THE UNIVERSITY OF UTAH®

2020

ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF UTAH

A COMPONENT UNIT OF THE STATE OF UTAH

THE UNIVERSITY OF UTAH

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Message from the President
Ruth V. Watkins

Dear colleagues,

The University of Utah, like our institutional peers around the country, enters a new academic year that presents unprecedented challenges due to the novel coronavirus pandemic. I am proud of how the university successfully pivoted in the spring to new ways of fulfilling its educational mission, with the health and well-being of our campus community as a top priority. We are well prepared to manage our operations, guided by health and academic experts, in 2020-21.

As reflected in the annual statement for the fiscal year 2020, our financial position remains robust despite broad economic disruption. This is due to the wise fiscal management of university resources over decades, strong support from the Utah Legislature and community stakeholders, and a campus-wide commitment to operating as efficiently as we can.

While the pandemic required intense focus during the past six months, we do have incredibly positive news to share. The University of Utah achieved a significant milestone in November 2019 when it was invited to join the prestigious Association of American Universities, a select group of 65 institutions recognized for academic excellence.

The AAU requires its member institutions to be engaged at the highest levels of research, scholarship, and education. This invitation is a confirmation of the quality and caliber of our faculty and the innovative work they are doing to advance knowledge and address grand societal challenges. Our membership in the AAU will open new paths for our researchers and our institution to be at the forefront of higher education research, education, programs, and policies.

The U also achieved another remarkable high point in FY2020. I am very pleased to share that the university received $603 million in sponsored research project awards. This reflects the confidence outside funding agencies have in the quality and potential impact of the research taking place here. Some funding is supporting the more than 120 projects at the U focused on the novel coronavirus; our researchers are working to better understand how to prevent, test, trace, and treat COVID-19.

In addition to research funding, the excellence of our faculty is highlighted by the fact that we set a new mark in major awards received, now at 1,200—an increase of 300 citations for world-class scholarship.

University of Utah Health also continues to garner recognition as a national leader in quality, safety and accountability. For the 10th consecutive year, University of Utah Health was ranked in the top 10 of the prestigious 2019 Vizient Bernard A. Birnbaum, MD, Quality Leadership Award. The award recognizes academic medical centers that demonstrate superior quality and safety performance as measured by the Vizient Quality and Accountability Study.

For the seventh year running, University of Utah Hospital was ranked as the No. 1 hospital in Utah and in the Salt Lake City metro area by U.S. News & World Report. In addition, the John Moran Eye Center at University of Utah Health is ranked No. 13 in the country. The 2019–20 rankings also recognized University of Utah Health as "high performing" in five categories: gastroenterology and gastrointestinal surgery; nephrology; orthopedics; psychiatry; pulmonology and lung surgery.

In its analysis of thousands of hospitals, the magazine ranked the Huntsman Cancer Institute (HCI) No. 41 in the nation for cancer care—the only hospital in Utah to be recognized among the top 50 in the nation for cancer care. In July, the National Cancer Institute renewed HCI's designation as a Comprehensive Cancer Center, the highest federal rank possible for a cancer research organization. HCI earned a near-perfect overall score, placing it within the highest-possible exceptional score category that signifies virtually no weaknesses in the organization's research efforts. HCI's overall score is the best in the history of the cancer center. The recognition also provides funding to support HCI's cancer research programs and research resources to enable cutting-edge scientific discovery.

I mentioned above the strong support the U receives from its community stakeholders. Let me provide one stellar example from the past year. In November 2019, the university announced a commitment of $150 million from the Huntsman Family Foundation to establish the Huntsman Mental Health Institute. The institute is expected to become a nationally-recognized leader in research, care, education and community outreach—and a model for other states to follow.

The primary focus of the University of Utah is providing students with access to the state's flagship university and helping them complete their degrees in a timely manner, which we know sets them on the path to lifelong success.

With that in mind, in 2019 we announced the innovative For Utah Scholarship, which uses state, donor and institutional resources to fully fund a four-year degree for Pell-eligible students. This fall, more than 800 students accepted this scholarship and began their studies at the U.

We also are thinking about how to advance completion success. The U has increased the rate of degree completion by 19 percentage points over the past decade—now at a remarkable 70%. Our challenge, shared by many other institutions, is how to move that rate even higher. To stimulate new ideas about this issue, the U joined with Lumina Foundation to sponsor The College Completion Summit, held Sept. 30 – Oct. 1 on our campus. Representatives from 22 institutions across the country gathered for a thoughtful discussion about college completion challenges and opportunities and to share ideas.

The U also has focused intently on developing programs that will help the state's workforce upskill and reskill as the pandemic reshapes the economy. There is no doubt we will play an integral role in the state's economic recovery, given both our role as the state's biggest employer and our ability to provide people with the skills they need to be hired and to advance in the workplace.

The coronavirus pandemic has emphasized the importance of the work that takes place at a leading research university such as the University of Utah. We are at the forefront of the scientific research and higher education innovations that will ensure we as a society emerge stronger, more resilient, and better prepared for the future.

Sincerely,

Ruth V. Watkins
President

Office of the
State Auditor

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Dr. Ruth V. Watkins, President
University of Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Utah (University), a component unit of the State of Utah, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Utah Hospitals and Clinics (UUHC), ARUP Laboratories, Inc. (ARUP), University of Utah Research Foundation (UURF), University of Utah Health Insurance Plans (UUHIP), or Community Nursing Service (CNS), which represent 36 percent, 29 percent, and 57 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UUHC, ARUP, UURF, UUHIP, and CNS, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of CNS were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's financial statements. The Message from the President and the listing of Governing Boards and Officers are presented for purposes of additional analysis and are not a required part of the financial statements. This message and listing have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
October 27, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Utah (University) and its component units for the year ended June 30, 2020, 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 revenues, expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the entire University entity, including the University of Utah Hospitals and Clinics (UUHC), which is part of University of Utah Health Care, as well as the balances and activities of four component units: the University of Utah Research Foundation (UURF), ARUP Laboratories, Inc. (ARUP), University of Utah Health Insurance Plans (UUHIP), and Community Nursing Services (CNS). UURF specializes in the transfer of patented technology to business entities as well as the leasing and administration of Research Park (a research park located on land owned by the University) and other buildings. ARUP is a national clinical and esoteric reference laboratory. UUHIP is a licensed non-profit health insurance provider. CNS is a not-for-profit corporation that assists clients to attain health care goals through home health and hospice care. 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 the state'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 33,000 students from across the United States and world, preparing students to live and compete in the global workplace. With more than 30,000 employees, it is one of the state's largest employers.

University of Utah Health Care is the only academic medical center in the state of Utah and is nationally ranked. It is also one of only three facilities in the state of Utah that the American College of Surgeons has recognized as a Level 1 trauma center and has also received the National Cancer Institute Cancer Center designation.

The financial statements that follow provide additional information on the resources available to the University to accomplish its multi-dimensional mission, and to achieve its goals and objectives, including the many exciting things described above. For more information about the University and its programs and initiatives, please visit www.utah.edu.

OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the

Statement of Cash Flows. The Notes to the Financial Statements are an integral part of the statements and provide additional details and information important to an understanding of the University's financial position and results of operations.

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University. Net position is one indicator of the current financial condition of the University. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally 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 fiscal year. The net difference between revenues and expenses, and other changes, is the increase (or decrease) in net position for the year. 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 about the University's financial results by reporting the major sources and uses of cash by type of activity—as well as providing a reconciliation to the net operating loss.

The results of operations reflect the University's focus on maintaining its national standards academically, in research, and in health care in a competitive environment. At the same time, the University is addressing constrained base state appropriations and rising health care, regulatory and facility costs with productivity gains to help preserve access to affordable higher education and health care services.

STATEMENT OF NET POSITION

A condensed statement of net position for the past five fiscal years is shown in *Figure 1* on page 9.

Total net position increased 7.6% from the prior year and 42.2% over the periods shown—due to steady growth in most of the operating and non-operating revenue categories. These increases indicate steady improvement in financial condition, reflecting the University's prudent management of its resources—despite funding challenges. This surplus has been reinvested within the University to add to the margin of educational excellence, upgrade the University's facilities, and provide a sensible reserve for contingencies. Total assets increased 9.7% from the prior year primarily due to increases in cash, inventories due to additional requirements resulting from the COVID-19 pandemic and capital assets due to the addition of new buildings, as well as, building construction in progress. Liabilities increased 14.2% from the prior year primarily due to the receipt of Coronavirus Aid, Relief and Economic Security Act (CARES Act) funds which will need to be repaid to the federal government, along with an increase in bonds payable from the issuance of additional bonds offset by a decrease in net pension liability resulting from strong financial performance from the underlying pension plan investments in calendar year 2019. Deferred Inflows of Resources increased 206.4% also as a result of strong investment performance in calendar year 2019.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The results of the University's operations for the fiscal year are shown in the Statement of Revenues, Expenses, and Changes in Net Position. A condensed statement of revenues, expenses, and changes in net position for the past five fiscal years is shown in *Figure 2* on page 10.

Revenues from tuition and fees increased 2.9% from the prior year—and 19.5% over the periods shown. This upward trend is reflective of the increases in enrollment and the students' increased contribution toward the University's budget.

Patient services revenues increased 3.6% from the prior year; and have increased 27.5% over the periods shown. 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 11.8% from the prior year; and have increased 47% over the

Figure 1					
Condensed Statement of Net Position - as of June 30 (in thousands)[1]	**2020**	**2019**	**2018**	**2017**	**2016**
Current assets	$2,648,916	$2,293,302	$2,057,009	$1,759,605	$1,687,992
Noncurrent assets					
Capital assets, net	3,796,778	3,468,781	3,323,706	2,959,044	2,718,265
Other noncurrent assets	2,463,534	2,360,379	2,108,022	2,068,089	1,887,210
Total Assets	8,909,228	8,122,462	7,488,737	6,786,738	6,293,467
Deferred Outflows of Resources	83,832	72,775	83,134	76,912	75,957
Current liabilities	1,032,227	860,291	704,687	685,374	698,355
Noncurrent liabilities	1,478,872	1,338,567	1,223,800	1,208,732	1,131,565
Total Liabilities	2,511,099	2,198,858	1,928,487	1,894,106	1,829,920
Deferred Inflows of Resources	50,124	16,358	75,898	28,990	17,798
Net investment in capital assets	2,648,561	2,411,866	2,320,870	2,037,151	1,784,592
Restricted, nonexpendable	629,359	633,722	604,497	564,118	524,471
Restricted, expendable	757,882	750,207	757,165	576,934	510,895
Unrestricted	2,396,035	2,184,226	1,884,954	1,762,352	1,701,748
Total Net Position	$6,431,837	$5,980,021	$5,567,486	$4,940,555	$4,521,706

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

periods shown due to growth in substantially all major research categories and sponsors' awards. Namely, federal research funding from: Department of Health & Human Services; Department of Veterans Affairs; Department of Homeland Security; and Department of Education. Additional research category increases were: Private Industry; Foundations and Associations; Other Universities; and Hospitals. These increases were partially offset by a net decrease in funding from the National Science Foundation and from the Department of Defense.

Sales and services revenue increased 5.2% from the prior year primarily due to the addition of CNS and strong performance from UUHC's retail pharmacies. Sales and services revenue maintained a consistent upward trend for the periods shown—increasing 46.9%. The largest contributor to the increase is growth in ARUP and UUHC revenues over the period.

Auxiliary and other income increased 6.0% from the prior year primarily due to continued strong performance from UUHC.

With contributions from these significant sources, total operating revenues have increased 4.9% and 34.6%, from the prior year and for the periods shown, respectively.

Operating expenses have increased as well; 4.0% over the prior year and 33.9% for the periods shown across all categories. With compensation and benefits representing 52.8% of total operating expenses for the current fiscal year, any change in this expense category significantly impacts total operating expenses. While salary increases have been modest, recruitment and retention of the University's excellent professors, researchers, and physicians requires the payment of competitive salaries. Other operating expenses

Figure 2

Condensed Statement of Revenues, Expenses, and Changes in Net Position – for the years ended June 30 (in thousands)[1]	**2020**	**2019**	**2018**	**2017**	**2016**
Operating revenues					
Tuition and fees, net	$ 377,951	$ 367,174	$ 347,902	$ 327,508	$ 316,373
Patient services, net	2,547,953	2,460,034	2,209,201	2,192,329	1,998,637
Grants and contracts	540,716	483,626	455,950	397,813	367,738
Sales and services	1,205,810	1,146,289	991,457	900,958	821,071
Auxiliary and other	390,558	368,303	386,095	333,351	256,998
Total operating revenues	5,062,988	4,825,426	4,390,605	4,151,959	3,760,817
Operating expenses	5,311,744	5,105,317	4,585,138	4,364,965	3,965,735
Operating loss	(248,756)	(279,891)	(194,533)	(213,006)	(204,918)
Nonoperating revenues					
State appropriations	353,874	367,168	335,828	322,050	313,518
Gifts	165,736	155,353	158,773	117,949	90,869
Investment income	83,088	124,568	90,595	91,705	27,104
Other net nonoperating revenue (expense)	31,658	(30,730)	(7,327)	5,842	(5,889)
Total nonoperating revenues	634,356	616,359	577,869	537,546	425,602
Income before capital and permanent endowment additions	385,600	336,468	383,336	324,540	220,684
Capital and permanent endowment additions	55,301	141,732	205,242	94,309	67,607
Increase in net position	440,901	478,200	588,578	418,849	288,291
Net Position - beginning of year	5,990,936	5,501,821	4,978,908	4,521,706	4,233,415
Net Position - end of year	$ 6,431,837	$ 5,980,021	$ 5,567,486	$ 4,940,555	$ 4,521,706

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

Figure 3

Total expenses (in thousands)	2020	2019	2018	2017	2016
Operating expenses					
Compensation and benefits	$2,802,999	$2,691,906	$2,509,786	$2,361,972	$2,124,108
Component units	690,450	619,092	531,708	473,981	435,283
Supplies	695,855	672,615	567,176	530,338	498,101
Depreciation and amortization	247,453	236,321	222,591	222,143	204,396
Other	874,987	885,383	753,877	776,531	703,847
Total operating expenses	5,311,744	5,105,317	4,585,138	4,364,965	3,965,735
Nonoperating expenses					
Interest and other	41,987	65,552	41,942	39,140	40,552
Total expenses	$5,353,731	$5,170,869	$4,627,080	$4,404,105	$4,006,287

decreased 1.2% from the prior year on campus offset by continued growth in this area from UUHC. More detail on operating expenses appears above in *Figure 3.*

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 decreased 3.6% from prior year primarily due to funding for another state entity being removed from State appropriations and considered as a contract. Gifts increased 6.7% from the prior year and 82.4% over the periods shown due the generosity of donors and a strong charitable campaign. Investment income fluctuates from year to year, and reflects the impact of market performance. Fiscal year 2020 investment income decreased 33.3% from the prior year due to stress on the financial markets brought on by the COVID-19 pandemic. Other nonoperating revenues increased from the prior year primarily due to the impact of CARES Act funds received by the University.

STATEMENT OF CASH FLOWS

A condensed version of the Statement of Cash Flows is shown in *Figure 4* on page 13.

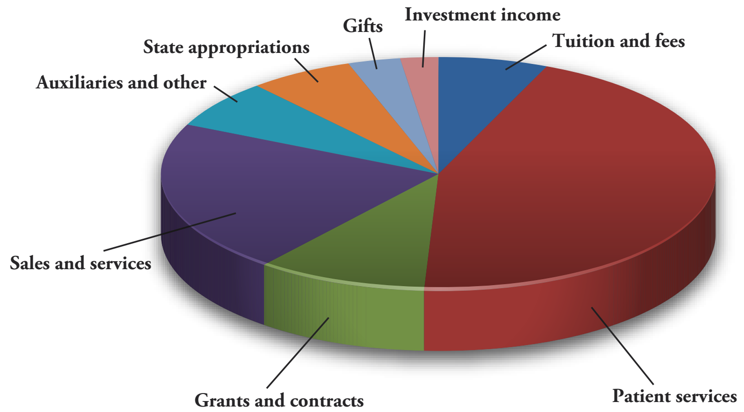
Cash flows from operating activities primarily consist of tuition and fees, patient services, grants and contracts, and auxiliaries. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations, federal Pell grants and private gifts.

Cash increased 127.1% from the prior year. Impacting this increase was the receipt of federal CARES Act funds. The CARES Act also provides for the deferral of payments of the employer portion of payroll tax incurred through December 2020, allowing half of such taxes to be deferred until December 2021 and the remaining half until December 2022. The University actively manages its investment portfolio by balancing returns and liquidity, which may cause changes in cash balances. Cash and cash equivalents are held to the minimum needed to support operations, with any excess invested with varying maturity dates.

CAPITAL AND DEBT ACTIVITIES

- Some key construction projects were completed during the fiscal year, including the Kahlert Village and Dining, Ambulatory Care Center Area E, Craig H. Neilsen Rehabilitation Hospital, Health Sciences Energy Efficiency Improvements, Guest House Expansion, University Hospital Infill, and Soccer-Lacrosse Stadium shared practice field.

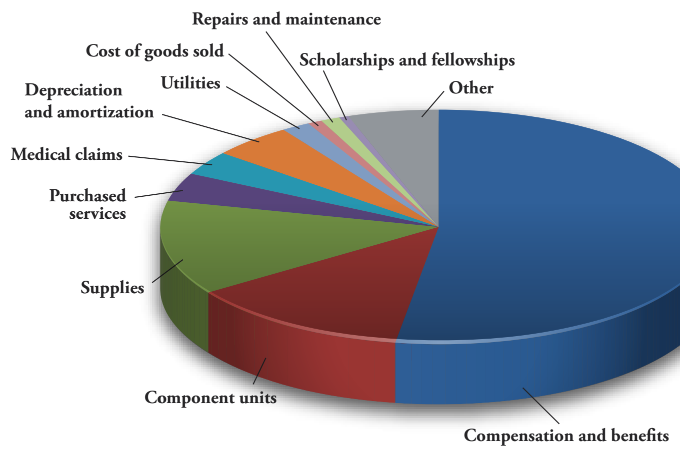
The graph below shows the various types of funding available to support the operations of the University:



Sources of Revenue in Support of Operations
For the Year Ended June 30, 2019 (in thousands)

Tuition and fees	$377,951
Patient services	2,547,953
Grants and contracts	573,880
Sales and services	1,205,810
Auxiliaries and other	390,558
State appropriations	353,874
Gifts	165,736
Investment income & other	123,569

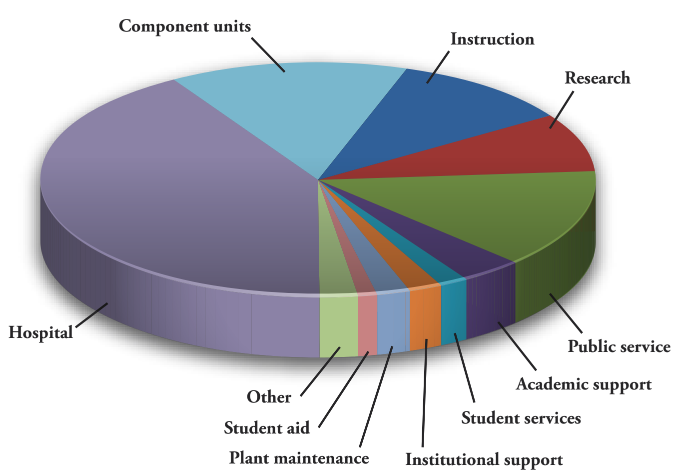
A graphical presentation of the University's operating expenses by natural classification appears below:



Operating Expenses
For the Year Ended June 30, 2019 (in thousands)

Compensation and benefits	$2,802,999
Component units	690,450
Supplies	695,855
Purchased services	197,866
Medical claims	185,774
Depreciation and amortization	247,453
Utilities	92,329
Cost of goods sold	35,270
Repairs and maintenance	58,038
Scholarships and fellowships	38,081
Other	267,629

Note 18 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, 2019 (in thousands)

Instruction	$564,794
Research	426,320
Public service	733,074
Academic support	191,340
Student services	80,539
Institutional support	108,179
Plant maintenance	104,607
Student aid	55,376
Other	115,570
Hospital	2,203,618
Component units	728,327

Figure 4

Condensed Statement of Cash Flows – for the years ended June 30 (in thousands)	2020	2019	2018	2017	2016
Cash flows provided/(used) by:					
Operating activities	$29,272	$18,852	($17,577)	($27,462)	$23,692
Noncapital financing activities	570,489	555,815	486,181	476,027	465,142
Capital and related financing activities	(395,078)	(317,848)	(394,621)	(362,599)	(361,844)
Investing activities	758,174	(159,531)	(28,358)	(26,623)	(110,779)
Net increase (decrease) in cash	962,857	97,288	45,625	59,343	16,211
Cash - beginning of year	757,810	660,522	614,896	555,553	539,342
Cash - end of year	$1,720,667	$757,810	$660,521	$614,896	$555,553

Ongoing projects include Ken Garff Performance Zone at Rice Eccles Stadium, MEDX (Medical Education & Discovery Complex), Kathryn F. Kirk Center for Comprehensive Cancer Care and Women's Cancer Center, Health Sciences Garage, Roadways & Bridge, HELIX (Healthcare, Educators, Leaders Innovators Complex), and Public Safety Building. All of the current projects will be completed over the next several years.

- During fiscal year 2020, the University issued two bond series. In December, the University issued $74,050,000 Tax-Exempt General Revenue Bonds, Series 2019A and $30,165,000 Taxable General Revenue Bonds, Series 2019B. Proceeds from these bonds were used to finance the costs of a stadium improvement and upgrade project and a portion of the costs of an expansion of a cancer care center and, to pay costs of issuance. In June, the University issued $84,635,000 General Revenue Bonds, Series 2020A and $20,115,000 Taxable General Revenue Bonds, Series 2020B. Proceeds from these bonds will be used to finance the costs of construction of a parking garage and improvement of roadways surrounding the health sciences campus and a portion of the purchase of an office building, and to pay costs of issuance.

Strong debt 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 debt 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

The University's total enrollment increased slightly from the prior year and the total for Fall 2020 is 33,047. Enrollment for Fall 2020 is notable for a number of reasons including being the largest total enrollment in the school's 170-year history, while also setting a record for having the largest first-time freshman class ever, the most diverse first year class and recording the highest graduate enrollment in school history as well. The current COVID-19 pandemic and the associated economic challenges will likely have a large impact on the number of students enrolled during the next year. While this year's enrollment set a number of records, we recognize there are challenges ahead that could have an impact on recruitment and enrollment totals for the near future. Within the State of Utah, the pool of potential students ages 18 through 29 is expected to continue to climb through 2023 followed by a projected stabilization of the expected pool of potential Utah public school students. While it is impossible to predict the full impact upon enrollment due to these challenges the University is well positioned to mitigate these risks.

During the 2020 legislative session, the University's recurring budget was increased and a large number of additional projects were also funded. However, the sudden economic downturn forced a special legislative session to address funding shortfalls for the state of Utah and most new funding received in the regular legislative session was rescinded. Some funding was retained such as money for increases in benefits expenses as well as funding for a small number of other requests. Additionally the University's operating budget was cut by 2.5% during the special legislative session. The University deferred increasing tuition for Summer and Fall semesters and reduced student fees by $150 due to the economic impact facing students. Fiscal austerity measures were implemented across campus including a hiring freeze, a freeze on any salary increases, a ban on travel and limiting any purchases that exceed $10,000. The University received significant one-time funding provided by the federal CARES Act with half of those funds (approximately $9 million) being allocated directly to students and the remainder being used to purchase supplies and equipment directly related to changes in instruction due to the COVID-19 pandemic.

The COVID-19 economic impact has caused a significant increase in the unemployment rate across the country. As of August 2020, the national unemployment rate was 8.4%, while the unemployment rate in Utah was 4.1%. The GDP for the nation dropped 31.4% during the second quarter 2020, while the GDP for Utah dropped 22.4%. Overall the diversity of Utah's economy has allowed the State to avoid as large of an economic impact compared to most states in the country. We are optimistic that the economic recovery will bring growth in jobs and GDP to the State relatively quickly over the next year. We are also optimistic that the State Legislature will provide some funding for employee salary and benefits during the 2021 legislative session and we expect a small increase in tuition for the next academic year.

During fiscal year 2020, the University raised $330 million of committed gifts. The University continues to benefit from the generosity of its donors and supporters and the number of active donors continues to increase. UUHC and ARUP continue to be recognized as leaders in their respective fields. The financial position for each is very strong and is expected to remain so. The University also remains very competitive in attracting research dollars and continues to see increases in sponsored project awards. 2020 set a new University record in research grants awarded at $603 million.

The University exercises a prudent approach to the issuance of debt. With the need for expanded research, patient care, and student housing, comes the need to issue debt to support construction. Within the short-term, the University intends to undertake various construction projects, in most cases partially gift-funded, to support these critical areas. In addition, the University evaluates existing debt versus current interest rates to identify opportunities to refinance at better rates.

The University's endowment funds are managed so as to be available to mission-critical programs and initiatives—now and into the future. The University has invested in a portfolio of equity, fixed income and alternative assets whose valuations are impacted by market conditions, sometimes negatively in the short term. However, we believe our portfolio will provide solid financial footing for the University's endowments over the long term.

UUHIP saw its overall membership decrease in 2020 by 7%. Its fully insured group membership increased by approximately 3% in 2020 compared to 2019. UUHIP anticipates that the 2020 commercial market will continue to remain competitive due to unique market forces in Utah. There is considerable uncertainty on the direction Federal regulation will go on the individual exchange, so UUHIP regularly monitors local and national developments for factors that may impact its performance. Decreases in the third-party administrator membership served by the Company is also expected to result in lower administrative fees in 2020.

Overall, the University is in a sound financial position. The institution has strong strategic leadership and prudent financial management across the institution that work together to ensure its mission is met in the future.

FINANCIAL STATEMENTS

THE UNIVERSITY OF UTAH | Statement of Net Position

(in thousands of dollars)

As of June 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents (Notes 2 & 4)	$ 1,455,616
Short-term investments (Notes 2 & 4)	374,581
Receivables, net (Note 5)	638,778
Inventory (Note 1)	121,774
Other assets (Note 6)	58,167
Total current assets	2,648,916
Noncurrent Assets	
Restricted cash and cash equivalents (Notes 2 & 4)	265,051
Restricted short-term investments (Notes 2 & 4)	562
Investments (Notes 3 & 4)	1,350,696
Restricted investments (Notes 3 & 4)	619,886
Restricted receivables, net (Note 5)	205,809
Donated property	1,231
Net pension asset	4,173
Other assets (Note 6)	16,126
Capital assets, net (Note 7)	3,796,778
Total noncurrent assets	6,260,312
Total assets	8,909,228
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding (Note 1)	11,225
Deferred outflows related to pensions (Note 8)	72,607
Total deferred outflows of resources	83,832
LIABILITIES	
Current Liabilities	
Accounts payable (Note 5)	
to the State of Utah	28,265
to Others	177,161
Accrued payroll	178,428
Compensated absences and early retirement benefits (Notes 1 & 15)	81,747
Unearned revenue (Note 9)	145,258
Deposits and other liabilities (Notes 11 & 15)	327,509
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	5,120
to Others	88,739
Total current liabilities	1,032,227
Noncurrent Liabilities	
Compensated absences and early retirement benefits (Notes 1 & 15)	37,711
Deposits and other liabilities (Notes 11 & 15)	66,937
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	73,675
to Others	1,235,572
Net pension liability (Note 8)	64,977
Total noncurrent liabilities	1,478,872
Total liabilities	2,511,099

Continued on next page…

The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

As of June 30, 2020

DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to bonds (Note 1)	1,490
Deferred inflows related to pensions (Note 8)	48,634
Total deferred inflows of resources	50,124
NET POSITION	
Net investment in capital assets	2,648,561
Restricted for	
Nonexpendable	
Instruction	192,065
Research	86,164
Public service	33,820
Academic support	68,687
Scholarships	236,639
Other	11,984
Expendable	
Research	134,396
Public service	122,390
Academic support	60,415
Institutional support	221,867
Scholarships	77,823
Loans	7,563
Insurance enterprises	58,396
Other	75,032
Unrestricted	2,396,035
Total net position	$6,431,837

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)

For the Year Ended June 30, 2020

OPERATING REVENUES AND EXPENSES	
Revenues	
Tuition and fees, net (Note 1)	$ 377,951
Patient services, net (Notes 1 & 13)	2,547,953
Federal grants and contracts	333,992
State and local grants and contracts	48,195
Nongovernmental grants and contracts	158,529
Sales and services, net (Note 1)	1,205,810
Auxiliary enterprises, net (Note 1)	181,181
Other operating revenues	209,377
Total operating revenues	5,062,988
Expenses	
Compensation and benefits	2,802,999
Component units	690,450
Supplies	695,855
Purchased services	197,866
Medical claims	185,774
Depreciation and amortization	247,453
Utilities	92,329
Cost of goods sold	35,270
Repairs and maintenance	58,038
Scholarships and fellowships	38,081
Other operating expenses	267,629
Total operating expenses	5,311,744
Operating loss	(248,756)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	353,874
Government grants	33,164
Gifts	165,736
Investment income	83,088
Interest	(41,987)
Other	40,481
Total nonoperating revenues	634,356
Income before capital and permanent endowment additions	385,600
CAPITAL AND PERMANENT ENDOWMENT ADDITIONS	
Capital appropriations	25,105
Capital grants and gifts	12,190
Additions to permanent endowments	18,006
Total capital and permanent endowment additions	55,301
Increase in net position	440,901
NET POSITION	
Net position - beginning of year, as adjusted (Note 1)	5,990,936
Net position - end of year	$ 6,431,837

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Cash Flows

(in thousands of dollars)

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 365,844
Receipts from patient services	2,536,022
Receipts from grants and contracts	546,327
Receipts from auxiliary and educational services	1,379,585
Collection of loans to students	6,898
Payments to suppliers	(2,301,690)
Payments for compensation and benefits	(2,845,645)
Payments for scholarships and fellowships	(38,081)
Loans issued to students	(3,140)
Other	383,152
Net cash provided by operating activities	29,272
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	353,874
Government grants	33,164
Federal direct loan receipts	142,727
Federal direct loan payments	(142,727)
Gifts	
Endowment	18,006
Nonendowment	112,695
Other	52,750
Net cash provided by noncapital financing activities	570,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	214,883
Capital appropriations	24,516
Gifts	29,929
Purchase of capital assets	(515,288)
Principal paid on capital debt	(96,258)
Interest paid on capital debt	(52,860)
Net cash used by capital and related financing activities	(395,078)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	2,735,903
Receipt of interest and dividends on investments	64,559
Purchase of investments	(2,042,289)
Net cash provided by investing activities	758,174
Net increase in cash	962,857
Cash - beginning of year	757,810
Cash - ending of year	$ 1,720,667

Continued on next page…

The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

For the Year Ended June 30, 2020

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (248,756)
Adjustments	
Depreciation and amortization expense	247,453
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Receivables, net	(33,319)
Inventory	(24,625)
Net pension asset	(4,169)
Other assets	(21,706)
Deferred outflows related to pensions	(7,796)
Accounts payable	(32,153)
Accrued payroll	24,459
Compensated absences and early retirement benefits	20,953
Unearned revenue	20,170
Deposits and other liabilities	164,852
Net pension liability	(109,808)
Deferred inflows related to pensions	33,717
Net cash used by operating activities	$ 29,272
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital leases	$ 50,000
Donated property and equipment	10,163
Completed construction projects transferred from State of Utah (Note 1)	589
Annuity and life income	(334)
Increase in fair value of investments	25,262
Total noncash investing, capital, and financing activities	$ 85,680

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 four other related entities representing component units of the University. Because the University appoints the majority of the four 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 four 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), 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 August 28, 2020, 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 August 5, 2020, was issued under separate cover.

- UUHIP is a not-for-profit corporation that provides individual and large group health insurance. UUHIP received its certificate of authority to offer health insurance in the State of Utah effective January 1, 2015 and started full operations in 2016. Also in 2016, it started building provider networks, processing payments and performing other administrative services for third parties. The fiscal year end for UUHIP is December 31. Other independent auditors audited UUHIP and their report, dated July 1, 2020, 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, 2019.

- 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 September 16, 2020, was issued under separate cover.

The University, ARUP, UUHIP, and UURF apply all GASB pronouncements in the accounting and reporting of their operations. The CNS report was issued under accounting principles generally accepted in the United States of America.

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.

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 taking into account 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, 2020:

Revenue Allowances	
Tuition and fees	$108,272,139
Patient services	88,295,686
Sales and services	1,005
Auxiliary enterprises	2,475,629

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.

F. Research and Development Costs

Research and development costs of ARUP are expensed as incurred. These costs for the year ended June 30, 2020 were approximately $13.2 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, 2020 was approximately $53.2 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, 97 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, 2020, these expenditures were approximately $6.7 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 20.00 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, 2020 was approximately $59.6 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.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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, 2020, the University added CNS as a blended component unit which increased beginning net position by $10.9 million.

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

Cash and cash equivalents consists 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 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, 2020, cash and cash equivalents and short-term investments consisted of:

Cash and Cash Equivalents	
Cash	$ 31,722,838
Money market funds	1,042,768,025
Utah Public Treasurers' Investment Fund	645,975,993
Time Certificates of Deposit	200,163
Total (fair value)	$1,720,667,019

Short-term Investments	
Time certificates of deposit	$ 3,702,380
U.S. Treasuries	188,078,168
U.S. Agencies	148,204,480
Corporate notes	35,158,137
Total (fair value)	$ 375,143,165

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 are also recorded at fair value.

University personnel manage certain portfolios, while 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, 2020 was 4% of the twelve quarter moving average of the market value of the endowment pool. The spending practice is 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, 2020 was approximately $82,038,000. The net appreciation is a component of restricted expendable net position.

At June 30, 2020, the investment portfolio composition was as follows:

Investments	
Time certificates of deposits	$ 11,168,554
U.S. Treasuries	127,086,343
U.S. Agencies	652,307,132
Corporate notes	108,874,090
Mutual funds	1,049,948,880
Common and preferred stocks	21,197,268
Total (fair value)	$1,970,582,267

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 State Board of Regents' Rule 541, *Management and Reporting of Institutional Investments* (Rule 541), and the University's investment policy and endowment guidelines.

ARUP, CNS 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.

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, 2020, the carrying amounts of the University's deposits and bank balances were $31,060,303 and $100,557,451, 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 $1,356,972, by the FDIC. The bank balances in excess of $1,356,972 were uninsured and uncollateralized, leaving $99,200,479 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, 2020, 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	$ 1,042,768,025	$ 20,211,676	$ 1,022,556,349	
Utah Public Treasurers' Investment Fund	645,975,993		645,975,993	
Time certificates of deposit	15,071,097	200,163	14,870,934	
U.S. Treasuries	315,164,511		315,164,511	
U.S. Agencies	800,511,612		800,511,612	
Corporate notes	144,032,227		144,032,227	
Mutual bond funds	178,210,942		178,210,942	
Total debt securities	3,141,734,407	20,411,839	3,121,322,568	
Equity securities				
Common and preferred stocks	21,197,268	16,481,816		$ 4,715,452
Mutual equity funds	385,936,878	729,793	385,207,085	
Total equity securities	407,134,146	17,211,609	385,207,085	4,715,452
Total investments by fair value level	3,548,868,553	37,623,448	3,506,529,653	4,715,452
Investments measured at net asset value (NAV)				
Hedged equity	73,415,182			
Private equity	56,994,978			
Venture capital	53,552,701			
Credit sensitive fixed income	38,993,942			
Private real estate	15,081,128			
Private natural resources	1,584,189			
Other real assets	82,953,803			
Diversifying strategies	163,225,137			
Total investments measured at the NAV	485,801,060			
Total investments measured at fair value	$ 4,034,669,613	$ 37,623,448	$ 3,506,529,653	$ 4,715,452

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 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, 2020 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 taking into account 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	$ 73,415,182		Monthly, quarterly	30–75 days
Private equity	56,994,978	$ 22,831,637	N/A	N/A
Venture capital	53,552,701	25,480,253	N/A	N/A
Credit sensitive fixed income	38,993,942	25,202,444	Quarterly	90 days
Private real estate	15,081,128	4,211,919	N/A	N/A
Private natural resources	1,584,189	805,653	N/A	N/A
Other real assets	82,953,803	42,507,755	N/A	N/A
Diversifying strategies	163,225,137		Daily, quarterly, annually	0-90 days
Total alternative investments	$ 485,801,060			
Total unfunded commitments		$ 121,039,661		

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

As of June 30, 2020, the University had debt investments with maturities as shown below in *Figure 1.*

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.

Figure 1		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Money market mutual funds	$ 1,042,768,025	$ 1,042,768,025			
Utah Public Treasurers' Investment Fund	645,975,993	645,975,993			
Time certificates of deposit	15,071,097	3,902,543	$ 11,168,554		
U.S. Treasuries	315,164,511	188,078,168	127,086,343		
U.S. Agencies	800,511,612	148,204,480	457,353,996	$ 194,953,136	
Corporate notes	144,032,227	35,158,137	104,238,280	208,950	$ 4,426,860
Mutual bond funds	178,210,942		20,724,004	157,486,938	
Totals	$ 3,141,734,407	$ 2,064,087,346	$ 720,571,177	$ 352,649,024	$ 4,426,860

ARUP, CNS and UUHIP manage their credit risk by requiring that 70% of their investment portfolio must be compliant with the Act.

At June 30, 2020, 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, 2020, the University's custodial bank was both the custodian and the investment counterparty for $1,115,676,123 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.

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*	7%	0% - 15%
Natural Resources*	8%	0% - 10%
Infrastructure*	5%	0% - 10%
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, 2020, the University held more than 5% of its total investments in the Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation. These investments represent 7.8%, and 5.3 %, respectively, of the University's total investments.

Figure 2		**Quality Rating**					
Investment Type	**Fair Value**	**AAA/A-1***	**AA**	**A**	**BBB**	**Unrated**	**No Risk**
Money market mutual funds	$1,042,768,025	$817,122,313				$ 225,645,712	
Utah Public Treasurers' Investment Fund	645,975,993					645,975,993	
Time certificates of deposit	15,071,097	528,597	$ 1,229,651	$ 3,810,763	$ 1,342,109	8,159,977	
U.S. Treasuries	315,164,511						$315,164,511
U.S. Agencies	800,511,612	131,476,667	454,518,354			214,516,591	
Corporate notes	144,032,227	7,031,746	15,227,203	103,105,415	$15,495,904	3,171,959	
Mutual bond funds	178,210,942		51,229,699			126,981,243	
Totals	$ 3,141,734,407	$ 956,159,323	$522,204,907	$106,916,178	$16,838,013	$1,224,451,475	$315,164,511

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

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, 2020, the University's exposure to foreign currency risk is $8,109,999 in Private Real Estate investments that are 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, 2020, including approximately $11.3 million and $203.1 million of noncurrent loans, and pledges receivable, respectively:

Accounts	$ 944,712,171
Grants and contracts	47,162,908
Loans	19,015,896
Pledges	229,975,500
Interest	6,460,562
	1,247,327,037
Less allowances for doubtful accounts	(402,739,186)
Receivables, net	$ 844,587,851

The following schedule presents the major components of accounts payable at June 30, 2020:

Vendors	$ 107,041,075
Interest	23,595,256
Payable to State	28,265,059
Other	46,524,695
Total accounts payable	$ 205,426,085

6. OTHER ASSETS

Prepaid rent to the State of Utah, for the Huntsman Cancer Hospital, is amortized using the straight-line method. The June 30, 2020 balance of prepaid rent to the State was $9,362,709.

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.

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 $5,000 for UUHC. Equipment is capitalized when acquisition costs exceed $5,000 for the University or $2,500 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.

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, 2020, the University had outstanding commitments for the construction and remodeling of University buildings of approximately $48.9 million. Capital assets at June 30, 2020, are shown below in *Figure 3*.

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

Figure 3 (in thousands of dollars)	Beginning Balance	Additions	Retirements	Ending Balance
Buildings	$ 3,725,033	$ 481,849	$ (1,027)	$ 4,205,855
Infrastructure and improvements	465,357	58,067	(7,195)	516,229
Land	85,265	250	(590)	84,924
Equipment (including intangibles)	1,225,753	159,923	(87,911)	1,297,765
Library materials	133,396	564	(840)	133,120
Art and special collections	83,161	10,804	0	93,965
Construction in progress	504,037	63,639	(186,049)	381,628
Total cost	6,222,002	775,096	(283,612)	6,713,486
Less accumulated depreciation				
Buildings	1,481,306	115,116	(402)	1,596,020
Infrastructure and improvements	249,999	27,432	(7,191)	270,240
Equipment	905,997	111,098	(83,422)	933,673
Library materials	115,920	1,695	(840)	116,775
Total accumulated depreciation	2,753,222	255,341	(91,855)	2,916,708
Capital assets, net	$ 3,468,780	$ 519,755	$ (191,757)	$ 3,796,778

separate defined contribution pension plan and a 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.
- 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 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 and are 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.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

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 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 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 20 years age 60* 10 years age 62* 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 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* With actuarial reductions

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

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 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	18.99%
Public Safety System		
Public Safety Tier 1	N/A	41.35%
Public Safety Tier 2*	N/A	29.84%

* 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, 2020, the University and employee contributions to the plans were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	$ 23,604,692	N/A
Contributory System	651,513	$ 220,852
Public Safety System	1,061,838	-
Tier 2 Public Employees System	4,645,446	-
Tier 2 Public Safety and Firefighter System	240,863	-
Total	$ 30,204,352	$ 220,852

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

At June 30, 2020, the University's net pension asset and liability were as follows:

	Proportionate Share December 31, 2019	Proportionate Share December 31, 2018	Change Increase/(Decrease)	Net Pension Asset	Net Pension Liability
Noncontributory System	52.3703876%	4.1508111%	48.2195765%	-	$ 61,432,040
Contributory System	74.0066292%	21.3415034%	52.6651258%	$ 4,172,732	-
Public Safety System	2.0977160%	1.7140888%	0.3836272%	-	3,097,753
Tier 2 Public Employees System	1.8209912%	2.3921260%	(0.5711348%)	-	409,554
Tier 2 Public Safety and Firefighter System	0.4021727%	0.3597768%	0.0423959%	-	37,830
Total Net Pension Asset / Liability				$ 4,172,732	$ 64,977,177

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, the University recognized pension expense of $57,269,021 for the defined benefit pension plans.

At June 30, 2020, 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	$ 51,015,284	$ 781,839
Changes in assumptions	5,806,302	12,110
Net difference between projected and actual earnings on pension plan investments	-	39,350,797
Changes in proportion and differences between contributions and proportionate share of contributions	757,637	8,489,080
Contributions subsequent to the measurement date	15,027,960	-
Total	$ 72,607,183	$ 48,633,826

Contributions made between January 1, 2020 and June 30, 2020 of $15,027,960 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
2020	$ 19,420,392
2021	4,023,421
2022	37,642
2023	(14,697,731)
2024	33,317
Thereafter	128,354

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

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

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

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

The discount rate used to measure the total pension liability was 6.95%. 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 remained the same at 6.95 percent from the prior measurement period.

The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95%, as well as, what the proportionate share 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 (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Proportionate Share of Net Pension Liability (Asset)			
Noncontributory System	$ 202,211,971	$ 61,432,040	$ (55,710,011)
Contributory System	6,632,283	(4,172,732)	(13,368,320)
Public Safety	7,247,531	3,097,753	(316,987)
Tier 2 Public Employees System	3,531,769	409,554	(2,003,344)
Tier 2 Public Safety and Firefighter System	133,639	37,830	(33,293)
Totals	$ 219,757,193	$ 60,804,445	$ (71,431,955)

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

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%, 1.03%, and 0.70%, 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 12%, 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, 2020, the University's contribution totaled $2,472,605, which was included in the pension expense, and the participating employees' voluntary contributions totaled $239,687. 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, 2020, the University's contribution to these defined contribution pension plans was 14.20% 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 $38,076,000 for the year ended June 30, 2020.

The ARUP defined contribution pension and profit sharing plans provide 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 5.00% 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 $23,067,449 for the year ended June 30, 2020.

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 2020 employee contributions to these plans were $110,239,557.

For the year ended June 30, 2020, the University's contributions to the defined contribution plans were equal to the required amounts, as shown below in *Figure 4.*

Figure 4	2020
TIAA	$ 97,824,171
Fidelity	103,947,153
401(a), Hospital Plan Plus, & 403(b)	58,060,777
Employer 401(k) Contributions	2,472,605
ARUP defined contribution plan	17,115,974
ARUP Profit sharing plan	12,418,761
Total employer contributions	$ 291,839,441

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, 2020 was $137,011,710.

In addition, certain funds held in trust by others are comprised of stock, reported at a value of $14,228,294 as of June 30, 2020, based on a predetermined formula. The fair value of this stock as of June 30, 2020 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 physicians 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, 2020, 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 claim and $26,000,000 in the 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 below in *Figure 5.*

Figure 5	2020	2019
Estimated claims liability - beginning of year	$ 90,680,912	$ 83,450,308
Current year claims and changes in estimates	257,648,219	233,274,963
Claim payments, including related legal and administrative expenses	(259,101,293)	(226,044,359)
Estimated claims liability - end of year	$ 89,227,838	$ 90,680,912

The University has recorded the investments of the malpractice liability trust funds at June 30, 2020, 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 100% of qualified health claims in excess of $600,000 per occurrence. Premiums to reinsurers for reinsurance ceded reduced premium revenue by approximately $2,200,000 during 2019. Excluding amounts recoverable under the ACA transitional reinsurance program, UUHIP had approximately $1,206,000 in reinsurance recoupments that reduced health benefits during 2019. During the year ended December 31, 2019, 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* on page 40.

Figure 6	2019	2018
Estimated claims liability - beginning of year	$ 16,372,692	$ 4,793,797
Current year claims and changes in estimates	152,358,322	136,470,456
Claim payments, including related legal and administrative expenses	(150,307,116)	(124,891,561)
Estimated claims liability - end of year	$ 18,423,898	$ 16,372,692

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.

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 giving consideration to 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 as a result of charity care during the year ended June 30, 2020, were approximately $80.6 million.

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, 2019, including supplemental Medicaid services of approximately $2,072,000 were $22,823,000.

14. LEASES

A. Revenue

UURF receives lease revenues from noncancellable sublease agreements with tenants of the Research Park and from tenants occupying eight buildings owned by UURF. The lease revenue to be received from these noncancellable leases for each of the subsequent five years is approximately $16.5 million. Most lease revenue is subject to escalation based on changes in the Consumer Price Index (CPI). Since such escalations are dependent upon future changes in the CPI, these escalations, if any, are not reflected in the minimum noncancellable lease revenues listed above.

At June 30, 2020, the historical cost of land and buildings held for lease and the related accumulated depreciation was $90.9 million and $31.8 million, respectively.

B. Commitments

The University leases buildings and office and computer equipment. Capital leases are valued at the present value of future minimum lease payments. Assets associated with the capital leases are recorded as buildings and equipment together with the related long-term obligations. Assets currently financed as capital leases amount to $80.9 million and $151.2 million for buildings and equipment, respectively. Accumulated depreciation for these buildings and equipment was $18.2 million and $86.1 million, respectively. Operating leases and related assets are not recorded in the Statement of Net Position. Payments are recorded as expenses when incurred and amount to $32.3 million for the University and $1.2 million for component units for the year ended June 30, 2020. Total operating lease commitments for the University include approximately $23.7 million of commitments to component units.

Future minimum lease commitments for operating and capital leases as of June 30, 2020 are shown below in *Figure 7.*

Figure 7

Fiscal Year	Operating	Capital
2021	$ 31,047,382	$ 38,875,860
2022	26,095,196	36,166,323
2023	21,242,830	33,117,243
2024	18,883,404	19,652,748
2025	16,134,965	19,349,347
2026 – 2030	40,820,942	83,285,183
2031 – 2035	11,161,839	
2036 – 2040	9,736,241	
2041 – 2045	10,965,259	
2046 – 2050	9,643,929	
2051 – 2055	409,874	
Total future minimum lease payments	$ 196,141,861	230,446,704
Amount representing interest		(28,276,321)
Present value of future minimum lease payments		$ 202,170,383

15. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

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

The State Board of Regents issues revenue bonds to provide funds for the 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 capitalized leases.

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 2020, the University issued two bond issues. In December, the University issued $74,050,000 Tax-Exempt General Revenue Bonds, Series 2019A and $30,165,000 Taxable General Revenue Bonds, Series 2019B. Proceeds from these bonds were used to finance the costs of a stadium improvement and upgrade project and a portion of the costs of an expansion of a cancer care center and, to pay costs of issuance. In June, the University issued $84,635,000 General Revenue Bonds, Series 2020A and $20,115,000 Taxable General Revenue Bonds, Series 2020B. Proceeds from these bonds will be used to finance the costs of construction of a parking garage and improvement of roadways surrounding the health sciences campus and a portion of the purchase of an office building, and to pay costs of issuance.

The following schedule lists the outstanding bonds payable and certificates of participation of the University at June 30, 2020:

Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Current Liability	Balance 6/30/2020(a)
Auxiliary and Campus Facilities						
Series 1998A - Revenue Refunding	7/1/98	2029	4.100% - 5.250%	$120,240,000	$ 42,410	$ 30,826,459
Series 2010C - Revenue	12/28/10	2036	1.750% - 5.890%	42,525,000	1,585,000	34,055,000
Series 2012A - Revenue	7/10/12	2030	2.000% - 5.000%	46,235,000	2,335,189	4,688,138
Hospital Facilities						
Series 2006A - Revenue Refunding	10/26/06	2022	4.000% - 5.250%	77,145,000	3,328,057	6,641,741
Series 2009B - Taxable Revenue	12/17/09	2031	4.697% - 5.247%	41,785,000	2,570,000	34,555,000
Series 2010 - Revenue	8/2/10	2021	3.000% - 5.000%	36,120,000	3,140,896	4,336,278
Series 2011A - Revenue Refunding	5/24/11	2027	3.600%	20,145,000	1,335,000	1,335,000
Series 2011B – Revenue Refunding	7/28/11	2021	3.350% - 5.000%	66,480,000	3,349,916	3,349,916
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	3,163,489	15,165,004
Series 2014A - Revenue Refunding	4/1/14	2027	4.000% - 5.000%	32,785,000	807,084	25,510,435
Series 2014B - Revenue Refunding	7/15/14	2038	2.000% - 5.000%	76,200,000	3,410,196	31,902,508
Series 2015A - Revenue Refunding	1/7/15	2034	1.500% - 5.000%	45,330,000	906,790	12,775,756
Series 2015B - Revenue Refunding	5/13/15	2035	3.000% - 5.000%	91,570,000	7,460,592	89,391,855
Series 2016A - Revenue Refunding	3/8/16	2036	3.000% - 5.000%	68,210,000	4,681,009	74,090,530
Series 2016B – Revenue Refunding	11/29/16	2036	2.000% - 5.000%	131,720,000	5,078,885	148,046,027
Series 2017A – Revenue Refunding	9/13/17	2039	4.000% - 5.000%	155,930,000	6,519,556	176,531,661
Series 2017B – Revenue Refunding	12/21/17	2038	3.000% - 5.000%	96,550,000	2,562,612	111,456,651
Series 2018A – Revenue	7/17/18	2044	4.000% - 5.000%	80,040,000	1,685,000	91,374,555
Series 2019A – Revenue	12/3/19	2039	4.000% - 5.000%	74,050,000	582,197	90,088,918
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	1,411,151	110,483,807
Series 2020B – Revenue	6/24/20	2032	0.577% - 1.866%	20,115,000	-	20,115,000
Certificates of Participation						
Series 2015	6/10/15	2026	1.800%	10,050,000	1,810,000	5,170,000
Total					$ 57,765,029	$ 1,167,225,239

(a) Includes unamortized premiums on refunding.

UURF has purchased four buildings with two mortgages that are guaranteed by the University, as well as, two Notes Payable to the University. The remaining amounts of the mortgages are $394,634 at 7.15% interest and $21,295,256 at 5.53% interest. The mortgages will be paid off on September 1, 2021 and September 30, 2028, respectively. The Notes call for annual payments at 4% and 2% interest until June and October 2024. UURF retired both of these Notes in July and August 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 960,079,275	$ 251,166,977	$ 49,191,013	$1,162,055,239	$ 55,955,029
Certificates of participation	6,980,000	-	1,810,000	5,170,000	1,810,000
Capital leases payable	184,387,082	50,000,000	32,216,699	202,170,383	33,277,899
Notes and contracts payable	27,890,803	8,997,052	3,177,861	33,709,994	2,815,615
Total long-term debt	1,179,337,160	310,164,029	86,395,573	1,403,105,616	93,858,543
Compensated absences	98,505,980	99,798,580	78,846,034	119,458,526	81,747,428
Net pension liability	174,784,955	-	109,807,777	64,977,178	-
Deposits & other liabilities	210,917,230	354,162,933	170,634,141	394,446,022	327,509,399
Total long-term liabilities	$1,663,545,325	$ 764,125,542	$ 445,683,525	$1,981,987,342	$ 503,115,370

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

	Payments	
Fiscal Year	Principal	Interest
2021	$ 93,858,543	$ 54,268,343
2022	107,759,020	51,843,846
2023	104,711,319	47,907,362
2024	95,842,266	43,685,841
2025	93,245,233	39,459,537
2026 – 2030	439,567,241	140,682,081
2031 – 2035	265,034,730	64,645,684
2036 – 2040	167,860,055	22,528,049
2041 – 2045	35,227,209	3,324,250
Total	$ 1,403,105,616	$ 468,344,993

Interest related to bond systems with pledged revenues amounts to $434,544,929 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, 2020 is $360,235,000.

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 below presents the net revenue pledged and the principal and interest paid for the year ended June 30, 2020.

Figure 8	
Revenue	
Operating revenue	$ 3,336,579,804
Nonoperating revenue	126,491,544
Total revenue	3,483,071,348
Expenses	
Operating expenses	3,184,737,832
Total expenses	3,184,737,832
Net pledged revenue	$ 278,333,516
Principal and interest paid	$ 106,643,042

18. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following schedule presents, in thousands of dollars, operating expenses by functional classification for the year ended June 30, 2020:

Function	Compensation and Benefits	Supplies and Services	Utilities	Scholarships & Fellowships	Depreciation	Medical Claims	Component Units	Total
Instruction	$ 431,091	$ 54,320	$ 2,777	$ 76,606				$ 564,794
Research	298,714	122,344	1,455	3,807				426,320
Public service	622,618	83,332	25,156	1,968				733,074
Academic support	146,348	41,294	3,001	697				191,340
Student services	47,019	28,385	4,477	658				80,539
Institutional support	108,422	(8,321)	6,248	1,830				108,179
Plant maintenance	42,459	40,672	21,474	2				104,607
Student aid	6,208	101,975	32	(52,839)				55,376
Other	89,704	(117,904)	4,906	5,351	$ 133,513			115,570
Hospital	1,004,473	908,560	22,804		82,007	$ 185,774		2,203,618
Component units	5,944				31,933		$ 690,450	728,327
Total	$ 2,803,000	$ 1,254,657	$ 92,330	$ 38,080	$ 247,453	$ 185,774	$ 690,450	$ 5,311,744

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 and CNS. Amounts for UURF and ARUP are for the year ended June 30, 2020. Amounts for UUHIP and CNS are for the year ended December 31, 2019.

Condensed Statement of Net Position	UURF	ARUP	UUHIP	CNS	Eliminations increase/(decrease)	Total
ASSETS						
Current Assets	$ 26,487,762	$ 308,772,411	$ 118,360,814	$ 11,573,779	$ (100,202,960)	$ 364,991,806
Capital assets, net	61,286,154	327,508,943		7,624,166		396,419,263
Other noncurrent assets	7,652,725	4,786,967		1,718,004	(4,643,187)	9,514,509
Total assets	95,426,641	641,068,321	118,360,814	20,915,949		770,925,578
LIABILITIES						
Current liabilities	8,875,801	99,284,919	59,965,118	7,632,785	(90,270,029)	85,488,594
Noncurrent liabilities	22,756,750			3,648,956	(9,090,941)	17,314,765
Total liabilities	31,632,551	99,284,919	59,965,118	11,281,741		102,803,359
NET POSITION						
Net investment in capital assets	35,500,071	327,508,943				363,009,014
Restricted expendable			58,395,696	395,153		58,790,849
Unrestricted	28,294,019	214,274,459		9,239,055	(5,485,177)	246,322,356
Total net position	$ 63,794,090	$ 541,783,402	$ 58,395,696	$ 9,634,208		$ 668,122,219

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

	UURF	ARUP	UUHIP	CNS	Eliminations	Total
OPERATING REVENUES						
Leases	$ 17,915,924				$ (11,845,766)	$ 6,070,158
Royalties	12,997,519					12,997,519
Sales and services		$ 681,421,094	$ 196,396,136	$ 50,062,922	(152,822,833)	775,057,319
Net increase in fair value of investments	165,755					165,755
Total operating revenues	31,079,198	681,421,094	196,396,136	50,062,922		794,290,751
OPERATING EXPENSES						
Operating expenses	19,158,267	579,579,706	183,032,277	48,022,469	(58,572,282)	771,220,437
Depreciation	2,449,689	28,682,071		801,651		31,933,411
Total operating expenses	21,607,956	608,261,777	183,032,277	48,824,120		803,153,848
Operating income	9,471,242	73,159,317	13,363,859	1,238,802		(8,863,097)
NONOPERATING REVENUES (EXPENSES)						
Investment income	94,086	4,209,755	4,630,346			8,934,187
Interest expense	(1,418,106)		(1,249,576)			(2,667,682)
Federal income tax expense			(3,558,137)			(3,558,137)
Sale of equity investments	471,983					471,983
Contributions from (distributions to) the University	679,828	(56,030,821)			57,150,993	1,800,000
Other non-operating income/(expenses)		13,703,345		(2,519,811)		11,183,534
Total nonoperating revenues/(expenses)	(172,209)	(38,117,721)	(177,367)	(2,519,811)		16,163,885
Net increase in net position	9,299,033	35,041,596	13,186,492	(1,281,009)		7,300,788
NET POSITION						
Net position – beginning of year	54,495,057	506,741,806	45,209,204	10,915,217	43,460,147	660,821,431
Net position – end of year	$ 63,794,090	$ 541,783,402	$ 58,395,696	$ 9,634,208		$ 668,122,219

Condensed Statement of Cash Flows	UURF	ARUP	UUHIP	CNS	Eliminations	Total
Net cash provided by operating activities	$ 13,399,484	$ 115,810,875	$ 3,385,534	$ 2,195,668	$(131,159,303)	$ 3,632,258
Net cash provided/(used) by noncapital financing activities	679,828	(58,909,953)			46,663,037	(11,567,088)
Net cash used by capital and related financing activities	(8,006,196)	(93,384,177)	(1,048,383)	(928,870)		(103,367,626)
Net cash provided/(used) by investing activities	749,562	9,708,873	(2,636,890)	(788,903)	(2,323,972)	4,708,670
Net increase (decrease) in cash	6,822,678	(26,774,382)	(299,739)	477,895		(106,593,786)
Cash - beginning of year	21,253,493	66,647,295	29,412,718	327,624	(86,754,797)	30,886,333
Cash - end of year	$ 28,076,171	$ 39,872,913	$ 29,112,979	$ 805,519		$ (75,707,453)

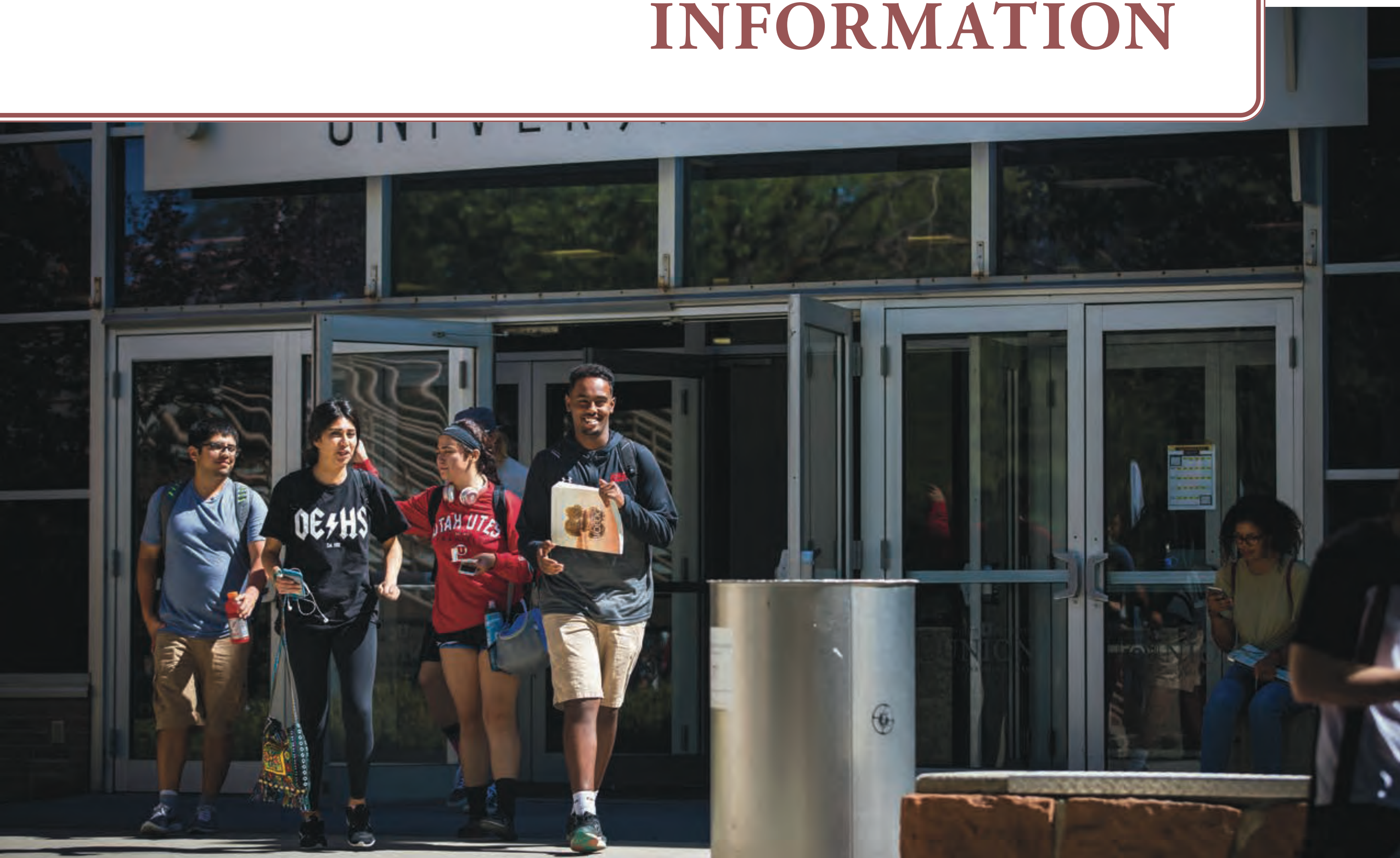
20. LINE OF CREDIT

ARUP has an uncollateralized line of credit with a bank that provides for borrowings up to $10.0 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 (0.30% at June 30, 2020) 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, 2020. 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, 2020.

21. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen across a range of industries. The extent of the impact of COVID-19 on the University's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on students, customers, employees and vendors, all of which are uncertain and cannot be predicted. On September 19, 2020 the Department of Health and Human Services issued the General and Targeted Distribution Post-Payment Notice of Reporting Requirements release. This release changed the criteria and reporting guidance for the Provider Relief Funds received by the University. The release is subject to further interpretation and the University is evaluating the impact, if any to the organization. As of the date of this report, the extent to which COVID-19 may impact the University's financial condition or results of operations is uncertain. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

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

	2019	2018	2017	2016	2015	2014
Noncontributory System						
Proportion of net pension liability (asset)	52.37038760%	4.15081110%	4.43149890%	4.72255030%	5.06361980%	5.10932610%
Proportionate share of net pension liability (asset)	$ 61,432,040	$ 154,431,638	$ 108,366,198	$ 153,053,931	$ 159,062,799	$ 128,373,118
Covered payroll	$ 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	56.22%	137.40%	93.94%	127.37%	127.30%	99.00%
Plan fiduciary net position as a percentage of total pension liability	94.20%	84.10%	89.20%	84.90%	84.50%	87.20%
Contributory System						
Proportion of net pension liability (asset)	74.00662920%	21.34150340%	20.18198590%	20.57222910%	19.93038900%	18.75239770%
Proportionate share of net pension liability (asset)	$ (4,172,732)	$ 15,152,551	$ 1,328,057	$ 11,272,710	$ 12,489,421	$ 2,056,560
Covered payroll	$ 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	-108.50%	365.84%	28.92%	204.41%	197.82%	30.40%
Plan fiduciary net position as a percentage of total pension liability	103.60%	91.40%	99.20%	93.40%	92.40%	98.70%
Public Safety System						
Proportion of net pension liability (asset)	2.09771600%	1.74088880%	1.71193320%	1.48473260%	1.41567170%	1.14690980%
Proportionate share of net pension liability (asset)	$ 3,097,753	$ 4,167,255	$ 2,976,823	$ 3,174,487	$ 3,047,750	$ 2,131,232
Covered payroll	$ 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	120.54%	192.21%	130.97%	152.04%	156.18%	130.20%
Plan fiduciary net position as a percentage of total pension liability	90.00%	83.20%	87.40%	83.50%	82.30%	84.30%
Tier 2 Public Employees System						
Proportion of net pension liability (asset)	1.82099120%	2.39212600%	3.19193590%	4.60362900%	6.64369130%	6.78702880%
Proportionate share of net pension liability (asset)	$ 408,219	$ 1,024,497	$ 281,424	$ 513,532	$ (14,503)	$ (205,677)
Covered payroll	$ -	$ 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	0.00%	3.66%	0.90%	1.36%	(0.03%)	(0.60%)
Plan fiduciary net position as a percentage of total pension liability	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)	0.40217270%	0.35977680%	0.30450360%	0.43726900%	0.39878160%	0.36002060%
Proportionate share of net pension liability (asset)	$ 37,830	$ 9,014	$ (3,523)	$ (3,796)	$ (5,826)	$ (5,326)
Covered payroll	$ 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	5.71%	1.88%	(1.10%)	(1.05%)	(2.45%)	(3.60%)
Plan fiduciary net position as a percentage of total pension liability	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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 23,604,692	$ 24,357,470	$ 25,003,713	$ 25,936,009	$ 27,133,967	$ 28,061,542	$ 27,124,989	$ 35,151,747	$ 26,111,760	$ 25,170,054
Contribution in Relation to the Contractually Required Contribution	(23,604,692)	(24,357,470)	(25,003,713)	(25,936,009)	(27,133,967)	(28,061,542)	(27,124,989)	(35,151,747)	(26,111,760)	(25,170,054)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$107,759,826	$111,057,075	$113,936,327	$118,147,239	$123,098,874	$126,960,128	$132,937,438	$150,750,438	$155,167,201	$154,233,966
Contributions as a Percentage of Covered Payroll	21.9%	21.9%	21.9%	22.0%	22.0%	22.1%	20.4%	23.3%	16.8%	16.3%

Contributory System	2020	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]
Contractually Required Contribution	$ 651,513	$ 703,592	$ 754,331	$ 894,123	$ 1,058,540	$ 1,164,742	$ 1,096,361	$ 687,650	$ 403,590	$ 270,496
Contribution in Relation to the Contractually Required Contribution	(651,513)	(703,592)	(754,331)	(894,123)	(1,058,540)	(1,164,742)	(1,096,361)	(687,650)	(403,590)	(270,496)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,680,861	$ 3,975,096	$ 4,261,758	$ 5,051,541	$ 5,985,358	$ 6,580,469	$ 6,865,132	$ 5,696,793	$ 3,173,040	$ 1,517,153
Contributions as a Percentage of Covered Payroll	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	16.0%	12.1%	12.7%	17.8%

Public Safety System	2020	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]
Contractually Required Contribution	$ 1,061,838	$ 766,954	$ 789,054	$ 739,683	$ 682,809	$ 550,177	$ 486,603	$ 468,024	$ 427,891	$ 407,628
Contribution in Relation to the Contractually Required Contribution	(1,061,838)	(766,954)	(789,054)	(739,683)	(682,809)	(550,177)	(486,603)	(468,024)	(427,891)	(407,628)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,916,589	$ 2,107,865	$ 2,220,291	$ 2,212,011	$ 2,117,893	$ 1,707,174	$ 1,642,290	$ 1,611,246	$ 1,635,298	$ 1,244,666
Contributions as a Percentage of Covered Payroll	36.4%	36.4%	35.9%	33.4%	32.2%	32.2%	29.6%	29.0%	26.2%	32.7%

Tier 2 Public Employees System	2020	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]
Contractually Required Contribution	$ 4,645,446	$ 4,993,396	$ 5,444,034	$ 6,127,098	$ 7,878,405	$ 6,995,912	$ 4,707,627	$ 2,945,339	$ 1,728,653	$ 1,158,587
Contribution in Relation to the Contractually Required Contribution	(4,645,446)	(4,993,396)	(5,444,034)	(6,127,098)	(7,878,405)	(6,995,912)	(4,707,627)	(2,945,339)	(1,728,653)	(1,158,587)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 24,526,165	$ 26,511,616	$ 29,551,457	$ 33,628,505	$ 43,203,966	$ 38,336,356	$ 28,113,543	$ 24,400,464	$ 13,590,742	$ 6,498,259
Contributions as a Percentage of Covered Payroll[5]	18.9%	18.8%	18.4%	18.2%	18.2%	18.2%	16.7%	12.1%	12.7%	17.8%

Tier 2 Public Safety and Firefighter System	2020	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[4]
Contractually Required Contribution	$ 240,863	$ 215,306	$ 102,648	$ 98,360	$ 103,266	$ 50,424	$ 32,261	$ 8,581	$ 3,929	N/A
Contribution in Relation to the Contractually Required Contribution	(240,863)	(215,306)	(102,648)	(98,360)	(103,266)	(50,424)	(32,261)	(8,581)	(3,929)	
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered Payroll	$ 807,261	$ 722,503	$ 350,573	$ 336,733	$ 353,411	$ 172,330	$ 117,742	$ 77,303	$ 37,598	
Contributions as a Percentage of Covered Payroll[5]	29.8%	29.8%	29.3%	29.2%	29.2%	29.3%	27.4%	11.1%	10.5%	

[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.

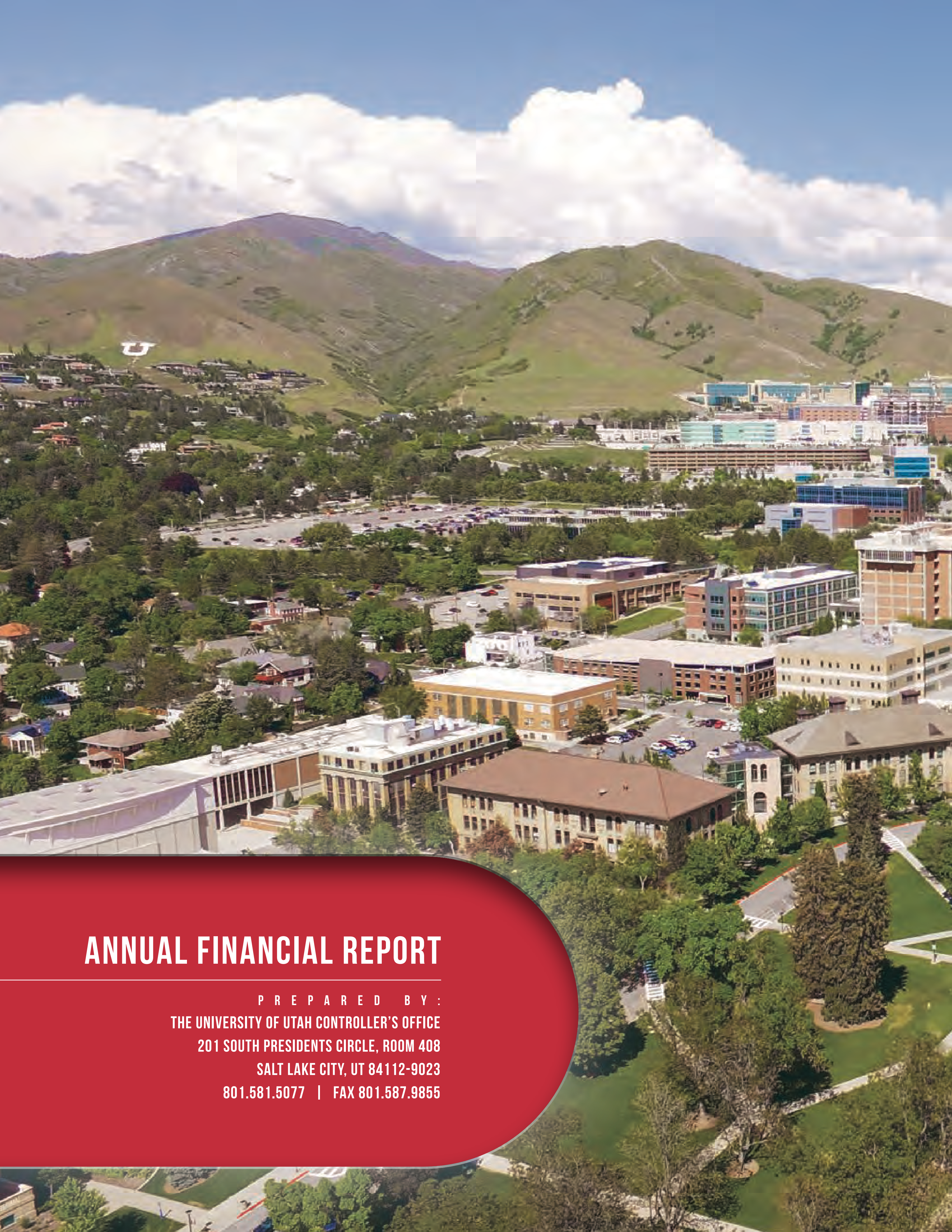
[3] The Tier 2 Public Employees System was created in 2011.

[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.



ANNUAL FINANCIAL REPORT

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