2022 ANNUAL FINANCIAL REPORT

UtahStateUniversity®

A COMPONENT UNIT OF THE STATE OF UTAH

Old Main Building

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LETTER FROM THE PRESIDENT

As the land-grant institution of Utah, Utah State University is fortunate to have dedicated faculty with diverse areas of expertise in learning, discovery and outreach. Specific to our education mission, our faculty provide excellence in teaching on all of our campuses and educational sites as well as through our many online degree offerings. Our commitment to education and learning continues to yield accolades and advancements. As a national leader in research and graduate-level education, USU became one of just 146 institutions in the U.S. to attain the Carnegie R1 Classification for “very high research activity” in late 2021. Contributing to this research activity is a record-breaking 10-year contract for up to $1 billion awarded by the U.S. Air Force Research Laboratory to the USU Space Dynamics Laboratory. USU’s new Janet Quinney Lawson Institute for Land, Water, and Air now connects the institution’s research programs with state, county, and city decision-makers to provide evidence-based data on trending topics. In March 2022, the Utah Legislature voted to approve and fund a new College of Veterinary Medicine at USU, a four-year PhD program that will be the first in the state.

We have worked hard to ensure we are a high-quality land-grant institution that delivers educational and learning opportunities to students at an affordable price. Students taking anywhere from 12 to 18 credits only pay tuition and fees for 12 credits, essentially receiving up to six credits for free. In 2021, USU announced it would assist Pell Grant recipients by launching the Utah State Promise scholarship, which pays any remaining tuition and student body fee costs not covered by Pell Grants and other scholarships or awards. In fact, USU’s success in advancing social mobility for students helped lead to being named the No. 8 public university and No. 22 among all institutions in the Washington Monthly 2022 National University Rankings.

The financial statements that follow are prepared according to generally accepted accounting principles established by the Governmental Accounting Standards Board. These principles are recommended by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

The Office of the State Auditor has audited the financial statements for the year ending June 30, 2022. Their opinion is included with this report. The annual financial report is intended to establish the University’s financial position as of the end of June. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2021-22, while disclosing how these resources are applied in accomplishing our mission. We are pleased to share this report with you.

Noelle E. Cockett

Noelle E. Cockett
President
Utah State University

OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

To the Board of Trustees, Audit Committee
and
Noelle D. Cockett, President
Utah State University

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the University's Space Dynamics Laboratory (SDL), a blended component unit, were audited by other auditors. Their report has been furnished to us and our opinion, insofar as it relates to the amounts included for SDL, is based solely on the report of the other auditors. SDL represents 10 percent, 4 percent, and 22 percent, respectively, of the University's total assets, net position, and total revenues.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

Utah State Capitol Complex, East Office Building, Suite E310 • Salt Lake City, Utah 84114-2310 • Tel: (801) 538-1025 • auditor.utah.gov

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
Salt Lake City, Utah
October 21, 2022

MANAGEMENT'S **DISCUSSION** & ANALYSIS

USU Research Greenhouse

This section provides an overview of the University's financial activities in the current year compared to the prior year. Total assets and liabilities are presented as well as the change in net position from the prior year. Revenues, expenses, appropriations from the state, contributions, etc., are analyzed and discussed. The cash activity is also summarized to show the change in cash from the prior year to the current year.

The following unaudited Management's Discussion and Analysis (MD&A) includes an analysis of the financial condition and results of activities of Utah State University (University) for the fiscal year (FY) ended June 30, 2022. The analysis includes the University's condensed and comparative Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows along with related graphs and comparative data. Also included is management's perspective of the University's economic outlook.

Utah State University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University Agricultural Experiment Station, Utah State University Cooperative Extension Service, Utah State University Water Research Laboratory, Utah State University Brigham City Campus, Utah State University Tooele Campus, Utah State University Uintah Basin Campus, Utah State University Eastern (USU Eastern), and Utah State University Blanding, which are entities separately funded by state appropriations.

The Utah State University Space Dynamics Laboratory (SDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. SDL is governed by a Board of Directors appointed by the president of Utah State University, under the direction of the University's Board of Trustees. SDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees, with the majority being selected by the University. The purpose of this foundation is to manage, invest, and distribute foundation assets to the University to be used for scholarships.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics Laboratory, 416 E. Innovation Avenue, North Logan, Utah 84341.

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The University's financial statements for fiscal year 2022 are presented beginning on page 24. The financial statements, note disclosures, and this discussion are the responsibility of management. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the operations, cash flows, and the main condition of the University as a whole. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

STATEMENT OF NET POSITION

The Statement of Net Position outlines the University's financial condition at fiscal year end. This statement reflects the various assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the fiscal year ended June 30, 2022.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They can also determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position outlines the net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) available to the University and defines that availability.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, reflects the University's equity in property, plant, and equipment owned by the University. The second category, Restricted, is further divided into two subcategories: Nonexpendable and Expendable. The corpus of restricted nonexpendable resources as it pertains to endowments is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships and fellowships. The corpus of restricted nonexpendable resources as it pertains to loan funds is only available for the purpose of issuing loans to students under the terms of the various donor and federal government agreements. Restricted expendable resources are available for expenditure by the University but must be expended for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The last category, Unrestricted, discloses the resources available to the University to be used for any lawful purpose of the University.

CONDENSED STATEMENT OF NET POSITION

As of June 30

	2022	As Adjusted 2021	Change	% Change
ASSETS				
Current assets	$334,890,631	$376,547,600	($41,656,969)	(11.06%)
Noncurrent assets				
Net capital assets	1,107,372,667	1,057,776,963	49,595,704	4.69%
Other noncurrent assets	860,782,440	778,389,619	82,392,821	10.59%
Total assets	2,303,045,738	2,212,714,182	90,331,556	4.08%
DEFERRED OUTFLOWS OF RESOURCES				
Unamoritized losses on bonds	6,973,109	7,399,981	(426,872)	(5.77%)
Resources related to pensions	7,438,614	12,284,506	(4,845,892)	(39.45%)
Total deferred outflows of resources	14,411,723	19,684,487	(5,272,764)	(26.79%)
LIABILITIES				
Current liabilities	168,384,932	161,366,985	7,017,947	4.35%
Noncurrent liabilities	380,556,740	387,436,167	(6,879,427)	(1.78%)
Total liabilities	548,941,672	548,803,152	138,520	0.03%
DEFERRED INFLOWS OF RESOURCES				
Gift revenue	246,850	256,850	(10,000)	(3.89%)
Leases	15,167,910	15,320,678	(152,768)	(1.00%)
Resources related to pensions	58,656,028	26,606,279	32,049,749	120.46%
Split-interest agreements	5,361,001	5,674,706	(313,705)	(5.53%)
Total deferred inflows of resources	79,431,789	47,858,513	31,573,276	65.97%
NET POSITION				
Net investment in capital assets	784,009,941	762,001,111	22,008,830	2.89%
Restricted — nonexpendable	177,493,362	167,630,092	9,863,270	5.88%
Restricted — expendable	354,905,095	333,447,768	21,457,327	6.43%
Unrestricted	372,675,602	372,658,033	17,569	0.005%
Total net position	$1,689,084,000	$1,635,737,004	$53,346,996	3.26%

In fiscal year 2022, the University's total net position increased $53.3 million (3.3%) to $1.69 billion. The increase reflects those revenues that were received during 2022 that were not used for operations or payment of interest on capital asset related debt.

Total assets increased $90.3 million (4.1%) while total liabilities increased $0.1 million. Current assets decreased by $41.7 million (11.1%). Cash and cash equivalents increased $6.2 million largely due to the sale of investments. Short-term investments decreased $23 million largely due to a decrease in total commercial paper and corporate notes. Accounts receivable decreased $25 million largely due to a decrease in contracts and grants receivable of $21.9 million, a decrease in other receivables of $4.2 million, and an increase of pledges receivable of $0.8 million. Notes receivable decreased $1.3 million.

Noncurrent assets increased $132 million due to a net increase of $49.6 million in capital assets, a $34.6 million decrease in restricted cash and cash equivalents, an increase of $81 million in investments, an $11 million increase in pledges receivable, a decrease of $1.1 million in accounts and notes receivable, a $26.7 million increase in the net pension asset, and a $0.3 million decrease in split-interest agreements.

The net increase in capital assets is comprised of a $30 million gift of land located in Salt Lake County, construction projects completed or in progress, purchases of equipment, and offset by depreciation and amortization expense of all depreciable capital and leased assets.

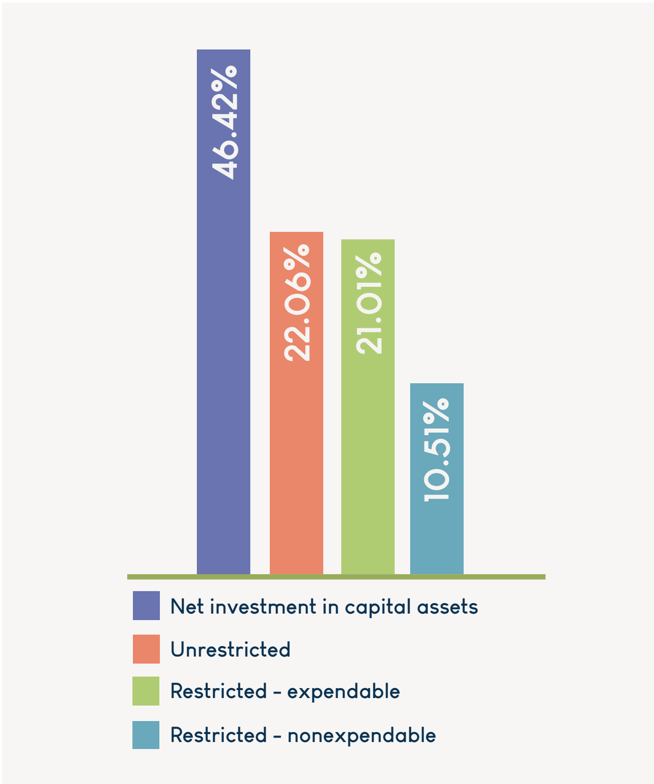
Large construction projects completed or in progress included the Mountain View Tower Residence building replacement, the Information Technology Services building, and the SDL building 1480. The University capitalized $16.4 million, $4.6 million, and $19.6 million, respectively, for these projects during fiscal year 2022. The decrease in restricted cash and cash equivalents is largely due to the decrease of bond construction proceeds. Prior year construction proceeds were spent throughout the year for the Mountain View Tower Residence building replacement, and the Space Dynamics Laboratory building 1480.

The increase in investments was due to an increase of $28.5 million in alternatives, a $128.4 million increase in U.S. Government agency obligations, a $55.2 million decrease in commercial paper and stock, a $19.7 million decrease in mutual funds, and a $0.8 million decrease in municipal bonds. The increase in pledges receivable is primarily due to fundraising efforts. The decrease in accounts and notes receivable is largely due to a decrease in the Federal Perkins Loan Program. The increase in the net pension asset was determined by actuarial procedures as reported by the Utah Retirement Systems.

Total liabilities increased slightly to $548.9 million as current liabilities increased $7 million (4.4%), while noncurrent liabilities decreased $6.9 million (1.8%). The majority of the increase in current liabilities is due to a decrease of $7.6 million payable to the State of Utah for construction projects, an increase of $3.1 million payable to suppliers, an increase of $2.2 million of bonds and notes payable, and an increase of $9.4 million of unearned revenue and deposits. The majority of the $9.4 million was due to an increase of $3.7 million of deferred tuition and fees, and an increase of $5.6 million of advanced billings and deposits of contracts and grants.

The majority of the decrease in the noncurrent liabilities is due to a decrease of $0.3 million in the net pension liability, an increase of $0.1 million for compensated absences and early retirement payable, a decrease of $2.2 million in bonds and notes payable that were reclassified as current payables, and a decrease of $4.4 million of other liabilities. The majority of the $4.4 million is due to $2 million of lease liabilities, and $1.9 million of Federal Perkins Loan Program liabilites that were reclassified as other current liabilities.

The composition of the University's net position at June 30, 2022, was:



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; for example, state appropriations are nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, private gifts, and financial aid grants, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs. In fiscal year 2022, funding from these sources was adequate to cover all of the University's costs of operations.

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a $53.3 million increase in net position for the fiscal year ended June 30, 2022.

The University experienced a net operating loss in fiscal year 2022 of $341.8 million. This operating loss highlights the University's dependency on nonoperating revenues such as state appropriations and private gifts to meet its costs of operations.

Total fiscal year 2022 operating revenues increased by $50.1 million (9%) from 2021. The net tuition and fee revenues increased $3.6 million (2.4%) largely due to increased tuition and fee rates. Contracts, grants, and federal appropriations increased 8 percent, providing $26.1 million of an increase in operating revenues, reflecting the University's expanding research efforts, particularly at the Utah State University Space Dynamics Laboratory. Other operating revenues, comprising sales and services of educational departments, service and auxiliary enterprises, and others, increased $20.4 million mainly due to the increased

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

For the Years Ended June 30

	2022	As Adjusted 2021	Change	% Change
OPERATING REVENUES				
Tuition and fees – net	$155,069,600	$151,441,852	$3,627,748	2.40%
Contracts, grants, and federal appropriations	352,320,377	326,174,574	26,145,803	8.02%
Auxiliary enterprises – net	53,535,861	45,231,841	8,304,020	18.36%
Other operating revenues	49,378,702	37,320,415	12,058,287	32.31%
Total operating revenues	610,304,540	560,168,682	50,135,858	8.95%
OPERATING EXPENSES				
Salaries and wages	416,133,168	396,821,353	19,311,815	4.87%
Employee benefits	187,376,599	162,255,353	25,121,246	15.48%
Other operating expenses	231,493,077	200,272,473	31,220,604	15.59%
Scholarships and fellowships	55,214,286	46,961,800	8,252,486	17.57%
Depreciation and amortization	61,891,708	60,564,835	1,326,873	2.19%
Total operating expenses	952,108,838	866,875,814	85,233,024	9.83%
Operating loss	(341,804,298)	(306,707,132)	(35,097,166)	(11.44%)
NONOPERATING REVENUES				
State appropriations	264,721,181	258,377,613	6,343,568	2.46%
Financial aid grants	33,567,648	36,394,110	(2,826,462)	(7.77%)
Private gifts	42,842,791	29,020,225	13,822,566	47.63%
Other	(5,852,372)	140,015,147	(145,867,519)	(104.18%)
Net nonoperating revenues	335,279,248	463,807,095	(128,527,847)	(27.71%)
Income (loss) before other revenues	(6,525,050)	157,099,963	(163,625,013)	(104.15%)
OTHER REVENUES				
Capital appropriations	14,694,513	17,153,859	(2,459,346)	(14.34%)
Capital grants and gifts	34,393,958	3,098,141	31,295,817	1,010.15%
Additions to permanent endowments	10,783,575	9,892,211	891,364	9.01%
Total other revenues	59,872,046	30,144,211	29,727,835	98.62%
Increase in net position	53,346,996	187,244,174	(133,897,178)	(71.51%)
Net position – beginning of year	1,635,817,662	1,448,492,830	187,324,832	12.93%
Adjustment to beginning net position (Note O)	(80,658)	—	(80,658)	—%
Net position – beginning of year as adjusted	1,635,737,004	1,448,492,830	187,244,174	12.93%
Net position – end of year	$1,689,084,000	$1,635,737,004	$53,346,996	3.26%

on-campus student and staff population after the COVID-19 pandemic public health and sanitation protocols ended.

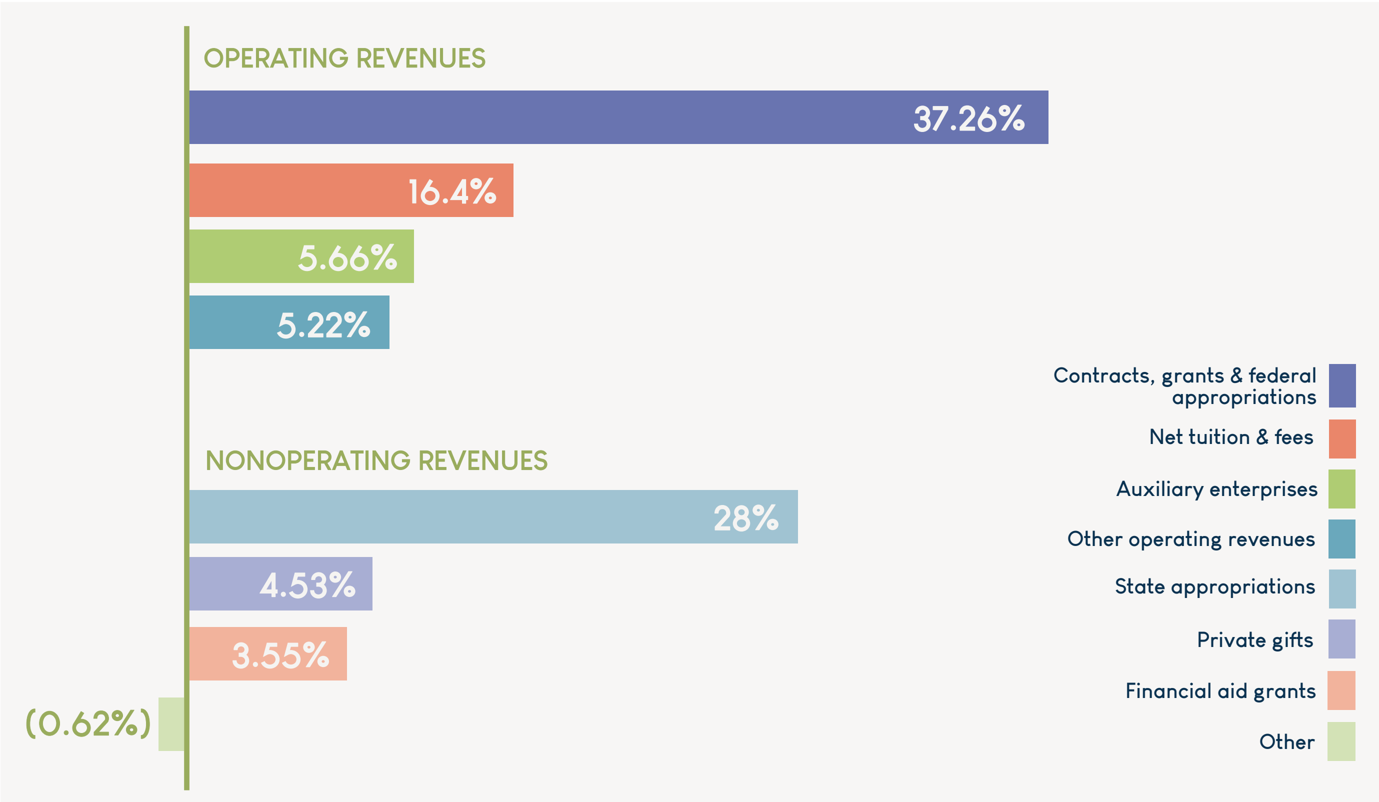
Net nonoperating revenues decreased $128.5 million (27.7%). State appropriations increased $6.3 million largely due to increases in the State of Utah budget. Financial aid grants decreased $2.8 million. Private gifts increased $13.8 million primarily due to fundraising efforts leading to increased donations. Investment income decreased $120.4 million largely due to a significant increase in unrealized losses on investments. Interest on capital asset related debt increased $3 million due to the implementation of GASB Statement No. 89 that requires the expensing of construction period interest costs, rather than capitalizing them. Other nonoperating revenue increased $1.9 million due to sales of capital assets and insurance recoveries. The University received $43.5 million of Federal CARES Act funds, a decrease of $24.3 million.

Capital appropriations, and capital grants and gifts are helping to fund various capital projects that are discussed in the Capital Asset and Debt Administration section on page 20. Capital appropriations, managed through the Division of Facilities Construction and Management, were $14.7 million for various buildings and infrastructure upgrades and improvements. Capital grants and gifts totaled $34.4 million. The largest capital gift was a $30 million gift of land consisting of 120 acres located in Salt Lake County that is now known as the Bastian Agricultural Center. Additions to permanent endowments totaled $10.8 million.

Total operating expenses increased $85.2 million (9.8%) in fiscal year 2022. Salaries, wages, and benefits increased $44.4 million (7.9%). The increase of 26 benefited employees (to a total of 4,806 benefited employees), salary increases, and an increase in the cost of medical insurance totaled $19.2 million and the remaining $25.2 million increase was related to the actuarial calculated pension expense. Other operating expenses increased $31.2 million (15.59%) mostly due to the increased usage of facilities and increased number of activities caused by the ending of the COVID-19 shut down. Scholarships and fellowships increased $8.3 million. Depreciation and amortization expense increased $1.3 million.

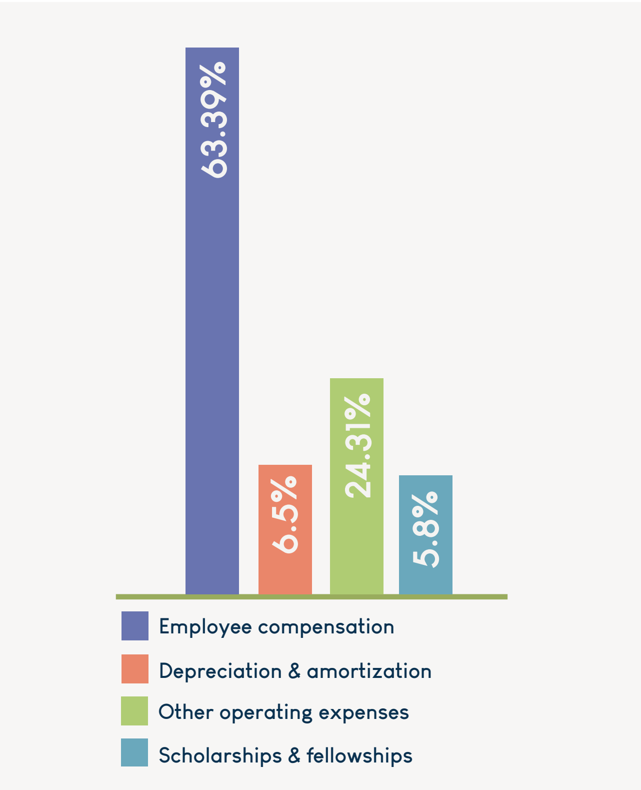
Ralph Maughan Track

The University's sources of revenue available to meet current operating costs at June 30, 2022, were:



USU Bastian Agricultural Center

The University's operating expenses by classification at June 30, 2022, were:



STATEMENT OF CASH FLOWS

The final statement presented by Utah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from noncapital financing activities. This section includes the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. A condensed version of these first four sections is provided on the bottom of this page. The fifth section of the Statement of Cash Flows is not included in the Condensed Statement of Cash Flows, which reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is available for review in the Statement of Cash Flows on page 29.

The University's cash and cash equivalents had a net decrease of $28,347,378 to a total of $180,096,293. Current cash and cash equivalents increased by $6.2 million due to the sale of investments, and noncurrent cash

CONDENSED STATEMENT OF CASH FLOWS
For the Years Ended June 30

	2022	2021	Change	% Change
CASH PROVIDED (USED) BY:				
(1) Operating activities	($267,352,547)	($241,225,568)	($26,126,979)	(10.83%)
(2) Noncapital financing activities	410,336,396	357,580,053	52,756,343	14.75%
(3) Capital and related financing activities	(74,972,736)	(89,478,290)	14,505,554	16.21%
(4) Investing activities	(96,358,491)	(35,634,097)	(60,724,394)	(170.41%)
Net increase (decrease) in cash and cash equivalents	(28,347,378)	(8,757,902)	(19,589,476)	(223.68%)
Cash and cash equivalents - beginning of year	208,443,671	217,201,573	(8,757,902)	(4.03%)
Cash and cash equivalents - end of year	$180,096,293	$208,443,671	($28,347,378)	(13.60%)

and cash equivalents decreased by $34.6 million largely due to the net decrease of the balances of bond construction proceeds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of the $11.4 million, 28,605 gross square-foot Information Technology Services building was substantially completed in January 2022. The building houses the consolidated Information Technology (IT) Department. Previously, the IT department occupied space in three different buildings. The new building enables the department to operate more efficiently, and it frees up space in other buildings for other university needs.

Construction of the Mountain View Residence Hall replacement was completed in August 2022. The new facility is named the Canyon Crest Residence Hall. It is a six-story student apartment building containing four and six bed suites, that provide up to 402 beds. The $42.4 million project is funded with a portion of the proceeds of the University's $54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, that were issued in August of 2019.

The Space Dynamics Laboratory continues to receive significant contract funding which is driving the need for additional space. The construction of the Space Dynamics Laboratory building 1480, located at the Innovation Campus began construction in July of 2020. The building will provide additional assembly, testing, and integration laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. It is expected to be completed by the end of 2022. The $38.2 million project is funded with a portion of the proceeds of the University's $61,865,000 Research Revenue and Refunding Bonds, Series 2019B, that were issued in December of 2019.

Construction of the Mehdi Heravi Global Teaching and Learning Center is in the final planning and design phase, and site preparation has begun. The two-story, 37,700 square-foot building will house the College of Humanities and Social Sciences (CHaSS) programs in the Department of World Languages and Cultures, including the Intensive English Language Institute (IELI) and the Master of Second Language Teaching program (MSLT). It is anticipated to be completed in 2024.

In March 2022, the University received a $30 million gift of 120 acres of land located in Salt Lake County. It has been named the Bastian Agricultural Center, which will be dedicated to educating the public about contemporary agriculture and inspiring future generations through education and programs in science, engineering and technology applied to agriculture. The goal of the USU Bastian Agricultural Center is to provide information and experiences to an increasingly urban population, including adults and 4-H youth, local government, constituents, and corporate leaders. The center will provide a space to share the most recent agricultural knowledge, technologies, and manufacturing methods, as well as a place to discover better products and processes.

In November of 2021, the University's $8,605,000, Series 2021, Research Revenue Bonds were issued for the purpose of financing the construction of a $9.2 million, 23,740 square foot, one/two stories, building addition to the Electric Vehicle and Roadway Building on the University's Innovation Campus. The Electric Vehicle and Roadway Research Facility and Test Track (EVR), housed in the Electric Vehicle and Roadway Building, is a state-of-the-art facility at the forefront of wirelessly charged electric vehicle and roadway technologies. Construction is anticipated to be completed in 2023.

In July of 2022, the University's $7,233,000 Student Building Fee Revenue Bonds, Series 2022, were issued for the purpose of financing the costs of construction of improvements to Maverik Stadium, paying capitalized interest, and paying certain costs associated with the issuance of the 2022 bonds.

ECONOMIC OUTLOOK

Utah recovered in 2021 from the pandemic recession shock, adding a record-breaking 72,500 jobs over the year, recovering the 20,900 jobs lost in 2020, and gaining an additional 51,600 new jobs. The consensus forecast predicts another year of substantial economic expansion in Utah in 2022. The most pressing internal risks will be growth-driven challenges like a limited labor supply, increasing costs, and housing affordability.

Utah enjoys a youthful demographic profile, economic diversity, a stable fiscal and regulatory environment, crossroads of the west location, global connections, and social cohesion which will continue to influence the state's growing economy. The 2020 census data identified Utah as the fastest-growing state in the nation at 18.4% growth between 2010 and 2020. Utah also has the largest share of the population under age 18 (28.6%).

Utah State University (USU) students continued to transition from virtual learning back to more in-person classes and enrollments continued to rise. Overall enrollment, on the main Logan campus for the Fall 2022 semester, in both headcount and full-time equivalent (FTE) measurements, grew by 2% from Fall 2021. Total student head count for all USU campuses rose to 27,943, slightly surpassing pre-pandemic levels, and incoming students attending Fall semester 2022 hit a record high for the University.

USU has a diverse source of revenues, including those from the State of Utah, student tuition and fees, sponsored research programs, private support, and self-supporting enterprises. This diversity of revenues continues to provide financial stability and significant protection against potentially difficult future economic times.

Management believes that USU's financial position will continue to enable the University to move forward and accomplish its mission of being one of the nation's premier student-centered, land-grant and space-grant universities.

FINANCIAL STATEMENTS

The financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each statement presents a different financial perspective of the University for the fiscal year ended June 30, 2022.

STATEMENT OF NET POSITION

June 30, 2022

ASSETS	
Current assets	
Cash and cash equivalents (Notes A, B, and D)	$142,849,610
Short-term investments (Notes B and D)	86,289,741
Accounts receivable from primary government (Note E)	4,073,819
Accounts receivable from others - net (Note E)	88,873,879
Credits receivable - net (Note E)	144,253
Notes reveivable - net (Note E)	997,447
Inventories (Note A)	5,266,962
Prepaid expenses	6,394,920
Total current assets	334,890,631
Noncurrent Assets	
Restricted	
Cash and cash equivalents (Notes A, B, and D)	37,246,683
Short-term investments (Notes B and D)	1,231,786
Investments (Notes C and D)	269,910,179
Accounts receivable - net (Note E)	5,128,947
Real estate held for resale	377,837
Split-interest agreements	928,082
Accounts receivable - net (Note E)	42,392,168
Notes receivable - net (Note E)	13,869,881
Investments (Notes C and D)	444,317,955
Net pension assets (Note J)	45,378,922
Capital assets - net (Note F)	1,107,372,667
Total noncurrent assets	1,968,155,107
Total assets	2,303,045,738
DEFFERED OUTFLOWS OF RESOURCES	
Unamortized refunding losses on bonds	6,973,109
Resources related to pensions (Note J)	7,438,614
Total deferred outflows of resources	14,411,723

table continued on next page

STATEMENT OF NET POSITION (continued)

June 30, 2022

LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities to primary government (Note G)	7,054,840
Accounts payable and accrued liabilites to others (Note G)	80,601,908
Liability for compensated absences (Note H)	16,878,867
Liability for early retirement (Note H)	8,950,061
Unearned revenue and deposits	38,358,636
Other current liabilities (Note H)	4,389,668
Funds held for others	105,352
Notes payable to primary government (Note H)	139,330
Bonds and notes payable (Notes H and I)	11,906,270
Total current liabilities	168,384,932
Noncurrent liabilities	
Liability for compensated absences (Note H)	11,812,745
Liability for early retirement (Note H)	16,084,596
Unearned revenue and deposits	1,489,339
Notes payable to primary government (Note H)	377,573
Other noncurrent liabilities (Note H)	23,350,820
Bonds and notes payable (Notes H and I)	327,441,667
Total noncurrent liabilities	380,556,740
Total liabilities	548,941,672
DEFFERED INFLOWS OF RESOURCES	
Deferred gift revenue (Notes C and D)	246,850
Leases	15,167,910
Resources related to pensions (Note J)	58,656,028
Split-interest agreements	5,361,001
Total deferred inflows of resources	79,431,789
NET POSITION	
Net investment in capital assets	784,009,941
Restricted	
Nonexpendable	
Scholarships and fellowships	115,562,255
Instruction	41,392,870
Loans	1,088,684
Other	19,449,553
Expendable	
Research, instruction, and public service	313,642,529
Capital projects	41,262,566
Unrestricted	372,675,602
Total net position	$1,689,084,000

The Notes to the Financial Statements are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

OPERATING REVENUES	
Tutition and fees – net (Note A)	$155,069,600
Federal appropriations	5,036,004
Federal contracts and grants	314,341,045
State contracts and grants	16,711,109
Local contracts and grants	1,885,464
Private contracts and grants	14,346,755
Sales and services	22,879,948
Service departments	2,525,144
Auxilary enterprises – net (Note A)	53,535,861
Other	23,973,610
Total operating revenues	610,304,540
OPERATING EXPENSES	
Salaries and wages	416,133,168
Employee benefits	167,446,095
Actuarial calculated pension expense (Note J)	19,930,504
Other operating expenses	231,493,077
Scholarships and fellowships	55,214,286
Depreciation and amortization	61,891,708
Total operating expenses	952,108,838
Operating loss	(341,804,298)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	264,721,181
State grants	7,861,198
State land-grant revenues	267,469
Financial aid grants	33,567,648
Pandemic Relief Funds	43,464,729
Private gifts	42,842,791
Investment loss	(46,177,169)
Interest income on capital assets	542,784
Interest expense on capital assets	(12,778,085)
Other	966,702
Total nonoperating revenues (expenses)	335,279,248
Loss before other revenues	(6,525,050)
OTHER REVENUES	
Capital appropriations	14,694,513
Capital grants and gifts	34,393,958
Additions to permanent endowments	10,783,575
Total other revenues	59,872,046
Increase in net position	53,346,996
Net position – beginning of year	1,635,817,662
Adjustments to beginning net position (Note O)	(80,658)
Net position – beginning of year as adjusted	1,635,737,004
Net position – end of year	$1,689,084,000

The Notes to the Financial Statements are an integral part of this statement

Commencement — USU Blanding

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2022	
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees receipts	$157,904,477
Federal appropriations receipts	4,990,864
Contracts and grants receipts	346,426,145
Sales and services receipts	21,759,970
Service departments receipts	2,491,165
Auxiliary enterprises receipts	53,255,915
Other operating receipts	27,508,408
Payments to employees for salaries and benefits	(592,684,910)
Payments to suppliers	(235,542,336)
Payments for scholarships and fellowships	(55,214,286)
Loans issued to students	(408)
Loan payments received from students	1,752,449
Net cash used by operating activities	(267,352,547)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	264,718,920
State grants	7,861,198
State land grant revenues	284,302
Financial aid grants	33,794,379
Pandemic Relief Funds	70,602,457
Private gifts	35,885,363
Split-interest agreements	(500,609)
Federal direct loans issued to students	(47,046,056)
Federal direct loan payments received from federal government	47,104,960
Other deductions	(2,368,518)
Net cash provided by noncapital financing activities	410,336,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	13,549,092
Capital grants and gifts	2,513,372
Proceeds from capital debt and leases	11,520,967
Other additions	6,020,246
Cash paid for capital assets	(83,034,797)
Payment of capital debt and leases	(12,517,535)
Interest paid on capital asset related debt	(13,024,081)
Net cash used by capital and related financing activities	(74,972,736)

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STATEMENT OF CASH FLOWS (continued) For the Year Ended June 30, 2022	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(336,415,914)
Proceeds from sale of investments	226,187,061
Interest and dividends received from investments	13,870,362
Net cash used by investing activities	(96,358,491)
Net decrease in cash and cash equivalents	(28,347,378)
Cash and cash equivalents - beginning of year	208,443,671
Cash and cash equivalents - end of year	$180,096,293
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	($341,804,298)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	61,891,708
Gifts-in-kind and transfers reducing payments to suppliers	560,688
Changes in assets, liabilities, and deferred inflows	
Accounts receivable	(5,679,235)
Inventories	(703,460)
Prepaid expenses	668,128
Accounts payable and accrued expenses	(5,305,509)
Unearned revenues and deposits	9,371,701
Compensated absences and early retirement	1,688,866
Net pension liability	9,866,885
Net student loan activity	3,211,957
Deferred inflows leases	(1,119,978)
Net cash used by operating activities	($267,352,547)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Additions to pledges receivable for capital and related financing activities	$1,517,959
Amortization of premiums, discounts, and net loss on bonds	(352,980)
Change in fair value of investments recognized as a component of investment income	(56,699,349)
Disposal of capital assets due to write off	(1,027,376)
Gifts of capital assets	32,081,335
Total noncash investing, capital, and financing activities	($24,480,411)

The Notes to the Financial Statements are an integral part of this statement

NOTES TO FINANCIAL **STATEMENTS**

The notes to the financial statements communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements as they present more detailed information about the University's investments, bonds outstanding, capital assets, etc.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Utah State University are described below.

BASIS OF PRESENTATION

Utah State University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University Agricultural Experiment Station, Utah State University Cooperative Extension Service, Utah State University Water Research Laboratory, Utah State University Brigham City Campus, Utah State University Tooele Campus, Utah State University Uintah Basin Campus, Utah State University Eastern (USU Eastern), and Utah State University Blanding, which are entities separately funded by state appropriations.

The Utah State University Space Dynamics Laboratory (SDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. SDL is governed by a Board of Directors appointed by the president of Utah State University, under the direction of the University's Board of Trustees. SDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees, with the majority being selected by the University. The purpose of this foundation is to manage, invest, and distribute foundation assets to the University to be used for scholarships.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics Laboratory, 416 E. Innovation Avenue, North Logan, Utah 84341.

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When both restricted and unrestricted resources are available, such resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

The accounting policies of the University conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and investments with an original maturity of three months or less.

Swaner Preserve & EcoCenter

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

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. The University values these investments based on the values provided by the partnerships as well as their 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 capital calls and distributions.

INVENTORIES

The value of the University Campus Store inventory is recorded at average cost, determined using the retail inventory method, while all other inventory values are essentially lower of cost (first-in, first-out) or market, including the cost of project houses waiting to be sold or under construction. Obsolete or unusable items are reduced to net realizable values.

LEASE RELATED ASSETS, LIABILITIES, AND DEFERRED INFLOWS

As the lessee, the University has recognized a lease liability and an intangible right-to-use lease asset. The lease liability was measured at the present value of payments expected to be made during the lease term, less any lease incentives. The lease asset was measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

As the lessor, the University has recognized a lease receivable and a deferred inflow of resources. The lease receivable was measured at the present value of lease payments expected to be received during the lease term. The deferred inflow was measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that related to future periods.

NONCURRENT ASSETS

Assets that are externally restricted for capital purposes, to make debt service payments, maintain sinking or reserve funds, or that represent assets of the University's endowments (including real estate held for resale and split-interest agreements) are classified as noncurrent restricted assets.

The remaining noncurrent assets include those receivables that will not be realized within the next year, investments, the cost of land purchased for future project houses, and the University's capital assets net of depreciation.

CAPITAL ASSETS

All buildings are carried on an estimated historical cost basis or at acquisition value at date of donation in the case of gifts. All other physical plant and equipment are stated at cost when purchased or constructed or acquisition value at date of donation in the case of gifts.

The University capitalizes all equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year. Purchased software is capitalized when acquisition costs are $100,000 or more. Buildings costing $250,000 or more are capitalized, as are improvements to buildings costing $250,000 or more that extend the useful life of the building. Improvements other than buildings costing $250,000 or more are also capitalized. All library physical collections inventoried in the University's recognized libraries are capitalized regardless of cost. Art and special collections held by the University are capitalized but not depreciated. The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are: *(Figure A.1)*

Figure A.1	
Buildings	10-40 years
Improvements other than buildings	5-20 years
Equipment	3-15 years
Purchased software	5-10 years
Library physical collections	20 years

The University provides repair and replacement reserves for certain properties as required by the related bond indentures. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

PENSION RELATED ASSETS, LIABILITIES, DEFERRED OUTFLOWS, AND DEFERRED INFLOWS

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

UNEARNED REVENUES

Unearned revenues consist primarily of amounts received during the fiscal year that have not yet been earned and are related to the subsequent accounting period.

These sources consist of contract and grant sponsors, amounts received for tuition and fees, and certain auxiliary activities.

COMPENSATED ABSENCES

Sick leave is not accrued but is reported in the period of actual expenditure. Sick leave does not vest to the employee but is allowed on an earned time basis. At the end of each calendar year, employees who have earned 48 days of sick leave may convert up to four days of sick leave to annual leave, subject to other restrictions of the University.

Annual leave, including converted sick leave, is accrued and reported as earned. Employees are allowed to carry a maximum of 34 days of annual leave. The 34 days is variable depending on the number of sick leave days the employee is allowed to convert at calendar year end.

GIFTS

The University received $560,688 of gifts-in-kind that were recorded as revenue and expense during the fiscal year ended June 30, 2022.

NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable that are due beyond the next fiscal year. The remaining noncurrent liabilities include estimated amounts for accrued compensated absences, early retirement, net pension, leased assets, and the repayment of the federal share for the Perkins Loan program.

DEFERRED INFLOWS

In accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, as of June 30, 2022, the University has recognized certain donated assets as investments along with a deferred inflow of resources for certain irrevocable split-interest agreements. The University has a beneficial interest or right to a portion of the benefits donated, pursuant to an irrevocable split-interest agreement, in which the donor enters into a trust and transfers resources to an intermediary.

Asset recognition criteria include: (1) the government is specified by name as beneficiary in the legal document underlying the donation; (2) the donation agreement is irrevocable; (3) the donor has not granted variance power to the intermediary with respect to the donated resources; (4) the donor does not control the intermediary, such that the actions of the intermediary are not influenced by the donor beyond the specified stipulations of the agreement; and (5) the irrevocable split-interest agreement established a legally enforceable right for the government's benefit (an unconditional beneficial interest).

NET POSITION

The University's net position is classified as follows:

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

Restricted – Nonexpendable: Restricted – nonexpendable net position consists of endowment and similar-type funds which, as a condition of the gift instruments, the donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. The income may either be expended or added to principal. Also included in this category are funds received from donors for the purpose of providing short and long-term loans to students.

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

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

CLASSIFICATION OF REVENUES AND EXPENSES

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises and other departments; (3) most federal, state, and local contracts and grants and federal appropriations; and (4) interest on institutional student loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, and other revenue sources that are defined as nonoperating revenues based on GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Examples of nonoperating revenues would include state appropriations and investment income.

Operating/Nonoperating Expenses: All expenses are classified as operating expenses except interest expense, losses on the disposal of capital assets, uncollectible gifts, and the expense recognized in relation to the liability of the Federal Perkins Loan Program.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenues from other sources are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance to eliminate overstating total revenues to the University and properly record the revenues at the original source.

The scholarship allowances for the year ended June 30, 2022, were: *(Figure A.2)*

Figure A.2

SCHOLARSHIP ALLOWANCES	
Tuition and fees	$94,281,507
Auxiliary enterprises	1,247,583
Total scholarship allowances	$95,529,090

SEGMENT REPORTING

The University, through the Utah Board of Higher Education, issues revenue bonds to finance certain activities. The University has deemed it not necessary to report segments on these bond issues, based upon the criteria provided in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

B. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consist of cash and investments with an original maturity of three months or less. Short-term investments consist of investments with an original maturity greater than three months that will mature within one year or less. Cash, depending on source of receipts, is pooled except when legal requirements dictate the use of separate accounts. The cash balances and cash float from outstanding checks 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 invested in accordance with the State Money Management Act (the Act). The State of Utah Money Management Council provides regulatory oversight for the PTIF. The PTIF is available for investment of funds administered by any Utah Public Treasurer.

At June 30, 2022, cash and cash equivalents and short-term investments consisted of: *(Figure B.1)*

Figure B.1

CASH AND CASH EQUIVALENTS	
Cash	$54,308,513
Money market accounts	60,200,000
Money market mutual funds	6,824,053
Utah Public Treasurers' Investment Fund	58,763,727
Total cash and cash equivalents	$180,096,293
SHORT-TERM INVESTMENTS	
Commercial paper and corporate notes	$85,351,252
Municipal bonds	2,170,275
Total short-term investments (fair value)	$87,521,527

C. 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 market or appraised value. If no market or appraised value is available, investments received as gifts are recorded at a nominal value. 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 University's Investment Policy, the governing board may appropriate for expenditure as much of the net appreciation, realized and unrealized, of an endowment's corpus as is prudent under the facts and circumstances prevailing at the time of the action or decision. The appropriation must be for the purposes for which the endowment is established and also includes a management fee.

The endowment income spending policy at June 30, 2022, was 4 percent of the 12 quarter moving average of the market value of the endowment pool with a one year lag. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2022, was $65,067,999. The net appreciation is a component of restricted-expendable net position.

At June 30, 2022, the investment portfolio composition was: *(Figure C.1)*

Figure C.1

LONG-TERM INVESTMENTS	
Alternatives	$93,990,885
Closely held stocks	246,850
Commercial paper and corporate notes	153,353,484
Common and preferred stocks	21,409,480
Municipal bonds	17,270,186
Mutual funds - bonds	41,733,769
Mutual funds - equity	141,189,780
Obligations of the U.S. Government and its agencies	245,033,700
Total long-term investments (fair value)	$714,228,134

D. DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

At June 30, 2022, the carrying amounts of the University's deposits and bank balances were $114,236,247 and $121,239,416, respectively. The bank balances of the University were insured for $1,304,699 by the Federal Deposit Insurance Corporation. The bank balances in excess of $1,304,699 were uninsured and uncollateralized, leaving $119,986,042 exposed to custodial credit risk.

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 State Money Management Act (Utah Code, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

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

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Utah Board of Higher Education Policy R541, Management and Reporting of Institutional Investments, and the University's Investment Policy and endowment guidelines.

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.

Statutes authorize the University to invest in negotiable or non-negotiable 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), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate

Aggie Chocolate Factory - Nutrition, Dietetics, and Food Sciences department obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares of 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 State Public Treasurers’ Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the 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 as an investment company. The PTIF is authorized and regulated by the Act. The Act established the State of Utah 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 any realized gains or losses on investments.

The UPMIFA and Policy R541 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 certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Commonfund; 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.


Living Learning Community

The University’s Investment Policy allows the University to invest endowment funds in investments authorized by the Act or any of the following investments: readily marketable equities, which are diversified across a spectrum of market capitalizations, multiple regions, by issue, industry, and sector; readily marketable fixed income investments diversified by country, issue, sector, coupon, and quality; bonds having a minimum quality of “A” or better; and alternative investments that derive returns primarily from high-yield and distressed debt (hedged or nonhedged), natural resources, private capital (including venture capital, private equity, both domestic and international), commodities, private real estate assets or absolute return, and long/short hedge funds. In addition, endowment funds may be invested as specifically directed by donor agreements.

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 of:

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

At June 30, 2022, the University had recurring fair value measurements of: *(Figure D.1)*

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, U.S. Agencies, and Commercial Paper: Quoted prices for identical securities in markets that are not active

Corporate and Municipal Bonds: Quoted prices for similar securities in active markets

Bond and Equity Mutual Funds: Published fair value per share (unit) for each fund

Utah Public Treasurers' Investment Fund: Application of the June 30, 2022, fair value factor, as calculated by the Utah State Treasurer, to the University's June 30 balance in the fund.

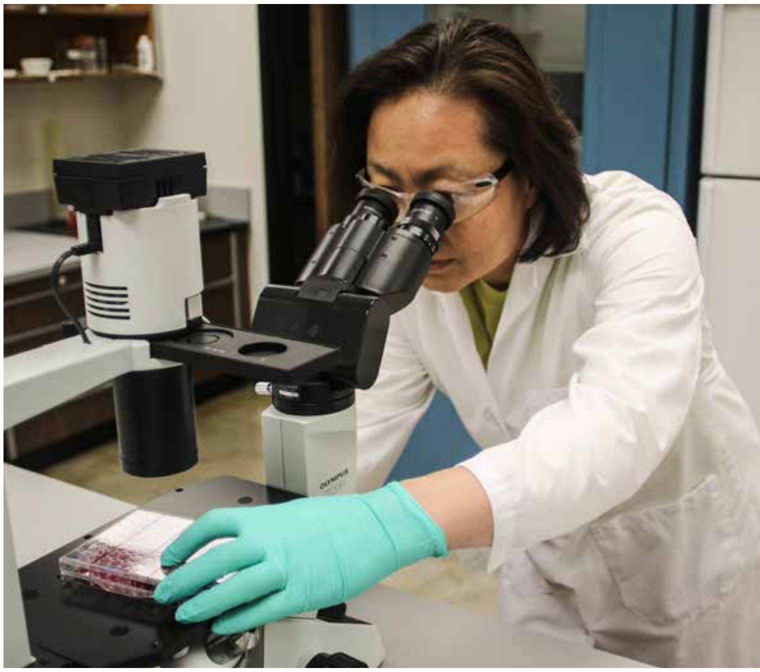
Securities, namely bond mutual funds, closely held stock, and equity mutual funds classified in Level 3 are valued manually using various sources such as issuer, investment manager, client, etc., or default price if a price is not provided.

Figure D.1	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
INVESTMENTS BY FAIR VALUE LEVEL				
DEBT SECURITIES				
Money market mutual funds	$6,824,053	$6,824,053	$—	$—
Utah Public Treasurers' Investment Fund	58,763,727	—	58,763,727	—
Commercial paper and corporate notes	238,704,736	—	238,704,736	—
Municipal bonds	19,440,461	—	19,440,461	—
Mutual funds - bonds	41,733,769	348,270	12,542,641	28,842,858
U.S. agencies	239,820,588	—	239,820,588	—
U.S. treasury securities	5,213,112	5,213,112	—	—
Total debt securities	610,500,446	12,385,435	569,272,153	28,842,858
EQUITY SECURITIES				
Closely held stock	246,850	—	—	246,850
Common and preferred stock	21,409,480	21,409,480	—	—
Mutual funds - equity	141,189,780	1,000,392	72,847,132	67,342,256
Total equity securities	162,846,110	22,409,872	72,847,132	67,589,106
Total investments by fair value level	$773,346,556	$34,795,307	$642,119,285	$96,431,964
INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)				
Hedge Funds	14,884,050			
Private equity core real estate	9,278,312			
Private equity natural resources	7,715,708			
Private equity partnership	21,243,330			
Private equity real estate funds	26,739,038			
Private infastructure	11,437,406			
Venture capital funds	2,693,041			
Total investents measured at (NAV)	93,990,885			
Total investments at fair value	$867,337,441			

Investments valued using the net asset value 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. A portion of the University's endowment portfolio is invested in alternative investments. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending 30 at other than June 30. If June valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

The unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV were: *(Figure D.2)*

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 University's Investment Policy, as applicable. For non-endowment funds, 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 fewer. 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 five 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, the University's Investment Policy requires 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

Figure D.2

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
INVESTMENTS MEASURED AT NAV				
Hedge funds	$14,884,050	$1,513,476	Quarterly	100 Days
Private equity core real estate	9,278,312	—	Quarterly	60-90 Days
Private equity natural resources	7,715,708	2,241,749	N/A	N/A
Private equity partnerships	21,243,330	14,919,573	N/A	N/A
Private equity real estate funds	26,739,038	9,899,767	N/A	N/A
Private infastructure	11,437,406	7,583,136	N/A	N/A
Venture capital funds	2,693,041	30,000	N/A	N/A
Total investments measured at NAV	$93,990,885	$36,187,701		

care, skill, and caution.

As of June 30, 2022, the University's investments and maturities consisted of: *(Figure D.3)*

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University's policy for reducing its exposure to credit risk is to comply with the State Money Management Act and the University's Investment Policy, as previously discussed.

As of June 30, 2022, the University had investments with quality ratings of: *(Figure D.4)*

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 State of Utah Money Management Council. For endowment funds, the University policy requires

Figure D.3		Investment Maturities (in years)			
	Fair Value	Less Than 1	1-5	6-10	Greater Than 10
INVESTMENT TYPE					
Money market mutual funds	$6,824,053	$6,824,053	$—	$—	$—
Utah Public Treasurers' Investment Fund	58,763,727	58,763,727	—	—	—
Commercial paper and corporate notes	238,704,736	85,351,252	85,434,943	3,223,950	64,694,591
Municipal bonds	19,440,461	2,170,275	6,040,450	2,539,900	8,689,836
Mutual funds - bonds	41,733,769	10,762,648	19,074,129	9,882,685	2,014,307
U.S. agencies	239,820,588	—	48,358,754	188,951,619	2,510,215
U.S. treasury securities	5,213,112	—	2,963,381	998,217	1,251,514
Totals	$610,500,446	$163,871,955	$161,871,657	$205,596,371	$79,160,463

Figure D.4				Quality Rating				
	Fair Value	AAA	AA	A	BBB	BB	Unrated	No Risk
INVESTMENT TYPE								
Money market mutual funds	$6,824,053	$—	$—	$—	$—	$—	$6,824,053	$—
Utah Public Treasurers' Investment Fund	58,763,727	—	—	—	—	—	58,763,727	—
Commercial paper and corporate notes	238,704,736	2,460,091	11,349,717	146,923,410	68,651,069	1,974,650	7,345,799	—
Municipal bonds	19,440,461	11,940,324	6,424,747	408,616	601,660	—	65,114	—
Mutual funds - bonds	41,733,769	—	—	—	—	—	41,733,769	—
U.S. agencies	239,820,588	126,569	210,584,894	—	—	—	29,009,498	99,627
U.S. treasury securities	5,213,112	—	—	—	—	—	—	5,213,112
Totals	$610,500,446	$14,526,984	$228,359,358	$147,332,026	$69,252,729	$1,974,650	$143,741,960	$5,312,739

diversification of investments across a broad spectrum and specific limits to concentration of securities within categories of equities, fixed income, and alternatives. Rule 17 of the State of Utah Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10 percent depending upon the total dollar amount held in the portfolio at the time of purchase. The State of Utah Money Management Council limitations do not apply to securities issued by the U.S. Government and its agencies.

For endowments, the University, under Policy R541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's asset allocation guidelines allocate endowment funds in the asset classes consisting of: *(Figure D.5)*

Figure D.5	Broad Asset Allocation Targets	
	Target (%)	Range (%)
ASSET CATEGORY		
Global Equity	47	35-55
Investment Grade Fixed Income	12	10-20
Opportunistic Fixed Income	12	10-20
Alternative Assets	29	10-30

At June 30, 2022, the University held more than 5 percent of total investments in securities of the Federal Farm Credit Bank FFCB and Federal Home Loan Bank FHLB. These investments represent 16.79 and 7.52 percent of the total investments.

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 the investments or collateral securities that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. At June 30, 2022, the University had $246,850 in closely held stock, $21,409,480 in common and preferred stock, $238,704,736 in commercial paper and corporate notes, $19,440,461 in municipal bonds, and $239,820,588 in U.S. agencies which were uninsured and held by the counterparty, but not in the University's name.

E. ACCOUNTS, CREDITS, AND STUDENT LOANS RECEIVABLE

The University's accounts receivable include lessor lease agreements consisting of land, buildings, and communication tower space with remaining lease terms of up to 39 years through fiscal year 2061. In fiscal year 2022, the University recognized $1,125,292 in lease revenue and $481,871 in interest revenue. The University recognized no variable, residual value guarantee, or termination penalty revenues.

As of June 30, 2022, accounts receivable consisted of: *(Figure E.1)*

Figure E.1

	Current	Noncurrent	Total
DUE FROM PRIMARY GOVERNMENT			
State contracts and grants	$1,686,272	$ —	$1,686,272
Land-grant revenue	133,744	—	133,744
Division of Facilities Construction and Management	2,112,321	—	2,112,321
Due from State of Utah	141,482	—	141,482
DUE FROM OTHERS			
Contracts and grants	73,344,288	—	73,344,288
Pledges receivable	3,560,762	32,000,874	35,561,636
Auxiliary and service enterprises	693,177	—	693,177
Leases receivable	741,792	15,245,283	15,987,075
Other activities	11,218,955	274,958	11,493,913
Total accounts receivable	93,632,793	47,521,115	141,153,908
Less allowance for doubtful accounts	(685,095)	—	(685,095)
Net accounts receivable	$92,947,698	$47,521,115	$140,468,813

Credits receivable, $144,253, reflect amounts due from vendors doing business primarily with the University's Campus Store.

Student loans receivable are comprised primarily of loans issued through the Federal Perkins Loan Program (FPLP) and short-term loans issued from funds set aside by the University for that purpose.

The FPLP loans provide for cancellation of a loan at rates of 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The FPLP loans become payable by the student after completion of academic degrees or termination as a student, with a term of ten years and an interest rate of 5 percent. The federal government is no longer providing funds for the FPLP program. The University has been directed to not issue additional loans. The University will continue to collect on outstanding loans and remit the federal portion as the money is collected. As of June 30, 2022, the outstanding liability to the federal government was $3,870,515.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

Other University short-term loans have a term of two to four months and carry an interest rate of 7 percent to 12 percent. The 12 percent rate applies if the loan becomes delinquent. The long-term loans have a term of three years and carry an interest rate of 6 percent to 13 percent.

In November 2020, the University entered into a loan agreement with a third party borrower in the amount of $10,220,585 to partially finance the construction of the USU Moab Academic Building. The note has a 30-year term with interest at 1.33%. Interest-only payments are required for the first seven years of the note. Thereafter, principal and interest payments sufficient to pay off the note will be required. The note is secured by an interest in the building and an associated ground lease.

As of June 30, 2022, loans receivable consisted of: *(Figure E.2)*

Figure E.2

	Current	Noncurrent	Total Receivable
Federal Perkins Loan Program	$300,019	$3,015,933	$3,315,952
Third party loan	—	10,220,585	10,220,585
Other	762,419	1,180,000	1,942,419
Total loans receivable	1,062,438	14,416,518	15,478,956
Less allowance for doubtful accounts	(64,991)	(546,637)	(611,628)
Net loans receivable	$997,447	$13,869,881	$14,867,328

USU Botanical Center — Wetland Discovery Point

F. CAPITAL ASSETS

The University's capital assets include lessee right-to-use lease agreements consisting of land, educational and office space, equipment, and other assets with remaining lease terms of up to 20 years through fiscal year 2042. In fiscal year 2022, the University incurred $825,509 in lease expense, $29,225 in lease interest expense, $5,000 in termination penalty payments, and no variable or residual value guarantee payments.

The University's capital assets consisted of: *(Figure F.1)*

Figure F.1

	As Adjusted June 30, 2021	Additions	Deletions	June 30, 2022
CAPITAL ASSETS NOT DEPRECIATED				
Land	$44,492,431	$30,223,108	$1,136,715	$73,578,824
Construction in progress				
Buildings	40,668,689	50,193,941	15,597,208	75,265,422
Improvements other than buildings	1,012,151	7,793,927	4,777,166	4,028,912
Equipment	982,542	3,061,202	1,767,686	2,276,058
Art and special collections	55,513,677	4,953,096	—	60,466,773
Total capital assets not depreciated	142,669,490	96,225,274	23,278,775	215,615,989
OTHER CAPITAL ASSETS				
Buildings	1,289,452,708	18,533,245	1,707,926	1,306,278,027
Improvements other than buildings	92,670,163	4,777,166	—	97,447,329
Equipment	216,726,725	16,557,775	9,417,853	223,866,647
Library collections	78,851,550	53,775	—	78,905,325
Leased Assets				
Land	229,098	—	—	229,098
Buildings	25,711,364	618,354	142,162	26,187,556
Equipment	503,511	492,603	29,142	966,972
Other	149,963	—	—	149,963
Total other capital assets	1,704,295,082	41,032,918	11,297,083	1,734,030,917
LESS ACCUMULATED DEPRECIATION/AMORTIZATION				
Buildings	497,090,196	37,649,483	853,547	533,886,132
Improvements other than buildings	55,752,756	4,452,357	—	60,205,113
Equipment	164,446,531	14,113,767	7,870,134	170,690,164
Library collections	68,282,200	1,643,113	—	69,925,313
Leased assets				
Land	35,302	37,512	—	72,814
Buildings	3,310,560	3,662,605	78,189	6,894,976
Equipment	219,177	265,557	3,208	481,526
Other	50,887	67,314	—	118,201
Total accumulated depreciation/amortization	789,187,609	61,891,708	8,805,078	842,274,239
Net other capital assets	915,107,473	(20,858,790)	2,492,005	891,756,678
CAPITAL ASSETS - SUMMARY				
Capital assets not depreciated	142,669,490	96,225,274	23,278,775	215,615,989
Other capital assets at cost	1,704,295,082	41,032,918	11,297,083	1,734,030,917
Total cost of capital assets	1,846,964,572	137,258,192	34,575,858	1,949,646,906
Less accumulated depreciation/amortization	789,187,609	61,891,708	8,805,078	842,274,239
Net capital assets	$1,057,776,963	$75,366,484	$25,770,780	$1,107,372,667

G. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2022, accounts payable and accrued liabilities consisted of: *(Figure G.1)*

Figure G.1	
Salaries and benefits payable	$ 50,457,160
Salaries and benefits payable due to primary government	3,938,582
Due to primary government	3,116,258
Suppliers payable	28,260,240
Interest payable	1,843,841
Other	40,667
Total accounts payable and accrued liabilities	$ 87,656,748

H. BONDS, NOTES, AND OTHER NONCURRENT LIABILITIES

The outstanding balance of bonds defeased and refunded in current and prior years totaled $44,570,000 at June 30, 2022. The bond liabilities of the defeased and refunded bonds are not included on the balance sheet.

Revenues pledged for payment of bonds and contracts include the net revenue of auxiliary enterprises, land-grant funds, specific student fees, and reimbursed facilities and administrative costs.

Bonds and notes payable outstanding at June 30, 2022, were: *(Figure H.1)*

Figure H.1	
BONDS PAYABLE	
Stadium/Spectrum and Student Recreation Bonds	
Series 2013 2.00%-4.00%, 2013-2026, $8,405,000	$ 3,170,000
Series 2013B 3.00%-5.00%, 2014-2023, $43,310,000	940,000
Series 2015 3.00%-5.00%, 2016-2046, $23,900,000	21,070,000
Series 2017 2.00%-5.00%, 2018-2045, $38,825,000	38,225,000
Total Stadium/Spectrum and Student Recreation Bonds	63,405,000
Student Housing System Revenue Bonds	
Series 2007 4.00%-5.25%, 2007-2035, $39,155,000	29,530,000
Series 2015 3.00%-5.00%, 2016-2038, $24,455,000	20,225,000
Series 2016 2.50%-5.00%, 2017-2046, $19,540,000	17,020,000
Series 2019 2.125%-5.00%. 2020-2052, $54.995.000	54,800,000
Total Student Housing System Revenue Bonds	121,575,000
Research Revenue Bonds	
Series 2015 1.17%-4.75%, 2016-2047, $19,500,000	17,605,000
Series 2015B 3.00%-5.00%, 2016-2031, $13,145,000	10,385,000
Series 2016 1.025%-4.049%, 2017-2027, $10,135,000	1,225,000
Series 2018B 3.00%-5.00%, 2018-2050, $32,210,000	31,100,000
Series 2019A 1.88%, 2020-2028, $5,745,000	3,910,000
Series 2019B 2.60%-5.00%, 2020-2052, $61,865,000	61,835,000
Series 2021 2.00%-5.00%, 2022-2038, $8,605,000	8,605,000
Total Research Revenue Bonds	134,665,000
Total bonds payable	319,645,000
NOTES PAYABLE	
Bank of America, 2.54%, 2014-2024	1,932,898
Capital One Public Finance, 3.89%, 2014-2029	605,650
State of Utah, 0%, 2018-2023	36,797
State of Utah, 0%, 2021-2028	390,800
State of Utah, 0%, 2022-2025	89,306
SunTrust Leasing Corp., 2.72%, 2013-2023	203.547
Zions Bank, 1.35%, 2021-2028	1,034,011
Zions Bank, 2.13%, 2022-2027	800,000
Total notes payable	5,093,009
Total bonds and notes payable	324,738,009
UNAMORTIZED PREMIUMS, REOFFERING PREMIUMS (RP), AND DISCOUNTS ON BONDS	
2007 Bonds - RP	1,793,845
2013 Bonds - RP	171,566
2013B Bonds - premium	2,237
2015 (building) Bonds - premium	395,208
2015 (housing) Bonds - premium	585,293
2015 (research) Bonds - discount	(67,208)
2015B (research) Bonds - premium	1,065,839
2016 (housing) Bonds - premium	670,822
2017 (building) Bonds - premium	951,364
2018B (research) Bonds - premium	1,327,397
2019 (housing) Bonds - premium	3,446,603
2019B (research) Bonds - premium	3,725,565
2021 (research) Bonds - premium	1,058,300
Total unamortized premiums, RPs, and discounts on bonds	15,126,831
Total bonds and notes payable including net unamortized premiums, RPs, and discounts on bonds	$ 339,864,840

The changes in bonds and notes payable for the fiscal year ended June 30, 2022, were: *(Figure H.2)*

Figure H.2

	Bonds	Notes	Total Payable	Unamortized Premiums and Discounts	Total Net of Premiums and Discounts
June 30, 2021	$319,260,000	$5,696,252	$324,956,252	$14,805,309	$339,761,561
Additions	8,605,000	1,038,682	9,643,682	1,101,374	10,745,056
Reductions	(8,220,000)	(1,641,925)	(9,861,925)	(779,852)	(10,641,777)
June 30, 2022	$319,645,000	$5,093,009	$324,738,009	$15,126,831	$339,864,840

The University has complied with the restrictive covenants of its bond agreements. Amounts due on bonds, notes, and leases payable in future years are: *(Figure H.3)*

Figure H.3

Fiscal Years	Bonds	Bonds Interest	Notes	Notes Interest	Leases	Leases Interest	Total Amount Required
2023	$10,345,000	$11,581,435	$1,700,600	$91,612	$2,686,602	$928,469	$27,333,718
2024	11,200,000	11,117,609	1,493,575	56,387	1,974,496	870,787	26,712,854
2025	11,685,000	10,611,079	513,200	33,782	1,010,525	824,395	24,677,981
2026	12,200,000	10,092,707	499,824	24,457	887,089	791,202	24,495,279
2027	11,905,000	9,546,652	509,330	14,887	694,479	758,033	23,428,381
2028-2032	62,785,000	39,816,887	376,480	6,407	2,735,297	3,381,593	109,101,664
2033-2037	62,765,000	27,835,191	—	—	4,318,016	2,426,205	97,344,412
2038-2042	53,370,000	18,294,491	—	—	6,480,220	962,221	79,106,932
2043-2047	53,045,000	9,032,740	—	—	—	—	62,077,740
2048-2052	30,345,000	2,223,837	—	—	—	—	32,568,837
Totals	$319,645,000	$150,152,628	$5,093,009	$227,532	$20,786,724	$10,942,905	$506,847,798

The changes in liabilities for the year ended June 30, 2022, were: *(Figure H.4)*

Figure H.4

	June 30, 2021	Additions	Reductions	June 30, 2022	Amounts Due Within One Year
BONDS AND NOTES PAYABLE INCLUDING NET UNAMORITIZED PREMIUMS, RPs, AND DISCOUNTS ON BONDS					
Bonds payable including net unamortized premiums, RPs, and discounts	$334,065,309	$9,706,374	($8,999,852)	$334,771,831	$10,345,000
Notes payable	5,299,359	800,000	(1,523,253)	4,576,106	1,561,270
Notes payable to primary government	396,893	238,682	(118,672)	516,903	139,330
Total bonds and notes payable	339,761,561	10,745,056	(10,641,777)	339,864,840	12,045,600
OTHER NONCURRENT LIABILITIES					
Liability for compensated absenses	28,586,604	17,204,692	(17,099,684)	28,691,612	16,878,867
Liability for early retirement	23,450,799	9,952,947	(8,369,089)	25,034,657	8,950,061
Other liabilities	33,123,328	(87,278)	(5,295,562)	27,740,488	4,389,668
Net pension liability	313,265	—	(313,265)	—	—
Total other noncurrent liabilities	85,473,996	27,070,361	(31,077,600)	81,466,757	30,218,596
Total noncurrent liabilities	$425,235,557	$37,815,417	($41,719,377)	$421,331,597	$42,264,196

I. PLEDGED BOND REVENUE

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

Student Fee and Housing System is comprised of the net revenue from specific auxiliary enterprises and student building fee assessments. The Student Fee and Housing System includes all University housing, Parking Services, certain University Dining Services operations, the net revenues of the Taggart Student Center, Student Building Fees specifically identified in the bond resolution, and land-grant revenues. The University has pledged future net revenues of the Student Fee and Housing System to repay $39,155,000, $24,455,000, $19,540,000, and $54,995,000 in bonds issued in May 2007, September 2015, July 2016, and August 2019, respectively. Proceeds from the 2007 bonds were used to refund bonds issued in 2004 that were issued to provide financing for the construction and renovation of six Student Fee and Housing System buildings, a parking structure, and a dining facility. Proceeds from the 2015 bonds provided financing for the construction of a Student Fee and Housing System building. Proceeds from the 2016 bonds were used to acquire three apartment buildings and associated land. Proceeds from the 2019 bonds provided financing for the construction of a student housing building and a parking structure. Student Fee and Housing System annual net revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is $175,151,470. The bonds are payable solely from the Student Fee and Housing System and are payable through 2052.

Student Fee Stadium/Spectrum Recreation Facilities System is comprised of those

Navajo Hogan — USU Blanding

student fees specifically identified in the bond resolution and paid by students for the use and availability of the facilities. The University has pledged future revenues of the specifically identified student fees to repay $8,405,000, $43,310,000, $23,900,000, and $38,825,000 in bonds issued in March 2013, August 2013, July 2015, and December 2017, respectively. Proceeds from the 2013 bonds were used to refund a portion of the bonds issued in 2004 that were issued to provide financing for renovating and remodeling portions of the University's football stadium and a student recreation center. Proceeds from the 2013B bonds provided financing for a portion of the cost of constructing, equipping, and furnishing a student recreation center and a facility for basketball practice and volleyball competition. Proceeds from the 2015 bonds provided financing for the construction and renovation of facilities at the University's football stadium. Proceeds from the 2017 bonds were used to refund a portion of the 2013B bonds. Student fee revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is $91,388,472. The bonds are payable solely from the Student

Fee Stadium/Spectrum Recreation Facilities System and are payable through 2046.

Research Revenue System is comprised of the revenue generated from the recovery of allocated facilities and administration costs to contracts and grants based on federally approved negotiated rate agreements. The University has pledged future revenues of the Research Revenue System to repay $19,500,000, $13,145,000, $10,135,000, $32,210,000, $5,745,000, $61,865,000, and $8,605,000 in bonds issued in October 2015, December 2015, July 2016, June 2018, October 2019, December 2019, and December 2021, respectively. Proceeds from the 2015B bonds were used to refund a portion of the bonds issued in 2009 that were issued to provide financing for the cost of constructing two research facilities located at the University's main campus and the Vernal, Utah campus. Proceeds from the 2015 and 2016 bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2018B bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2019A bonds were used to refund the 2018A bonds that were used to acquire a building and associated land located in Salt Lake County, Utah. Proceeds from the 2019B bonds provided financing for the construction of two research facilities on the USU Innovation Campus, and to refund a portion of the 2016 bonds. Proceeds from the 2021 bonds provided financing for the construction of an addition to the Electric Vehicle and Roadway Facility on the USU Innovation Campus. Research Revenue System revenues are projected to produce at least 250 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is $203,257,685. The bonds are payable solely from the Research Revenue System and are payable through 2052.

The net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2022, was: *(Figure I.1)*

Figure I.1

	Student Fee and Housing System	Student Fee Stadium/ Spectrum Recreation Facilities System	Research Revenue System
REVENUE			
Operating revenue/gross profit	$31,247,523	$6,360,884	$72,265,158
Nonoperating revenue	277,067	—	—
Total revenue	31,524,590	6,360,884	72,265,158
EXPENSES			
Operating expenses	18,035,898	—	—
Total expenses	18,035,898	—	—
Net pledged revenue	$13,488,692	$6,360,884	$72,265,158
PRINCIPAL PAID AND INTEREST EXPENSE	$6,351,509	$4,706,455	$6,599,565
DEBT SERVICE RATIO	2.12x	1.35x	10.95x

J. PENSION PLANS AND RETIREMENT BENEFITS

Eligible employees of the University are covered by the Utah Retirement Systems (Systems), Teachers Insurance and Annuity Association (TIAA), and/or Fidelity Investments (Fidelity). Employees may also participate in defined contribution plans consisting of 401(k) and 457 plans managed by the Systems, TIAA, or Fidelity.

DEFINED BENEFIT PENSION PLANS

Eligible employees of the University are provided with the following defined benefit pension plans (cost-sharing, multiple-employer plans) administered by the Utah Retirement Systems:

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)
- Public Safety Retirement System (Public Safety System)
- Tier 2 Public Safety and Firefighter Contributory Retirement Systems (Tier 2 Public Safety and Firefighters System)

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System. The University began participating in the Tier 2 Public Safety and Firefighter System in 2017.

The Utah Retirement Systems are established and governed by the respective sections of Title 49 of the Utah Code. The Systems' defined benefit plans are amended statutorily by the Utah Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the board, whose members are appointed by the governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems 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. The Utah Retirement Systems issues a publicly available financial report that may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided: The Systems provide retirement, disability, and death benefits to participants in the defined benefit pension plans.

Retirement benefits for each defined benefit plan are: *(Figure J.1)*

Figure J.1

	Final Average Salary	Year of Service Required and/or Age Eilgible for Benefit	Benefit Percent per Year of Service	COLA**
SYSTEM				
Tier 1 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 4.0%
Tier 1 Contributory System	Highest 5 years	30 years any age 20 years any 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 4.0%
Tier 2 Contributory 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%
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; 2.0% per year over 20 years	Up to 2.5% or 4.0% depending upon employer
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	1.50% per year to June 30, 2020; 2.00% per year July 1, 2020 to present	Up to 2.5%

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Systems' board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. For the year ended June 30, 2022, the University required contribution rates for the plans were: *(Figure J.2)*

Figure J.2

	Rates Paid by University for Employee	University Contribution Rates
SYSTEM		
Tier 1 Noncontributory System	N/A	22.19%
Tier 1 Contributory System	6%	17.70%
Tier 2 Contributory System*	N/A	19.40%
Public Safety System	N/A	41.35%
Tier 2 Public Safety and Firefighter System*	2.27%	32.54%

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

For the year ended June 30, 2022, the University and employee contributions to the plans were: *(Figure J.3)*

Figure J.3	University's Contributions	Employees' Contributions
SYSTEM		
Tier 1 Noncontributory System	$7,719,079	N/A
Tier 1 Contributory System	14,075	$ —
Tier 2 Contributory System*	1,496,901	—
Public Safety System	124,645	—
Tier 2 Public Safety and Firefighter System*	76,035	—
Total contributions	$ 9,430,735	$ —

**Contributions reported are the Utah State Retirement Board-approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.*

Combined Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the University reported a net pension asset of $45,378,922 and a net pension liability of $0. The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The University's proportion of the net pension asset and liability was based upon actual historical employer contributions to defined benefit pension plans for pay periods ending in 2021. At December 31, 2021, the University's net pension asset and liability were: *(Figure J.4)*

Figure J.4	December 31, 2021			December 31, 2020	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	Change
SYSTEM					
Tier 1 Noncontributory System	$ 44,258,458	$ —	18.0066088%	18.0066088%	—%
Tier 1 Contributory System	611,931	—	2.1724046%	4.2543835%	(2.0819789%)
Tier 2 Contributory System	174,957	—	0.4122766%	0.4810823%	(0.0688057%)
Public Safety System	329,072	—	0.3589824%	0.3650842%	(0.0061018%)
Tier 2 Public Safety and Firefighter System	4,504	—	0.0891183%	0.0848546%	0.0042637%
Total net pension asset/ liability	$ 45,378,922	$ —			

For the year ended June 30, 2022, the University recognized pension expense of $19,930,504. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from these sources: *(Figure J.5)*

Figure J.5

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$99,757	$10,882,490
Changes in assumptions	2,374,965	2,455
Net difference between projected and actual earnings on pension plan investments	—	47,364,536
Changes in proportion and differences between contributions and proportionate share of contributions	129,321	406,547
Contributions subsequent to the measurement date	4,834,571	—
Total	$7,438,614	$58,656,028

Contributions made between January 1, 2022, and June 30, 2022, of $4,834,571 were reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of 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 in pension expense. *(Figure J.6)*

Figure J.6

Years Ended December 31	Deferred Outflows (Inflows) of Resources
2022	($20,680,090)
2023	($16,436,856)
2024	($11,538,054)
2025	($7,559,792)
2026	$31,162
Thereafter	$131,644

Actuarial Assumptions: The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: *(Figure J.7)*

Figure J.7

Inflation	2.5%	
Salary increases	3.25%–9.25%	Average, including inflation
Investment rate of return	6.85%	Net of pension plan investment expense, including inflation

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

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

Changes in Assumptions: The investment return assumption was decreased by 0.10 percent to 6.85 percent for use in the January 1, 2021, actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Systems' Board. In aggregate, this assumption change resulted in a $509 million increase in the total pension liability, which is about 1.3 percent of the total pension liability as of December 31, 2020, for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020, actuarial valuation and are currently scheduled to be reviewed in the year 2023.

The long-term expected rate of return on defined benefit 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: *(Figure J.8)*

The 6.85 percent assumed investment rate of return is comprised of an inflation rate of 2.5 percent and a real return of 4.35 percent that is net of investment expense.

Discount Rate: The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension plan's fiduciary

Figure J.8 — Expected Return Arithmetic Basis

	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
ASSET CLASS			
Equity securities	37%	6.58%	2.43%
Debt securities	20%	(0.28%)	(0.06%)
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and cash equivalents	—%	(1.01%)	—%
Total	100%		4.89%
Inflation			2.50%
Expected arithmetic nominal return			7.39%

net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95 percent to 6.85 percent from the prior measurement date.

Sensitivity of the University's Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate: The proportionate share of the net pension asset and liability were calculated using the discount rate of 6.85 percent, as well as what the proportionate share would be if calculated using a discount rate that is 1 percentage point lower (5.85%) or 1 percentage point higher (7.85%) than the current rate: *(Figure J.9)*

Figure J.9	Proportionate Share of Net Pension Liability (Asset)		
	1% Decrease 5.85%	Discount Rate 6.85%	1% Increase 7.85%
SYSTEM			
Tier 1 Noncontributory System	$2,743,555	($44,258,458)	($83,567,009)
Tier 1 Contributory System	(292,443)	(611,931)	(886,294)
Tier 2 Contributory System	1,042,428	(174,957)	(1,109,656)
Public Safety System	435,757	(329,072)	(957,372)
Tier 2 Public Safety and Firefighter System	36,135	(4,504)	(36,767)
Total net pension liability	$3,965,432	($45,378,922)	($86,557,098)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Systems' financial report.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required employer contributions and associated earnings are vested after four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

401(k), Tier 2 DC, and 457 Plans: For employees participating in defined benefit plans, the University is also required to contribute 0.62 percent of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 Public Employee or Public Safety and Firefighter defined contribution plans (Tier 2 DC), the University is required to contribute 20.02 or 32.54 percent of the employees' salary of which 10 or 14 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Systems, as required by law.

TIAA and/or Fidelity: TIAA and/or Fidelity provide individual defined contribution retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts 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 individual contracts and the estimated life expectancy of the employee at retirement. The University's contribution to this multiple employer defined contribution plan is 14.2 percent of the employees' annual salary. The University has no further liability once annual contributions are made.

Employees can make additional contributions to defined contribution plans subject to limitations. Contributions to the defined contribution plans for the fiscal year ending June 30, 2022, were: *(Figure J.10)*

Figure J.10

	University's Contributions	Employees' Contributions
DEFINED CONTRIBUTION PLANS		
Tier 2 Defined Contribution Plan	$289,331	$—
401 (k) Plan	$939,078	$1,022,220
457 Plan and other individual plans	$—	$146,450
TIAA, Fidelity, and/or other investment companies	$44,573,985	$12,900,384

K. TERMINATION BENEFITS

The University provides an early retirement option to employees who qualify and are approved by administration in accordance with University policy. This option is available to all employees whose accumulated age and years of service are equal to or greater than 75, that have met the minimum age requirements, and where early retirement is in the mutual best interest of the employee and the University.

The policy provides two mutually exclusive early retirement options for eligible employees; either six years (16.67 percent of base salary per year) or five years (20 percent of base salary per year). The six-year option requires a minimum age of 56 and the five-year option requires a minimum age of 57. Benefits include a monthly stipend equal to the agreed upon percent of the retiree's salary at the time of active employment along with medical and dental insurance.

The projected future cost of these stipends and the medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 1.1 percent (University), 3.35 percent (SDL) for stipends and 6.9 - 18.6 percent (University), 10 percent (SDL) for medical and dental premiums. These increases are based on historical data. The premiums for medical and dental benefits have also been increased by an age adjusted factor of 3.32. The net present value of the total projected costs is calculated using the estimated yield of 2.19 percent (University) and 1.3 percent (SDL). The net present value is the amount recognized on the financial statements as the liability for early retirement.

At June 30, 2022, there were 173 participants in the early retirement program. The program is funded on a pay-as-you-go basis from current funds. Payments for the stipends and insurance benefits for the fiscal year ending June 30, 2022, were $2,370,561 and $1,640,089, respectively.

L. RISK MANAGEMENT

GENERAL LIABILITY INSURANCE

The University maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to $10 million per occurrence through policies administered and purchased by the Utah State Risk Management Fund. The University also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of $2,500 per occurrence. Coverage includes business interruption caused by fire or other insurable perils with the Utah State Risk Management Fund. All University employees are covered by worker's compensation insurance, including employer's liability coverage through WCF Insurance.

SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

The University has a self-insurance fund for employee health and dental care. In addition, the University has purchased a stop-loss insurance policy to cover specific participant medical/Rx claims exceeding $425,000 per term, an aggregating specific stop-loss deductible of $600,000 per term, and a laser deductible of $900,000 per term. This policy also covers aggregate claims exceeding 125 percent of expected claims up to $10 million. GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements. The estimated claims liability is based upon past experience adjusted for current trends. The estimate reflects the ultimate cost of settling the claims. The University's estimated self-insurance claims liability at June 30, 2022, and June 30, 2021, were: *(Figure L.1)*

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

CONTINGENCIES

The University has been named in several lawsuits where litigation is pending. It is unlikely that any judgments against the University will be established or would otherwise be material in nature. Most lawsuits are such that any financial settlement would be covered primarily by insurance held by the University through the State's Division of Risk Management.

The Space Dynamics Laboratory has a bank revolving line of credit with a limit of $9 million. At June 30, 2022, the outstanding balance was zero. The line of credit bears interest at an initial rate of 3.75 percent, and is currently prime rate plus 0.5 percent, is unsecured, due on demand, and expires on October 31, 2022.

COMMITMENTS

At June 30, 2022, the University had outstanding construction commitments of approximately $28.6 million.

Figure L.1

	2022	2021
Estimated claims liability at beginning of year	$7,117,618	$5,852,566
Current year claims and changes in estimates	69,313,533	65,156,179
Claim payments, including related legal and administrative expenses	(67,970,089)	(63,891,127)
Estimated claims liability at end of year	$8,461,062	$7,117,618

M. NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by natural and functional classifications for the fiscal year ended June 30, 2022, were: *(Figure M.1)*

Figure M.1	Natural Classification					
	Salaries and Wages	Employee Benefits	Other Operating Expenses	Scholarships and Fellowships	Depreciation and Amortization	Total
FUNCTIONAL CLASSIFICATION						
Instruction	$134,829,615	$58,287,333	$28,049,269	$—	$—	$221,166,217
Research	97,461,477	48,498,611	93,937,253	—	—	239,897,341
Public service	39,119,435	14,418,128	34,982,071	—	—	88,519,634
Academic support	26,893,384	11,952,523	8,556,041	—	—	47,401,948
Student services	16,759,105	7,011,112	8,126,874	—	—	31,897,091
Institutional support	54,743,630	28,118,579	14,592,055	—	—	97,454,264
Operation and maintenance	18,181,139	7,539,378	27,576,873	—	—	53,297,390
Scholarships and fellowships	—	—	—	55,214,286	—	55,214,286
Service departments	6,663,848	3,594,526	(9,628,413)	—	—	629,961
Auxiliary enterprises	21,481,535	7,956,409	25,301,054	—	—	54,738,998
Depreciation and amortization	—	—	—	—	61,891,708	61,891,708
Total operating expenses	$416,133,168	$187,376,599	$231,493,077	$55,214,286	$61,891,708	$952,108,838

N. BLENDED PRESENTATION OF COMPONENT UNITS

The following is a condensed version of the Utah State University Space Dynamics Laboratory's, Utah State University Foundation's, and Hansen Scholars Support Foundation's financial statements for the fiscal year ended June 30, 2022: *(Figure N.1, N.2, and N.3)*

COMPONENT UNITS
CONDENSED STATEMENT OF NET POSITION
June 30, 2022

Figure N.1

	SDL	Foundation	HSSF	Total Changes	Total
ASSETS					
Current assets	$83,614,268	$115,451,485	$528,070	($16,276)	$199,577,547
Noncurrent assets	172,434,747	1,290,938	12,848,234	(13,355,677)	173,218,242
Total assets	256,049,015	116,742,423	13,376,304	(13,371,953)	372,795,789
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized refunding losses on bonds	1,055,872	—	—	(1,055,872)	—
Resources related to pensions	688,464	—	—	—	688,464
Total deferred outflows of resources	1,744,336	—	—	(1,055,872)	688,464
LIABILITIES					
Current liabilities	37,635,304	—	—	(5,255,734)	32,379,570
Noncurrent liabilities	145,968,668	—	—	(118,117,962)	27,850,706
Total liabilities	183,603,972	—	—	(123,373,696)	60,230,276
DEFERRED INFLOWS OF RESOURCES					
Leases	168,848	—	—	—	168,848
Resources related to pensions	5,585,029	—	—	—	5,585,029
Total deferred inflows of resources	5,753,877	—	—	—	5,753,877
NET POSITION					
Net investment in capital assets	28,324,689	—	—	106,906,413	135,231,102
Restricted — nonexpendable	—	97,028,986	—	—	97,028,986
Restricted — expendable	—	19,713,437	13,376,304	—	33,089,741
Unrestricted	40,110,813	—	—	2,039,458	42,150,271
Total net position	$68,435,502	$116,742,423	$13,376,304	$108,945,871	$307,500,100

COMPONENT UNITS
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2022

Figure N.2

	SDL	Foundation	HSSF	Total Changes	Total
OPERATING REVENUES					
Project revenues	$158,769,035	$—	$—	$—	$158,769,035
Project unit indirect costs, general and administrative costs, and cost of money	54,811,427	—	—	—	54,811,427
Project fees	14,511,218	—	—	—	14,511,218
Administrative reimbursement, USU	80,114	—	—	(80,114)	—
Other	1,398,029	—	—	—	1,398,029
Total operating revenues	229,569,823	—	—	(80,114)	229,489,709
OPERATING EXPENSES					
Salaries and wages	86,094,360	—	—	—	86,094,360
Employee benefits	52,436,816	—	—	—	52,436,816
Subcontracts	29,717,245	—	—	(298,958)	29,418,287
Depreciation and amortization	11,926,731	—	—	—	11,926,731
Research support to USU	425,673	—	—	(425,673)	—
Other	38,209,727	—	752,150	(2,686,834)	36,275,043
Total operating expenses	218,810,552	—	752,150	(3,411,465)	216,151,237
Operating income (loss)	10,759,271	—	(752,150)	3,331,351	13,338,472
NONOPERATING REVENUES (EXPENSES)					
Other – net	(4,918,968)	(2,686,173)	5,130,458	4,371,224	1,896,541
Total nonoperating revenues (expenses)	(4,918,968)	(2,686,173)	5,130,458	4,371,224	1,896,541
Income (loss) before other revenues	5,840,303	(2,686,173)	4,378,308	7,702,575	15,235,013
OTHER REVENUES					
Additions to permanent endowments	—	9,772,724	—	—	9,772,724
Total other revenues	—	9,772,724	—	—	9,772,724
Increase in net position	5,840,303	7,086,551	4,378,308	7,702,575	25,007,737
Net position – beginning of year	63,110,757	109,655,872	8,997,996	101,243,296	283,007,921
Adjustments to beginning net position	(515,558)	—	—	—	(515,558)
Net position – beginning of year as adjusted	62,595,199	109,655,872	8,997,996	101,243,296	282,492,363
Net position – end of year	$68,435,502	$116,742,423	$13,376,304	$108,945,871	$307,500,100

COMPONENT UNITS
CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

Figure N.3

	SDL	Foundation	HSSF	Total Changes	Total
NET CASH PROVIDED (USED) BY:					
(1) Operating activities	$22,780,945	$—	($752,150)	$20,296,074	$42,324,869
(2) Noncapital financing activities	—	11,956,057	—	—	11,956,057
(3) Capital and related financing activities	(38,039,349)	—	—	7,586,224	(30,453,125)
(4) Investing activities	54,238	(11,956,057)	709,551	—	(11,192,268)
Net Increase (decrease) in cash and cash equivalents	(15,204,166)	—	(42,599)	27,882,298	12,635,533
Cash and cash equivalents – beginning of year	66,384,002	—	570,669		66,954,671
Cash and cash equivalents – end of year	$51,179,836	$—	$528,070		$79,590,204

O. PRIOR PERIOD ADJUSTMENT OF NET POSITION

The University implemented GASB Statement No. 87, *Leases*, that requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

As a result, the University's fiscal year 2022 beginning net position was decreased ($80,658). As a lessee, the University has recorded a lease liability of $23,447,809 and an intangible right-to-use lease asset of $22,978,010. As a lessor, the University has recorded a lease receivable of $15,574,119 and a deferred inflow of resources of $15,320,678. See Notes E, F, and H for further information regarding leases.

P. SUBSEQUENT EVENT

In July of 2022, the University's $7,233,000 Student Building Fee Revenue Bonds, Series 2022, were issued for the purpose of financing the costs of construction of improvements to Maverik Stadium and paying certain costs associated with the issuance of the 2022 bonds.

Dale and Adele Young Teaching Greenhouse

REQUIRED SUPPLEMENTARY **INFORMATION**

Aviation Technology Student at Logan-Cache Airport

Required supplementary information is to accompany the basic financial statements and is considered an essential part of financial reporting.


FLIGHT INSTRUCTOR
UtahStateUniversity

PROPORTIONATE SHARE OF NET PENSION LIABILITY
As of December 31

	2021	2020	2019
TIER 1 NONCONTRIBUTORY SYSTEM			
Proportion of net pension liability (asset)*	18.0066090%	18.0066087%	18.2217407%
Proportionate share of net pension liability (asset)	($44,258,458)	($17,759,675)	$21,374,650
Covered payroll	$35,716,376	$37,364,131	$38,736,450
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(123.92%)	(47.53%)	55.18%
Plan fiduciary net position as a percentage of total pension liability	111.8% and 214.5%**	104.7% and 199.0%**	94.20%
TIER 1 CONTRIBUTORY SYSTEM			
Proportion of net pension liability (asset)*	2.1724046%	4.2543835%	6.5176415%
Proportionate share of net pension liability (asset)	($611,931)	($903,756)	($367,485)
Covered payroll	$78,740	$189,163	$338,696
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(777.15%)	(477.77%)	(108.50%)
Plan fiduciary net position as a percentage of total pension liability	117.60%	113.10%	103.60%
TIER 2 CONTRIBUTORY SYSTEM			
Proportion of net pension liability (asset)	0.4133773%	0.4810839%	0.5536911%
Proportionate share of net pension liability (asset)	($174,957)	$69,193	$124,529
Covered payroll	$7,677,902	$7,694,051	$—
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(2.28%)	0.90%	—%
Plan fiduciary net position as a percentage of total pension liability	103.80%	98.30%	96.50%
PUBLIC SAFETY SYSTEM			
Proportion of net pension liability (asset)	0.3589824%	0.3650843%	0.3199232%
Proportionate share of net pension liability (asset)	($329,072)	$236,460	$472,439
Covered payroll	$668,816	$698,806	$583,817
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(49.20%)	33.84%	80.92%
Plan fiduciary net position as a percentage of total pension liability	105.70%	95.80%	90.00%
TIER 2 PUBLIC SAFETY AND FIREFIGHTER SYSTEM			
Proportion of net pension liability (asset)	0.0891183%	0.0848581%	0.0694755%
Proportionate share of net pension liability (asset)	($4,504)	$7,611	$6,535
Covered payroll	$213,116	$168,197	$114,529
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(2.11%)	4.53%	5.71%
Plan fiduciary net position as a percentage of total pension liability	102.80%	93.10%	89.60%

**The change in the proportion of net pension liability (asset) in 2019 is due to Utah Retirement Systems creating a separate pool for higher education.*

***The University's Plan fiduciary net position as a percentage of total pension liability is 111.8% and SDL's percentage is 214.5%.*

PROPORTIONATE SHARE OF NET PENSION LIABILITY (continued)

As of December 31

2018	2017	2016	2015	2014
1.3784832%	1.4130362%	1.4648385%	1.4867052%	1.4526055%
$51,286,704	$34,553,853	$47,474,199	$46,701,668	$36,497,130
$37,966,324	$37,654,734	$38,162,282	$37,975,366	$37,798,518
135.08%	91.76%	124.40%	122.98%	96.56%
84.10%	89.20%	84.90%	84.50%	87.20%
2.1063074%	1.8581414%	1.6628695%	1.3777110%	1.2745733%
$1,495,487	$122,273	$911,182	$863,346	$139,755
$408,779	$422,780	$445,761	$436,427	$460,897
365.84%	28.92%	204.41%	197.82%	30.32%
91.40%	99.20%	93.40%	92.40%	98.70%
0.6526196%	0.8092727%	1.1108095%	1.4678273%	1.5274314%
$279,503	$71,351	$123,920	($3,204)	($46,288)
$7,628,237	$7,926,941	$9,109,512	$9,484,328	$7,493,666
3.66%	0.90%	1.36%	(0.03%)	(0.62%)
90.80%	97.40%	95.10%	100.20%	103.50%
0.3271828%	0.3490530%	0.3459203%	0.3435487%	0.3425260%
$783,194	$606,957	$739,607	$739,614	$636,495
$609,931	$604,061	$636,766	$607,776	$566,992
128.41%	100.48%	116.15%	121.69%	112.26%
83.20%	87.40%	83.50%	82.30%	84.30%
0.0505758%	0.0319725%	0.0069305%	N/A	N/A
$1,267	($370)	($60)	N/A	N/A
$67,358	$33,753	$5,726	N/A	N/A
1.88%	(1.10%)	(1.05%)	N/A	N/A
95.60%	103.00%	103.60%	N/A	N/A

Note: The University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, *in fiscal year 2015. Information on the University's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.*

	2022	2021	2020	2019
TIER 1 NONCONTRIBUTORY SYSTEM				
Contractually required contribution	$7,719,079	$7,850,983	$8,297,399	$8,392,320
Contributions in relation to the contractually required contribution	7,719,079	7,850,983	8,297,399	8,392,320
Contribution deficiency (excess)	$—	$—	$—	$—
Covered payroll	$35,569,733	$36,326,122	$38,406,937	$38,370,432
Contributions as a percentage of covered payroll	21.70%	21.61%	21.60%	21.87%
TIER 1 CONTRIBUTORY SYSTEM*				
Contractually required contribution	$14,075	$15,867	$54,537	$64,560
Contributions in relation to the contractually required contribution	14,075	15,867	54,537	64,560
Contribution deficiency (excess)	$—	$—	$—	$—
Covered payroll	$79,519	$89,643	$308,117	$413,387
Contributions as a percentage of covered payroll	17.70%	17.70%	17.70%	15.62%
TIER 2 CONTRIBUTORY SYSTEM**				
Contractually required contribution	$1,496,901	$1,457,778	$1,469,907	$1,463,112
Contributions in relation to the contractually required contribution	1,496,901	1,457,778	1,469,907	1,463,112
Contribution deficiency (excess)	$—	$—	$—	$—
Covered payroll	$7,716,000	$7,619,140	$7,737,083	$7,753,638
Contributions as a percentage of covered payroll	19.40%	19.13%	19.00%	18.87%
PUBLIC SAFETY SYSTEM				
Contractually required contribution	$124,645	$142,044	$149,721	$145,397
Contributions in relation to the contractually required contribution	124,645	142,044	149,721	145,397
Contribution deficiency (excess)	$—	$—	$—	$—
Covered payroll	$643,351	$681,500	$661,372	$575,853
Contributions as a percentage of covered payroll	19.37%	20.84%	22.64%	25.25%
TIER 2 PUBLIC SAFETY AND FIREFIGHTER SYSTEM**				
Contractually required contribution	$76,035	$60,427	$37,445	$30,156
Contributions in relation to the contractually required contribution	76,035	60,427	37,445	30,156
Contribution deficiency (excess)	$—	$—	$—	$—
Covered payroll	$233,665	$185,698	$125,486	$101,194
Contributions as a percentage of covered payroll	32.54%	32.54%	29.84%	29.80%

**The Tier 2 Public Employees System (Tier 2) was created in fiscal year 2012. However, the contractually required contributions and covered payroll for Tier 2 were included in the Contributory System for fiscal years 2012 and 2013, since prior to the implementation of GASB Statement No. 68,* Accounting and Financial Reporting for Pensions, *Tier 2 information was not separately available.*

***Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.*

SCHEDULE OF CONTRIBUTIONS TO THE UTAH RETIREMENT SYSTEMS (continued)

For Fiscal Years Ending June 30

2018	2017	2016	2015	2014	2013
$8,221,506	$8,329,180	$8,355,894	$9,328,000	$7,664,202	$6,949,647
8,221,506	8,329,180	8,355,894	9,328,000	7,664,202	6,949,647
$—	$—	$—	$—	$—	$—
$37,531,241	$37,968,122	$37,998,840	$37,836,787	$35,009,064	$36,016,837
21.91%	21.94%	21.99%	24.65%	21.89%	19.30%
$75,098	$77,250	$78,211	$102,041	$604,902	$416,961
75,098	77,250	78,211	102,041	604,902	416,961
$—	$—	$—	$—	$—	$—
$423,200	$436,438	$441,871	$430,553	$6,387,208	$4,212,028
17.75%	17.70%	17.70%	23.70%	9.47%	9.90%
$1,429,747	$1,514,256	$1,862,036	$694,490	N/A	N/A
1,429,747	1,514,256	1,862,036	694,490	N/A	N/A
$—	$—	$—	$—	N/A	N/A
$7,746,141	$8,300,188	$10,208,536	$8,337,218	N/A	N/A
18.46%	18.24%	18.24%	8.33%	N/A	N/A
$147,467	$181,751	$167,710	$162,713	$137,607	$138,459
147,467	181,751	167,710	162,713	137,607	138,459
$—	$—	$—	$—	$—	$—
$583,908	$632,820	$600,578	$582,052	$506,773	$528,817
25.26%	28.72%	27.92%	27.96%	27.15%	26.18%
$9,732	$4,820	N/A	N/A	N/A	N/A
9,732	4,820	N/A	N/A	N/A	N/A
$—	$—	N/A	N/A	N/A	N/A
$33,238	$16,500	N/A	N/A	N/A	N/A
29.28%	29.21%	N/A	N/A	N/A	N/A

Old Main Building

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