | 0 | (111,441,263) | 32,247,405 |
| Cash - end of year | $41,505,205 | $11,262,226 | $ 44,301,429 | $10,616,350 | | | $ 92,036,382 |

## 20.LINE OF CREDIT

ARUP has an uncollateralized line of credit with a bank that provides for borrowings up to $10 million and is established as a contingency reserve to provide liquidity in the event disbursements presented to the bank exceed available cash balances. The line of credit bears interest at the lender's 90-day LIBOR rate (2.29% at June 30, 2022) plus 2.0%, but not to exceed the maximum rate allowed by applicable law. The agreement requires renewal every second year in November. The current agreement expires on November 30, 2022. ARUP pays no fees for the unused portion of this line of credit, and there are no compensating balance requirements imposed. There were no borrowings on this line of credit during the year ended June 30, 2022.

## 21. SUBSEQUENT EVENTS

In July 2022, the University issued $478.4 million of General Revenue Bonds, Series 2022B. Principal on the bonds is due annually commencing August 1, 2024 through August 2047. Proceeds from this bond are to be used to finance construction at the Impact & Prosperity Epi center, expansion of student housing at Kahlert Village, construction of a mental health translational research facility and the construction of a new healthcare facility in the Salt Lake valley.




# REQUIRED SUPPLEMENTARY INFORMATION

**University of Utah Proportionate Share of the Net Pension Liability**
**Noncontributory, Contributory, & Tier 2 Public Employees Systems of the Utah Retirement Systems for the years ended December 31**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| ***Noncontributory System*** | | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 50.27187850% | 50.27187850% | 52.37038760% | 4.15081110% | 4.43149890% | 4.72255030% | 5.06361980% | 5.10932610% |
| Proportionate Share of Net Pension Liability (Asset) | $ (123,563,291) | $ (49,582,473) | $ 61,432,040 | $ 154,431,638 | $ 108,366,198 | $ 153,053,931 | $ 159,062,799 | $ 128,373,118 |
| Covered Payroll | $ 101,348,754 | $ 102,966,409 | $ 109,270,123 | $ 112,399,637 | $ 115,352,151 | $ 120,168,221 | $ 124,949,531 | $ 129,614,271 |
| "Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll" | -121.92% | -48.15% | 56.22% | 137.40% | 93.94% | 127.37% | 127.30% | 99.00% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 111.80% | 104.70% | 94.20% | 84.10% | 89.20% | 84.90% | 84.50% | 87.20% |
| ***Contributory System*** | | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 75.81940980% | 74.23384560% | 74.00662920% | 21.34150340% | 20.18198590% | 20.57222910% | 19.93038900% | 18.75239770% |
| Proportionate Share of Net Pension Liability (Asset) | $ (21,357,105) | $ (15,769,443) | $ (4,172,732) | $ 15,152,551 | $ 1,328,057 | $ 11,272,710 | $ 12,489,421 | $ 2,056,560 |
| Covered Payroll | $ 2,748,094 | $ 3,300,668 | $ 3,845,834 | $ 4,141,829 | $ 4,591,975 | $ 5,514,741 | $ 6,313,501 | $ 6,757,960 |
| "Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll" | -777.16% | -477.77% | -108.50% | 365.84% | 28.92% | 204.41% | 197.82% | 30.40% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 117.60% | 113.10% | 103.60% | 91.40% | 99.20% | 93.40% | 92.40% | 98.70% |
| ***Public Safety System*** | | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 2.17535000% | 2.33910930% | 2.09771600% | 1.74088880% | 1.71193320% | 1.48473260% | 1.41567170% | 1.14690980% |
| Proportionate Share of Net Pension Liability (Asset) | $ (1,994,102) | $ 1,515,009 | $ 3,097,753 | $ 4,167,255 | $ 2,976,823 | $ 3,174,487 | $ 3,047,750 | $ 2,131,232 |
| Covered Payroll | $ 2,807,688 | $ 2,897,764 | $ 2,569,955 | $ 2,168,129 | $ 2,272,929 | $ 2,087,879 | $ 1,951,440 | $ 1,637,085 |
| "Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll" | -71.02% | 52.28% | 120.54% | 192.21% | 130.97% | 152.04% | 156.18% | 130.20% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 105.70% | 95.80% | 90.00% | 83.20% | 87.40% | 83.50% | 82.30% | 84.30% |
| ***Tier 2 Public Employees System*** | | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 1.21184600% | 1.46360910% | 1.82099120% | 2.39212600% | 3.19193590% | 4.60362900% | 6.64369130% | 6.78702880% |
| Proportionate Share of Net Pension Liability (Asset) | $ (512,898) | $ 210,508 | $ 408,219 | $ 1,024,497 | $ 281,424 | $ 513,532 | $ (14,503) | $ (205,677) |
| Covered Payroll | $ 22,506,319 | $ 23,408,053 | $ - | $ 27,978,179 | $ 31,272,494 | $ 37,753,425 | $ 42,922,742 | $ 33,308,008 |
| "Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll" | -2.28% | 0.90% | 0.00% | 3.66% | 0.90% | 1.36% | -0.03% | -0.60% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 103.80% | 98.30% | 96.50% | 90.80% | 97.40% | 95.10% | 100.20% | 103.50% |
| ***Tier 2 Public Safety and Firefighter System*** | | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 0.23508360% | 0.33193530% | 0.40217270% | 0.35977680% | 0.30450360% | 0.43726900% | 0.39878160% | 0.36002060% |
| Proportionate Share of Net Pension Liability (Asset) | $ (11,882) | $ 29,773 | $ 37,830 | $ 9,014 | $ (3,523) | $ (3,796) | $ (5,826) | $ (5,326) |
| Covered Payroll | $ 562,175 | $ 678,646 | $ 662,970 | $ 478,852 | $ 321,462 | $ 361,284 | $ 237,408 | $ 148,982 |
| "Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll" | -2.11% | 4.39% | 5.71% | 1.88% | -1.10% | -1.05% | -2.45% | -3.60% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 102.80% | 93.10% | 89.60% | 95.60% | 103.00% | 103.60% | 110.70% | 120.50% |

* Note: The University implemented GASB Statement No. 68 in fiscal year 2015. Information on the University's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

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

## University of Utah — Schedule of Contributions for the years ended June 30

| **Noncontributory System** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 22,085,732 | $ 21,977,437 | $ 23,604,692 | $ 24,357,470 | $ 25,003,713 | $ 25,936,009 | $ 27,133,967 | $ 28,061,542 | $ 27,124,989 | $ 35,151,747 |
| Contributions in Relation to the Contractually Required Contribution | (22,085,732) | (21,977,437) | (23,604,692) | (24,357,470) | (25,003,713) | (25,936,009) | (27,133,967) | (28,061,542) | (27,124,989) | (35,151,747) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 101,532,595 | $ 100,912,947 | $ 107,759,826 | $ 111,057,075 | $ 113,936,327 | $ 118,147,239 | $ 123,098,874 | $ 126,960,128 | $ 132,937,438 | $ 150,750,438 |
| Contributions as a Percentage of Covered Payroll | 21.8% | 21.8% | 21.9% | 21.9% | 21.9% | 22.0% | 22.0% | 22.1% | 20.4% | 23.3% |
| **Contributory System** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014[1]** | **2013[1]** |
| Contractually Required Contribution | $ 450,177 | $ 524,078 | $ 651,513 | $ 703,592 | $ 754,331 | $ 894,123 | $ 1,058,540 | $ 1,164,742 | $ 1,096,361 | $ 687,650 |
| Contributions in Relation to the Contractually Required Contribution | (450,177) | (524,078) | (651,513) | (703,592) | (754,331) | (894,123) | (1,058,540) | (1,164,742) | (1,096,361) | (687,650) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 2,543,370 | $ 2,960,894 | $ 3,680,861 | $ 3,975,096 | $ 4,261,758 | $ 5,051,541 | $ 5,985,358 | $ 6,580,469 | $ 6,865,132 | $ 5,696,793 |
| Contributions as a Percentage of Covered Payroll | 17.7% | 17.7% | 17.7% | 17.7% | 17.7% | 17.7% | 17.7% | 17.7% | 16.0% | 12.1% |
| **Public Safety System** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014[1]** | **2013[1]** |
| Contractually Required Contribution | $ 1,102,890 | $ 942,974 | $ 1,061,838 | $ 766,954 | $ 789,054 | $ 739,683 | $ 682,809 | $ 550,177 | $ 486,603 | $ 468,024 |
| Contributions in Relation to the Contractually Required Contribution | (1,102,890) | (942,974) | (1,061,838) | (766,954) | (789,054) | (739,683) | (682,809) | (550,177) | (486,603) | (468,024) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 3,101,983 | $ 2,671,582 | $ 2,916,589 | $ 2,107,865 | $ 2,200,291 | $ 2,212,011 | $ 2,117,893 | $ 1,707,174 | $ 1,642,290 | $ 1,611,246 |
| Contributions as a Percentage of Covered Payroll | 35.6% | 35.3% | 36.4% | 36.4% | 35.9% | 33.4% | 32.2% | 32.2% | 29.6% | 29.0% |
| **Tier 2 Public Employees System** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014[1]** | **2013[1]** |
| Contractually Required Contribution | $ 4,348,662 | $ 4,328,092 | $ 4,645,446 | $ 4,993,396 | $ 5,444,034 | $ 6,127,098 | $ 7,878,405 | $ 6,995,912 | $ 4,707,627 | $ 2,945,339 |
| Contributions in Relation to the Contractually Required Contribution | (4,348,662) | (4,328,092) | (4,645,446) | (4,993,396) | (5,444,034) | (6,127,098) | (7,878,405) | (6,995,912) | (4,707,627) | (2,945,339) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 22,435,326 | $ 22,659,755 | $ 24,526,165 | $ 26,511,616 | $ 29,551,457 | $ 33,628,505 | $ 43,203,966 | $ 38,336,356 | $ 28,113,543 | $ 24,400,464 |
| Contributions as a Percentage of Covered Payroll[5] | 19.4% | 19.1% | 18.9% | 18.8% | 18.4% | 18.2% | 18.2% | 18.2% | 16.7% | 12.1% |
| **Tier 2 Public Safety and Firefighter System** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014[1]** | **2013[1]** |
| Contractually Required Contribution | $ 258,694 | $ 190,940 | $ 240,863 | $ 215,306 | $ 102,648 | $ 98,360 | $ 103,266 | $ 50,424 | $ 32,261 | $ 8,581 |
| Contributions in Relation to the Contractually Required Contribution | (258,694) | (190,940) | (240,863) | (215,306) | (102,648) | (98,360) | (103,266) | (50,424) | (32,261) | (8,581) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 796,391 | $ 586,786 | $ 807,261 | $ 722,503 | $ 350,573 | $ 336,733 | $ 353,411 | $ 172,330 | $ 117,742 | $ 77,303 |
| Contributions as a Percentage of Covered Payroll[5] | 32.5% | 32.5% | 29.8% | 29.8% | 29.3% | 29.2% | 29.2% | 29.3% | 27.4% | 11.1% |

[1] Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.

[2] The University of Utah began participating in Public Safety Systems in 2011.

[3] The Tier 2 Public Employees System was created in 2011.

[4] The University began contributing to the Tier 2 Public Safety and Firefighter System in 2012.

[5] For employees participating in the Public Employees and Public Safety Firefighters Tier 2 Systems, the University is required to contribute a percentage of the employees' salaries to the Systems.

The University makes the required contributions by paying approximately 10% in to the Tier 2 Systems while the remainder is contributed to the Tier 1 Systems, as required by law.

The amounts reported here reflect the net contributions to the Tier 2 systems rather than the total required.

THE UNIVERSITY OF UTAH

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# ANNUAL FINANCIAL REPORT

PREPARED BY:

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